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Herewith highlight my talk July 23 with President Goulart.

(Full Memo being pouched)

Goulart's cdntral theme, repeated a dozen times in various forms, was impossibility effective government under parliamentary regime and need restore presidentialism as soon as possible. Appointment present stop gap cabinet has not resolved crisis which will continue until regime changed. Goulart expects Supreme Electoral Tribunal decision July 25 favoring early plebiscite. Hinted that if changed not thus made, some other means could be found.

On own political orientation Goulart placed himself in middle PTB between Left Wing compact group and Moderate Right wing, whose present strength he appraised as 30 to 70. Said large moderate parties irreconcilable opposed to him, supported by conservative press and business interests, and he intended to fight them. PTB compact group were his shock forces in this fight. Sees need for non-Communist but radical new political force for drastic social changes, since present conservative classes too short-sighted and selfish to help bring about essential structural reforms. Minimizes dangers Communist Party as such.

On immediate economic problems: hopes Moreia Salles will accept Finance Ministry and can prevent getting wholly out of hand. But sees little real progress until regime changed.

On AFP, wants to cooperate, recognizes that Brazil has not been doing its part, but believes impossible do its part properly until regime changed.

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