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17 August 1962

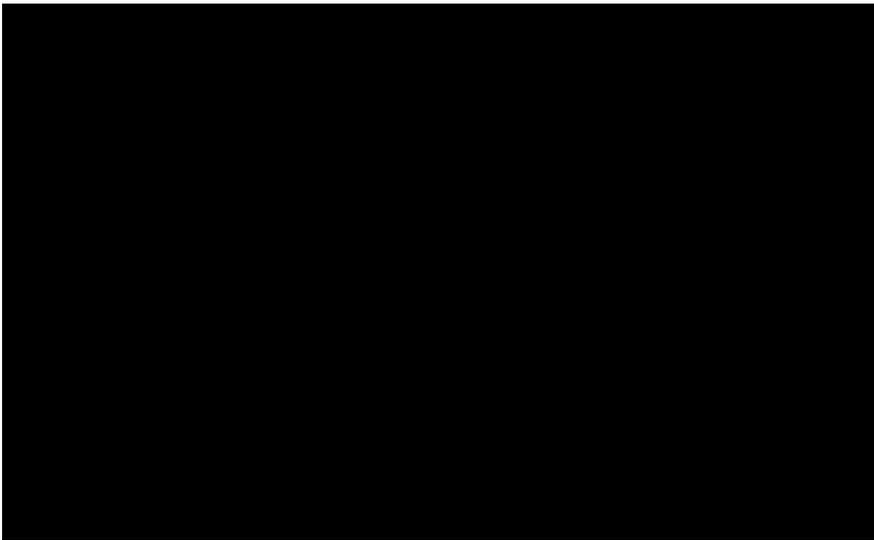
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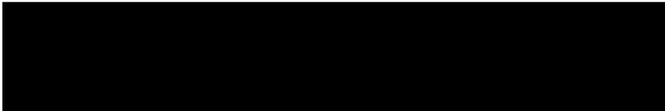
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CURRENT INTELLIGENCE WEEKLY REVIEW



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

APPROVED FOR RELEASE
DATE: MAY 2001



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45-228700

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BRAZIL

Intense political maneuvering is continuing in Brasilia as the leftist Goulart regime attempts to increase its power vis-a-vis the conservative congress. Many moderates in political and military circles dislike the parliamentary system but are uneasy over moves to restore a strong presidency because of the leftist tendencies of President Goulart and Prime Minister Francisco Brochado da Rocha. Both supporters and opponents of the administration are continuing to line up military support for their respective positions.

Brochado da Rocha--who acts as an agent of Goulart rather than as an independent executive--is threatening to resign in a clash with congress over his request for a delegation of substantial legislative power to the executive and for a plebiscite on the parliamentary system. Most observers in Brazil believe that such a plebiscite would result in a return to a strong presidency.

Governors of 21 Brazilian states, who are meeting in Brasilia this week, may help work out some compromise between Goulart and congress. For example, Guanabara Governor Lacerda, Brazil's leading anti-Communist, is inclined to support restoration of the powers of the presidency except in relation to individual cabinet ministers, who would remain responsible to parliament.

The congressmen are intent on returning to their home districts to campaign for the October elections. They may accept some compromise, particularly in regard to the plebiscite, to avoid a new government crisis, but they will probably attempt to limit the scope of any delegation of legislative powers.

The Brazilian Communist party may shortly be declared legal by the Supreme Electoral Court. Such a decision would increase apprehension in Brazil over the orientation of the government.

Preoccupation with domestic politics appears to be preventing any substantial criticism of several new moves in Brazil's "independent" foreign policy. East German Foreign Trade Minister Balkow--the first high East German official to visit the American continent--recently visited Brazil in response to an official invitation to open a three-week East German industrial exhibition in Sao Paulo. Poland in late July opened a new consulate in Porto Alegre, capital of Rio Grande do Sul State where Goulart's brother-in-law Leonel Brizola is governor. The Brazilian Ministry of Aeronautics on 30 July reportedly informed the Soviet trade mission to Brazil that it was interested in purchasing a number of three-place helicopters. This is a further indication that Brazil may be moving toward cooperation with the USSR in the field of civil aviation.

Meanwhile, Goulart--who has little knowledge or interest in economics--is said to be concerned over Brazil's critical financial situation. In recent weeks the gap has widened rapidly and substantially between the official exchange rate of about 355 cruzeiros to the dollar and the freely fluctuating tourist rate which is now almost 600.

the cost of living, which rose 18 percent in Rio de Janeiro in the first six months of 1962, was up 37 percent for the same period in Salvador, capital of Bahia and a key city in Brazil's impoverished northeast.