

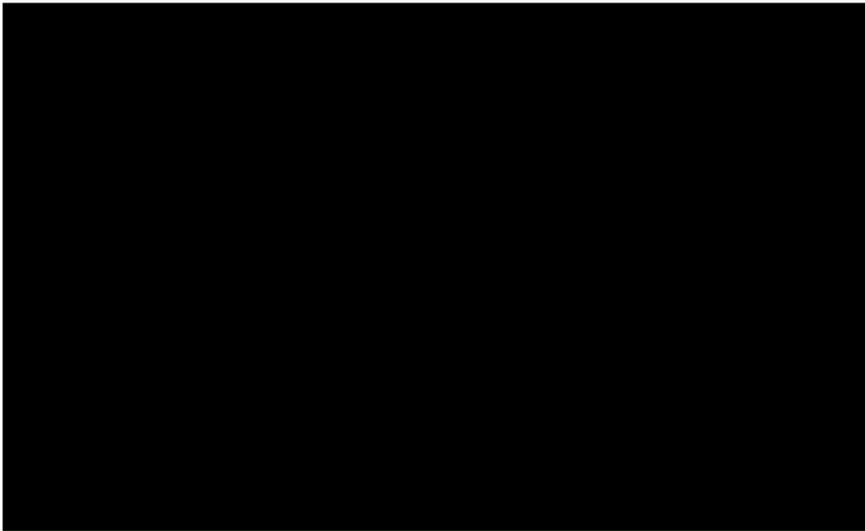
~~TOP SECRET~~

21 December 1962

SC No. 00624/62
Copy No. 338

CURRENT INTELLIGENCE WEEKLY REVIEW

(b)(1)
(b)(3)
(S)



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

~~NO FOREIGN DISSEM~~

APPROVED FOR RELEASE
DATE: MAY 2001

GROUP 1
Excluded from automatic downgrading
and declassification

~~TOP SECRET~~

47-226701

CURRENT INTELLIGENCE WEEKLY REVIEW

THE SITUATION IN BRAZIL

Hostility between the Goulart government in Brazil and its internal opponents appears to be increasing.

The army is evidently growing restless. A high-ranking officer [redacted] expects pressures for an anti-Goulart coup to become strong by next March.

Officers of the navy, the most conservative of Brazil's armed services, are incensed over the government's decision to award Navy Medals of Merit to a group of civilians including Raul Ryff, a Communist who is Goulart's press secretary, and Governor Leonel Brizola, Goulart's anti-US brother-in-law. Some 50 naval officers have returned their Medals of Merit in protest.

In Rio Grande do Sul a small anti-Communist group [redacted] is planning the early initiation of terrorist activities.

The Goulart government is evidently attempting to undermine anti-Communist Governor Lacerda in Guanabara State. The distribution of emergency rice supplies to combat a rice shortage was assigned to the

First Army, under leftist General Alves, rather than the governor. [redacted]

[redacted] that a plan exists "to knock off Lacerda" shortly in order to "shut up the man by any means."

[redacted] that a government move may also be under way to prevent the inauguration in January of a recently elected anti-Communist governor in Rio Grande do Sul, Goulart's home state.

The stability of the Goulart administration appears to depend to a considerable extent on its ability to surmount an imminent financial crisis. Commercial arrears mounted to \$99.5 million as of 30 November -- a sum which excludes \$35.4 million in a consolidated overdue petroleum account postponed to 1963. Brazil's official projection of its balance of payments deficit for 1963, even accepting certain optimistic assumptions, comes to \$450 million. Foreign exchange reserves now are almost exhausted, and the question of default appears likely to arise in January and March of 1963, when heavy capital outflow is scheduled. [redacted]

* * *