

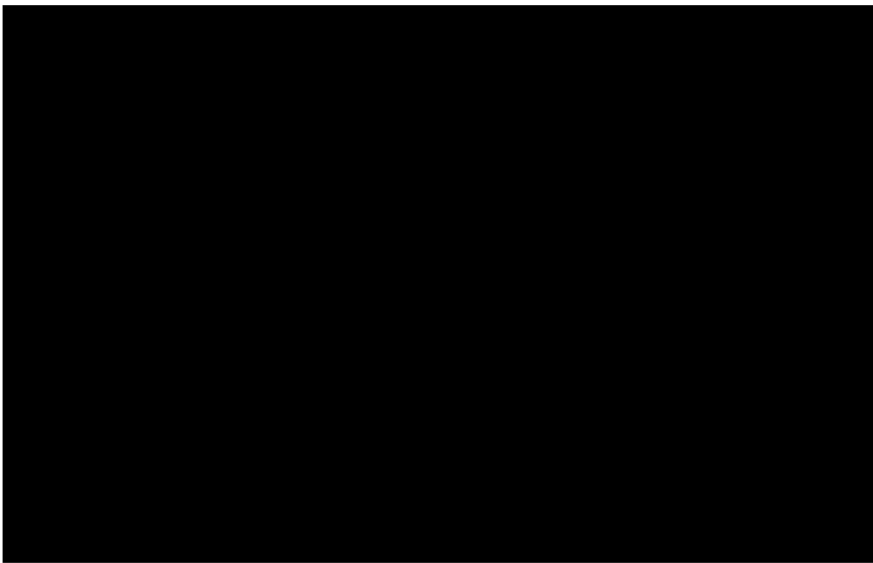
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20 October 1961

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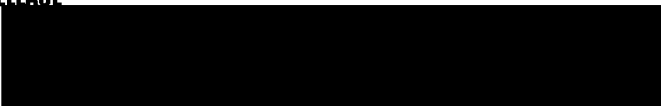
CURRENT INTELLIGENCE WEEKLY REVIEW

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CENTRAL INTELLIGENCE AGENCY
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CURRENT INTELLIGENCE WEEKLY REVIEW

BRAZIL

The Goulart-Neves government in Brazil has strengthened its political position by adding Alfredo Nasser of the Social Progressive party to the cabinet. Nasser's appointment was approved by the Chamber of Deputies by a vote of 166 to 2 on 12 October. The Social Progressive party, based largely in Sao Paulo, was not previously represented in the government and had been considered one of the most important potential opposition groups.

Nearly all generals hostile to the government now have been removed from top commands, and similar moves against regimental and battalion commanders are planned.

However, a propaganda campaign to prepare for Janio Quadros' return to an active role in Brazilian politics is gathering momentum. Pro-Quadros sentiments are being expressed openly, although not widely, and the hostility generated by his sudden resignation on 25 August from the presidency is tending to disappear.

Quadros' decision on whether to run for the governorship of Sao Paulo or for a seat in the Chamber of Deputies will probably be based on the outlook for implementation of the constitutional amendment of 2 September, which attempts to transfer executive power from the President and the state governors to prime ministers responsible to the respective legislatures.

If Congress refuses to repeal the amendment and successfully rebuffs Goulart's efforts to circumvent it, Quadros is likely to seek election as a deputy--and subsequently make a bid for the prime ministry. All seats in the Chamber of Deputies, as

well as two thirds of those in the Senate and half the gubernatorial posts, are at stake in next October's elections.

Should repeal of the constitutional amendment seem likely, however, Quadros would probably seek the governorship of Sao Paulo, Brazil's most powerful state. The amendment impairs the attractiveness of that post, since it applies to the states after the incumbent governors' terms expire.

The hostility of anti-Goulart military officers is likely to be accentuated by the reassignment of these men to relatively unimportant posts. Admiral Sylvio Heck, navy minister under Quadros and a key figure among Goulart's military opponents, is said to have organized a group of officers to oust Goulart in favor of a military dictatorship. The group is talking of action in late 1961 or early 1962 but does not appear strong enough to carry out its plans.

Failure of the Goulart-Neves government to take decisive action in the economic and social fields would enhance Quadros' chances for a political comeback and would increase military unrest. Finance Minister Walter Salles believes that the financial situation is critical, in part because money is not being received on US loans which had been granted to the Quadros government. Goulart said on 13 October that he would remove officials and change public statements if necessary to disprove US suspicion of Communist leanings on his part.

A law signed by Goulart on 6 October providing for a 40-percent increase in the minimum wage is likely to increase inflation--one of Brazil's principal problems in recent years.