

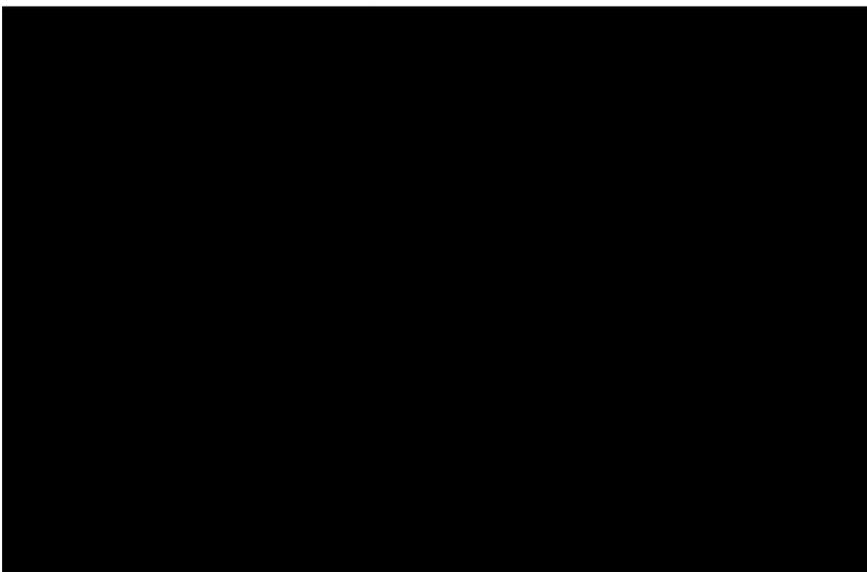
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CURRENT INTELLIGENCE WEEKLY REVIEW



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY REVIEW

BRAZILIANS EXPECT MID-SEPTEMBER CRISIS

The expectation is widespread in Brazil that a new political crisis may break in mid-September. [REDACTED]

[REDACTED] both right- and left-wing elements plan a coup between 10 and 15 September.

Finance Minister Moreira Salles resigned on 3 September. He protested that government legislation restricting profit remittances by foreign firms was unconstitutional and would inhibit future investments. He also attributed the fall in the value of the cruzeiro to psychological causes. [REDACTED]

[REDACTED] the resignation was due to Moreira's growing divergence from the policies of President Goulart and the rest of the cabinet, to the growing political turbulence, and to the finance minister's estimate of the difficulties in trying to combat Brazil's increasingly serious internal and external financial situation.

Goulart, bent on restoring a strong presidency, contends that congressional leaders have agreed to a compromise formula under which Congress will reassemble in Brasilia between 10 and 15 September and take action to facilitate a plebiscite on whether the country should return from parliamentary government to the presidential system. There is some question whether a quorum can be obtained in Brasilia during the campaigning for elections on 7 October.

Leading anti-Communist Carlos Lacerda, publisher and state governor, doubts in any event that Congress will take the action Goulart wants. Lacerda [REDACTED] expects serious disorders during the month and that as a result the cabinet will fall in mid-September. He has charged that

Goulart at that point will close Congress, call off the congressional elections, and direct the armed forces to maintain order.

If Goulart does not have his way with Congress, he will at a minimum probably compound the existing tensions by stimulating labor disorders. His brother-in-law, pro-Communist Governor Leonel Brizola, has called on students, workers, and the armed forces to "force" Congress to set the plebiscite for 7 October, the date of the congressional elections. Brizola violently attacked Lacerda and demanded the recall of the US and Brazilian ambassadors and the closing of the US Embassy.

[REDACTED] Although the new Congress may be harder for him to control than the present one, his Brazilian Labor party stands to make some gains even though it is given no chance of winning a majority. The President has, however, given indications that he would like to close down the present Congress before the end of its tenure.

The Executive Commission of the Brazilian Communist party (PCB), [REDACTED]

[REDACTED] was holding a three-day session to discuss plans for Communist action in the event of "trouble" during the 10-15 September session of Congress when it received a report that Brazilian right-wing elements were planning to stage a coup in that period. The commission decided to publish the report and to send party assets new contingency plans for counteraction. One PCB

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leader [REDACTED] believes that a group of left-wing senior military officers is planning a coup in September to close the Congress.

Since the last working session of Congress in mid-August, Goulart has reinforced his personal control in key areas of the armed forces, including the powerful Communist-influenced sergeants' organization which he recently addressed.

[REDACTED] the designation on 31 August of a leftist ultranationalist commander of the important Second Army is widely regarded as presidential pressure on Congress to comply with his demands.

The armed forces leaders have one faction which is in-

clined to back Goulart under most circumstances, and a second, [REDACTED] including General Costa of the Fourth Army and many navy and air force officers, which is strongly opposed to him. A center group, headed by Minister of War General Nelson de Melo and including most of the generals, is reluctant to take action outside the constitution or embroil the armed forces in politics, but would intervene to restore order if the situation became chaotic. In any such crisis this center group might support Goulart's resumption of full presidential powers as a means of stopping short of a full military takeover.

[REDACTED]

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