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# CURRENT INTELLIGENCE WEEKLY REVIEW



~~CENTRAL INTELLIGENCE AGENCY~~

~~OFFICE OF CURRENT INTELLIGENCE~~

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TREND TO THE LEFT IN BRAZIL

The administration of Brazilian President Goulart appears to be giving increasing influence to the extreme left. Anti-Goulart sentiment is rising, particularly in the key industrial state of São Paulo and in a major conservative party. Moderates and conservatives, however, are making no significant moves toward concerted opposition.

While most armed forces officers are moderates or conservatives, the recent appointment of extreme leftist General Oromar Osorio as commander of divisional artillery in Rio de Janeiro continues the Goulart administration policy of choosing the more leftist officers for command positions. General Osorio Alves, Goulart's appointee to command the First Army, reportedly stated in late October that he would be a suitable minister of war because other candidates would be unwilling to make concessions to the Communists around Goulart.

Communists are also making gains in the traditionally government-dominated labor movement. In late November, Roberto Morena, a prominent old-line Communist long active in the international Communist labor movement, was elected president of the Industrial Workers Pension Institute. The institute has substantial funds at its disposal, and Morena can be expected to use these for Communist purposes.

Brazilian officials concerned with economic development are showing increased hostility toward the United States and increasingly open willingness to get along with Communists. Celso Furtado, cabinet minister for economic development and head of a key

economic development agency, recently told US officials that "10 percent" of his agency's personnel, including known Communists, oppose cooperation with the United States. He said he has no intention of removing this element. Furtado and some of his subordinates have been sharply critical of the Alliance for Progress during the past month.

The Brazilian-Polish agreement of 3 December provides for a \$26 million credit for the construction of a 200,000-watt thermal electric plant in Rio Grande do Sul. A US-owned power company in that state was expropriated in 1959 by Governor Leonel Brizola, Goulart's ultranationalist brother-in-law. The Polish credit is the first sizable bloc credit to Brazil. The possibility of Soviet technical and military aid is reportedly under discussion.

Brazil faces a financial crisis. Gold and foreign exchange reserves are likely to be exhausted by the end of the year, and commercial arrears are substantial. Goulart, however, appears to be devoting little attention to this problem. He is preoccupied with the 6 January plebiscite, expected to restore full powers to the presidency.

Moderate and conservative parliamentary factions voted on 30 November to confirm Prime Minister Hermes Lima. They were probably motivated by the conclusion that a cabinet crisis this close to the plebiscite, by adding to exasperation with the parliamentary system, would increase significantly the expected support for Goulart's assumption of full presidential powers. [REDACTED]