

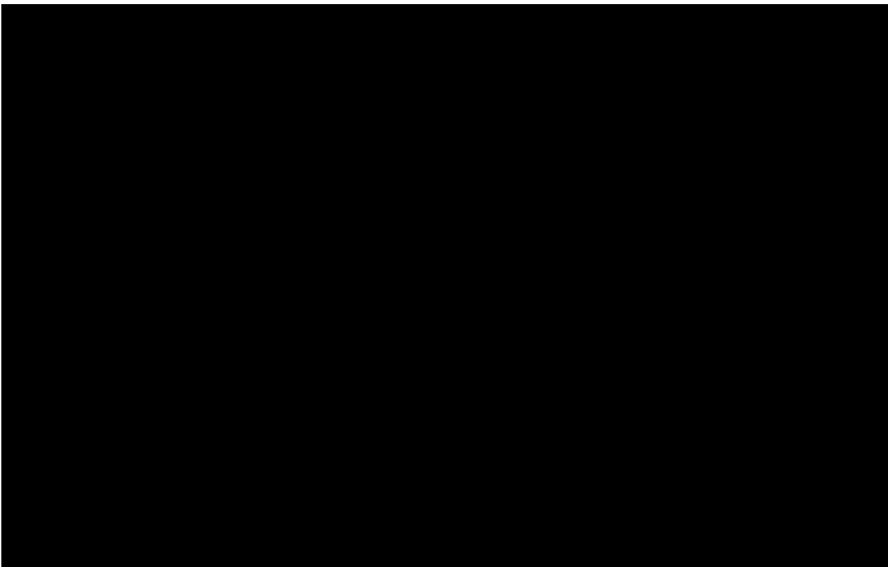
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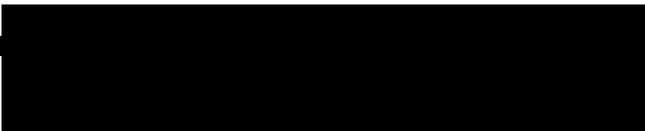
CURRENT INTELLIGENCE WEEKLY REVIEW



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CURRENT INTELLIGENCE WEEKLY REVIEW

BRAZIL

Brazil's government crisis eased on 13 July with congressional acceptance of Prime Minister Brochado da Rocha's cabinet. The 17-day struggle between President Goulart and Congress appears to have resulted in at least initial victory for him. The new cabinet will probably be more amenable than its predecessor, to his direction. The ministers are not representative of political party strength in congress, some are apolitical, and several are personally loyal to Goulart.

Possibly the most controversial new appointment is that of Minister of Industry and Commerce Jose Ermirio de Moraes, a long-time associate of Goulart's. Moraes has been giving financial backing to pro-Communist Miguel Arraes, who is the leading candidate for governor in the key northeastern state of Pernambuco. He is "antitrust, but only if the trust is foreign." [REDACTED]

Labor Minister Hermes Lima has been a key official in the Goulart government for the past ten months. He is a former law professor who advocates a socialist economy but has reportedly also emphasized the importance of good US-Brazilian relations.

Foreign Minister Afonso Arinos de Mello Franco is identified with the "independent" foreign policy he helped implement under both Goulart and former President Quadros. There are some indications that Mello Franco has personally preferred a more pro-US foreign policy, but has had little influence on government decisions.

The conservative pro-US finance minister, Moreira Salles, has been retained from the previous cabinet.

The military cabinet ministers, like most of those military figures who support Goulart, support him on constitutional grounds rather than because of his politics. The new navy and air ministers face substantial opposition within their respective services, but War Minister Nelson de Melo appears to be achieving general acceptance.

Goulart and Brochado da Rocha apparently still hope for a judicial decision favoring a plebiscite next October on the abolition of the parliamentary system and legal restoration of a strong presidency. The prime minister has also announced that he will request a grant of special powers from Congress on 6 August--a move which is likely to be met by a quorum failure, since most congressmen are absent from Brasilia to campaign for the October elections.

The government now may be inclined to increase restrictions on private foreign investment in Brazil. Brochado da Rocha in recent years has been closely associated with two expropriations of US companies in southern Brazil. His initial speech to congress stressed that "Brazil is a victim of international capitalism." His program proposed "limited intervention" in the predominantly foreign-owned drug industry, which his political ally, ultranationalist Governor Leonel Brizola of Rio Grande do Sul, attacked recently in a violent anti-US speech. [REDACTED]