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Country Director
Office of Brazilian Affairs (ARA-LA/BR)
Department of State
Washington, D.C.

Dear Jack:

When I passed through Rio at the end of October Ambassador Tuthill suggested that I might put down on paper my thoughts concerning the post here. This is it. I have tried to organize them in terms of a few simple questions: why do we have a Northeast operation? was our decision to operate in the Northeast valid? are we accomplishing what we intended? should we revise our targets? how can we best carry on?

Why A Northeast Operation?

We decided our policy objectives in Brazil could best be achieved through support of the expressed Brazilian goals of hastening the development process in the Northeast and integrating the economy of the Northeast more deeply and intimately with the economy of the rest of the country. Since SUDENE had been created as the chosen instrument by Brazil it made sense to have an operation that could work directly with SUDENE. We had also a not publicly articulated motive. This was the fear that political instability at the national level made the Northeast an entity in itself subject to subversion and insurgency which might even require unilateral action on our part independent of the wishes of the national government. The Northeast Agreement arose out of a meeting of the minds of President Kennedy and Celso Furtado. The broad motivation in each case was parallel in connection with development but there was no real agreement on the process or form of development.

Our preoccupation with insurgency in the light of subsequent developments proved to be somewhat misplaced. The Revolution of 1964 quickly showed that there was no real strong feeling of group interests among either the urban or rural masses. In effect the

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sound and the fury in the Northeast reflected a clever manipulation of mobs by a few activists who were at first tolerated and later encouraged and supported by the local governments. Hence all that was necessary was to remove the few key figures and the protest movement was proved to have no real vitality or momentum of its own.

In addition, to the extent that we found our horns locked with Brazilian government representatives and tried to pursue our independent political objectives under the islands of sanity concept, we proved to be inept, muscle-bound and scored no notable successes. Moreover, if the central government had continued to degenerate we had no earmarked resources with which to combat insurgency independently and no real value judgements as to potential indigenous support, if any.

Today we live in an suspicious era of good feeling but I suspect that our behavior between 1962 and the Revolution of 1964 has left irradicable scars on certain key figures such as ex-governor Tavares of Ceara, Aluisio Alves of Rio Grande do Norte, and Sampaio of Pernambuco. In the case of Azores, Governor of Pernambuco beginning January 1963, our negative efforts probably did more to enhance his popular appeal than to lessen it, and more to tarnish our local image than to brighten it.

This left as our main business the task of helping in the development and integration of the Northeast.

Was Our Decision to Operate in the Northeast Valid?

First, obviously, there is the question of whether or not we could have mounted a program of effective cooperation with the Brazilian government and its developmental agency, the SUDENE, without having some kind of special representation, and it is clear that some kind of a special office was essential. On the other hand I personally am not sure that the virtual duplication of the Rio apparatus was necessary. Mounting a big operation also exposed us to the danger of getting profoundly involved with governments at the state level and to some extent the local level which threw us somewhat off the track of our primary target, Brazil. Happily, since the 1964 revolution we have been able more closely to focus our actions and activities toward our direct overall Brazilian targets.

Are We Accomplishing What We Intended?

Development in the Northeast, as elsewhere, implies an impact on extreme poverty, a certain re-distribution of wealth and income,

CONFIDENTIAL

CONFIDENTIAL

3

and automatic?

the concept of balance in the development of the industrial sector so that there will be coherent growth producing social benefits and, in a predominantly agricultural region, an expansion and diversification of agricultural production. It is in these areas that we should try to measure our successes. For the purposes of this letter I do not think that I need touch on the question of economic integration which to some extent at least is dependent on the flowering of the development process itself. For the moment also I shall pass by the question of changes in the power structure and political institutions which is an overt goal under the Alliance for Progress and, in any event, implicit in the concept of development.

In a large part our effort in the Northeast has been directed toward infrastructure and what some of our critics like to call "assistantalism." Our planning economists rightly tell us that input-output studies are virtually impossible in these sectors due to the absence of both basic data and any adequate criteria for measuring output. This makes the question of judging results an extremely difficult one. We can point with pride toward the construction of new classrooms, increases in electrical energy output, the development of number of kilometers of good highways, improvements in education, pedagogical methods and public administration, etc. However, if one asks have we improved levels of living, have we contributed to redistribution of wealth or income, have we improved the agriculture of the region or contributed to its diversification, the results are pretty slim.

Moreover, since a certain amount of our work has been done at the state level and we do not influence or control state budgetary and planning operations we have no way of knowing the extent to which our participation has not just enabled certain politicians to divert local resources to satisfy what has been jokingly referred to as the "edifice" complex, rather than contributing to total growth.

One partial early success might be the changed American image. However, I am not at all sure that this is not a reflex of official attitudes rather than any deep structural change. I have always taken it for granted that regardless of the prevailing political wind Brazilians in general for a long time have had a large level of admiration and respect for the United States and generally speaking, friendly individual personal relationships. Parallel to these attitudes there is a fear that the responsibilities of the United States in world affairs may be too much for it and

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

4

someone is going to make a mistake and press the wrong button. There is also a pervading uneasiness that the United States is not all that altruistic and is using its aid to "buy" the support of the Brazilian government, to have special access to its resources, to establish economic control over the destiny of Brazil and so on. I do not think these attitudes have been materially influenced by our programs or propoganda. It is surprising how presumably intelligent people, even friendly in superficial attitude, will repeat rumors to the effect that the United States Government has 28,000 employees in the Northeast, or that Peace Corpsmen are all geological specialists interested in pre-empting the Northeast's resources for American companies or that the United States is trying to sabotage COPERBO in order that it will be turned over to Firestone or Goodyear and similar nonsense. Granted that these rumors may be viciously inspired their transmission frequently does not have the same motivation but reflects instead a certain deep rooted disconfidence.

In any event the concept of the Alliance for Progress has not caught fire in the Northeast and our assistance programs are regarded pretty much as a continuation of Point 4 and earlier efforts. The receiving of such aid is in itself a mentally depressing and frequently frustrating thing. Moreover, with the proliferation of American personalities there is an inevitable tendency to lower selective standards in terms of empathy, insight and adaptability even though a high level of technical proficiency might be maintained. In other words as the program expands the number of abrasive elements expands with it and tends to tarnish the American image.

The above seemingly ignores the fact that the kind of thing we are engaged in takes time to produce results. The more and better trained first graders that we are educating today won't become productive for another ten years at the earliest. If at the moment we have not had any perceptible impact on standards of living, our efforts in public administration, industrial development and our boldest venture, the GERAN program, presumably will have an effect on income distribution in due course.

Undoubtedly this is true. The catch is we have no criteria by which to judge whether our effort in the Northeast is submarginal or suprasmarginal.

So expected in the Northeast until there has been a substantial change in attitudes until the time when interest groups recognize their actuality of interest and move toward the effective expression of that interest.

CONFIDENTIAL

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5

When we look at the Directors Third Plan for BUDENE we get the impression that the total outlook over the middle term future is not particularly bright. The key problem is balanced industrial expansion. Yet as I read the Third Plan the rate of programmed expansion is insufficient to absorb all the new entries into the labor market in the Northeast over the next three years much less to mop up the million or so unemployed or grossly underemployed that already exist. Assuming that all the unemployed were capable of effectively entering industrial or commercial employment, it would probably require something on the order of a billion dollars in new capital investments over the next three years to cope with the present unemployment problem. All this is by way of saying that at present rates and with present methods if we are serious about our specific Northeast objectives of development at a more rapid rate than in the South and ultimate integration we are going to be in business in the Northeast for a long time to come and on a much larger scale.

Should We Revise Our Targets?

In the brevity of a letter (even though it is not too brief a letter) it is obvious that the above is in many respects a caricature that is unjust to the fine work and dedicated services that have been extended to the Northeast. For this I apologize. Nevertheless it must be clear that my thinking runs along the line of taking a hard and dispassionate look at what we are doing and why we are doing it.

It seems to me our fundamental aim is to promote a peaceful and constructive revolution in Brazil. This is the essence of the Alliance for Progress and wittingly or unwittingly parties to the covenant have agreed to it in principle. I do not consider that this gives any sovereign power in the Western Hemisphere the right to unilaterally design and promote a political-economic power structure change. It does mean we can accommodate our resources to the most promising national forces moving in the direction of orderly and responsible change.

Unfortunately the Northeast in spite of certain superficial trappings of civilization is still reflective of a traditional society. This means, in effect, that politics is power and the economic processes and political and social institutions are dominated by personalities. The real wave of development cannot be expected in the Northeast until there has been a substantial change in attitudes: until the time when interest groups recognize their mutuality of interest and move toward the effective expression of that interest.

CONFIDENTIAL

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6

The interest of the entrepreneurial class in development should be great. However, in a deep sense very few members of this class appear aware of their common interest. Their goal too often appears to be to make money by special privilege or exclusive arrangements, and too little motivated by the concept of profit taking through reduction of costs, efficiency of operation, lowering of price and expansion of markets. Neither does there seem to be an ability or willingness to mobilize local capital resources for industrial expansion.

The urban working class constitutes another important mutual interest group that would benefit from development. Unfortunately the esoteric nature of trade union legislation and legislation relating to labor conditions and wages has inhibited the flowering of labor organizations as a responsible element in community development. Real development seems likely to lag unless there are some real attitudinal changes in this area. In the rural areas of the Northeast the traditional society imprint is even more marked. The challenge here is most important. One cannot help but think of the GERAN program as a noble concept. However, considering prevailing attitudes including the apathy of the peasantry and rural laboring class on the one hand and the mental inertia and managerial weakness of the farm owning and operating class on the other, we must face the fact that there are some heroic assumptions on which the success of the program will rest. In the light of prevailing attitudes it takes courage to launch a program aimed at modifying the rural power structure through other than the glib Communist formula of mob violence.

Students as a mutual interest group are an especially interesting phenomenon in the sense that the composition of the group constantly changes but its tradition carries on. At the present time this tradition does not include academic pursuits as an integral part of the social and economic development of the community. The most active leaders regard student life as a means of entry into the prevailing political power structure. Attitudinal change here would be most conducive to an expanding and developing economy.

The conclusion is that our main target in Brazil is promoting revolution; that our sub-efforts in the Northeast should complement this objective; and that this seems most likely to be achieved to the extent that we can make an impact on attitudes and encourage the recognition and development of community components around their group interests. The further conclusion is that our direct interests in the Northeast might be better served if we reduced our technical apparatus and concentrated more on discovering the points of leverage and perhaps applying more limited resources, more selectively.

CONFIDENTIAL

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7

As it is now at the national level in Washington and to a lesser extent at the Embassy level in Rio the specific target programs are mounted with respect to groups such as youth or labor but never seem to materialize in a post like the Northeast. Even though these groups are particularly sensitive it would take a real tour de force to begin to apply resources to them under our present staffing and operational arrangements. USAID, through its technical training program, USIS, the Peace Corps and the Consulate General, to a much lesser extent through the Cultural Affairs Program, all impinge on this group but their effectiveness is limited because of either inadequate staffing and the lack of focus and coordination.

In the field of labor what we have lacked in Northeast Brazil is the serious attention at the organizational level from either the AFL/CIO or the international trade secretariats. I am not at all sure that it would not be in the interest of the United States Government to subsidize, presumably indirectly, such attention. There should be some way to identify genuinely democratic elements within the trade union structure and to find ways of assisting them in development leadership status.

In the industrial development sector the focus has tended to be on the public rather than private institutions. Perhaps much greater emphasis should be placed on finding ways to wed American managerial know-how and private capital with the many patent opportunities that exist in Northeast Brazil. At any rate we have not yet found a way to stimulate the entrepreneurial skills of Brazilians at the middle sized and smaller industrial level, a key factor in the developmental process.

It is obvious that we cannot withdraw our direct interest in regional planning and development. But it does appear that much of the infrastructural effort could be related to the program for regional development in the Northeast at the national level. Perhaps our relationship with SUDENE would be most profitable with a high level liason office devoted to encouraging improvement in the planning procedures and acting as empathetic expeditors for U.S. participation in achieving of SUDENE's planned goals. If SUDENE plans well and the national Ministry of Planning does its job well the need for extensive contact with state and local governments would be greatly reduced. This should relieve us of involvement which cannot help but have a political import that does not bear on our major strategy problems. To the extent that the national Autarchies and Ministries are involved in the planning and execution of operations in the Northeast we might well be relieved of the necessity of being parties to internicine disputes within the Brazilian Government.

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8

How Can We Best Carry On?

My brief is that the most important value judgment to which our post in the Northeast might contribute is the extent to which demands for assistance and economic development for services and for social justice can be ignored in terms of the political consequences of such rejection. The second important value of judgment to which we should contribute is how to dispose of the resources available to us in a manner to most rapidly promote attitudinal changes.

To me this means that the structure of our United States Government organization up here should be one which can most effectively organize our private and public resources to these ends. USAID is such a resource. USIS is such a resource. The Peace Corps is such a resource. The Consulate General is such a resource. In addition, to a much too limited extent American industry and American labor, American foundations and other private American organizations are such a resource.

I do not believe that we can even begin to effectively mobilize these resources with our present structure. The idea of coordination is splendid but separate channels of communication, chains of command, disparities in treatment of personnel make truly effective coordination impossible. I am convinced that we need one Director in the Northeast and that his responsibility be to the Ambassador. In the meantime in the absence of overall direction, politically oriented, we run some strange risks. Probably all the Aliança Mirim projects are good ones. However, the political judgement, which they presumably involve is exercised at the AID technical level. At least it is in the Northeast. The GERAN program is nobly conceived but it wasn't surfaced as a U.S. policy choice until after it had been fairly well along in the incubation period when it would be hard for a Brazilian counterpart to believe that we had not seriously committed ourselves. I am not sure but I have the impression that in a major DNOCS irrigation program we now have under study stress has been on technical criteria whereas the question of whether the Ze Ermirios of this world or the Ze Povos are going to benefit most immediately by the program. I do not see how foreign policy oriented political judgements can be patterned into the AID program unless and until we have centralized control in the Region.

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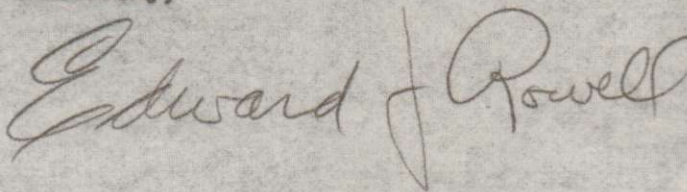
9

In our past discussions of this there has been some constraint as to whether a single head should be an AID man or a Foreign Service Officer. To me this evades the issue. We should not have an FSO wearing the AID Director's hat nor should we have the de facto AID Director wearing the Consul General's hat. What we need is a chief who is responsible to the Embassy not only for the conduct and comportment of our American Government employees but for the achieving of U.S. policy objectives in the Northeast. As I have indicated I think our objectives should be reviewed and, on the basis of the not too profound preceding analysis, I think they should be redirected. Even if this were not the case and we are content to go along as we are, my recommendations as to structure would be unchanged. In concluding I should like to leave it clear that the Northeast is of sufficient importance to the United States that we should preserve this important outpost. So much so that as I have recommended in the past its importance in our own Service should be upgraded. Responsibilities of the principal officer, whether he be drawn from USAID, from the Foreign Service, from USIS or from the Peace Corps, are sufficiently serious and demanding that he should be above any of the individual components in his outlook and have the rank and status to insure that he could exercise effective command.

I do not feel qualified to discuss staffing in depth. It is obvious though that when the decision to plunge into the Northeast on a large scale was taken due regard was not given to the staffing of the areas from which the ground work for value judgements should emerge -- the political and economic sections of the Consulate General. Similarly, the U.S.I.S. has been rather badly treated at the regional level. On the other hand I would imagine that some economies in personnel could be achieved if real harmony and integrated policy thinking could be achieved between Rio and Recife.

The underlying dangers which pulled us into the Northeast still exist as a potential. At the half way mark in the decade of the Alliance we are doing good but there are few indications that we are doing well. A hard look at both our objectives and organization appear to be in order.

Sincerely,



Edward J. Rowell
Minister Consul General

cc: Ambassador Tuthill

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