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April 12, 1965

Lacerda's Presidential Campaign: Views of Sérgio Lacerda

Enclosed is a memorandum of conversation with Sérgio Lacerda, Carlos Lacerda's son and a member of his campaign staff. On Lacerda's staff, Sérgio claims to help write speeches and articles, participate in debate about what positions Lacerda should take, and carry out "guerrilla activities"--such as feeling out contacts with left- or right-wing groups and students (and Embassy officers, apparently). He said he wrote a good deal of Lacerda's recent Jornal do Brasil article (Rio's A-1110).

During the course of the conversation, Sérgio Lacerda set forth the following views:

1) Lacerda's campaign is doing well, and he should win unless he makes some "stupid errors". Lacerda expects his main competition to come from the government, and he hopes they will run a military man because a military candidacy would divide the armed forces. Castello Branco is very strong in the armed forces but is not popular. The greatest threat to Lacerda's election comes from an attempt (directed by Chief of National Information Service (SNI) General Golberi, according to Sérgio) to change the rules of the election to prevent Lacerda from winning. Anticipating this attempt, Lacerda will be starting a public opinion campaign against it.

2) The alliance between Minas Gerais Governor Magalhães Pinto and Carlos Lacerda is permanent and Pinto may even get the nod for Vice President. The aim of the alliance is to

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POL - Mr. Krebs *JK*

POL-14 (Elections)

unify the UDN--i.e., to consolidate Lacerda's position before President Castello Branco can create permanent divisions in the party. Juracy Magalhães (Brazilian Ambassador to U.S.) will also have to support Lacerda or lose his power within the party. With his strength among the electorate, control of top national party positions, and the support of party leaders, Lacerda hopes to create pressures for federal deputies and senators to support him.

3) Politics, as practiced in Brazil, is an anachronistic chess game. Parties must be brought up to date. The President has to change his methods of action. The understanding of the necessity for changes in methods of action, which Janio Quadros understood but Castello Branco does not, gives Lacerda an important advantage in his campaign.

4) Foreign investments--in certain fields--should be encouraged, but they should not be allowed government advantages to compete with nascent domestic firms in areas of interest to the country. Lacerda's staff is devising a system, for when he takes office, of bonuses and penalties in the form of more or less profits, to channel foreign investments to the proper areas. The present system for attracting foreign investment is too rigid and no longer meets the interests of Brazil. In some areas--such as public service concessions--foreign investment should not be permitted at all. If investment in Brazil involves too much risk for businessmen, they should invest in Puerto Rico.

5) Jornal do Brasil has swung over to Lacerda because its directors thought it was in their interest, politically and economically. Correio da Manhã is only kept going by a loan from industrialist Walter Moreira Salles, but the origin of the money is unclear. O Estado, because of Director Julio Mesquita's influence, disagrees with Lacerda economically, but maintains firm political support.

Comment: Most of what Sérgio Lacerda said is also reflected in Carlos Lacerda's public speeches and articles. However, if Sérgio Lacerda's opinions correctly reflect those of his father, it appears that Lacerda is no longer trying to obtain official approval for his candidacy, but has set out to defeat the government in the next election. In spite of the much talked-about military dispositivo Lacerda is alleged to have, Sérgio Lacerda concedes the military strength to Castello Branco and regards the people as Lacerda's power base. Lacerda's attempt to unify the party and reduce Castello Branco's influence will be difficult, especially with the federal deputies and senators. Lacerda, however, will need solid support in Congress if he does not receive a majority and Congress is called upon to ratify the election of the leading candidate. Sérgio Lacerda's excessive

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caution in describing the permanence of the alliance between Lacerda and Magalhães Pinto led the reporting officer to believe that Pinto is still distrusted in the Lacerda camp. Sergio Lacerda, like his father, seems to react viscerally against any threat, real or imagined, against Lacerda's candidacy. Hence, his vehement criticism of Golberi and "occult forces" behind Correio da Manhã.

For the Ambassador:

Robert B. Bentley

Robert B. Bentley
Third Secretary

Enclosure:
As stated.

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MEMORANDUM OF CONVERSATION

April 9, 1965

Subject: Carlos Lacerda's Presidential Campaign
Participants: Sérgio Lacerda, Carlos Lacerda's son
Robert B. Bentley, Political Officer
Place: Mesbla Restaurant, Rio de Janeiro

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Sérgio Lacerda expressed great interest in maintaining contact with the reporting officer and suggested that the meetings become more regular. He appeared to be forthcoming on most subjects, but chose his words carefully. Two subjects he did not care to talk about: Carlos Lacerda's trip to the U. S. and the elections in Guanabara.

Lacerda's Campaign. Sergio Lacerda feels that his father's over-all campaign is going quite well. He said that the calling of direct gubernatorial elections in 1965 has given a great stimulus to the 1966 campaign and may turn out to be decisive. "If elections are held", he boasted, "we will have to commit very stupid errors in order not to win." Implying that he expects their major contender to be the government, Sérgio said that he hopes they run a military man like War Minister Costa e Silva or Interior Minister Cordeiro de Farias because it would clearly mark the military flavor of Castello Branco's administration and would split the armed forces. For him, Costa e Silva's recent speech (Rio's A-1119) was excellent because it stimulated the already-seething political rivalries in the armed forces, making it less likely that any one officer could unite them behind his candidacy. He said Castello Branco is very strong militarily but has no popularity. As far as he could see, any move toward a "manufactured military single candidate" would give Lacerda an important electoral advantage. As for civilian competitors, Sergio could not think of one who would give his father serious trouble. He said "Roberto Campos would not get ten votes", and argued that no candidate within the revolutionary forces is as popular as Lacerda and that the revolution could not accept the victory of a candidate of the PSD.

Sergio said the greatest threat to his father's victory comes from a group of Army officers and civilians close to the President, who will do everything in their power to prevent it. This group is led by National Information Service Chief General Golberi, in his opinion. Sergio said he respects the integrity of Castello Branco, noting that, if it depends only on him, elections will be held and the elected

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candidate will take office. However, he fears that this group may convince the President that Lacerda's election would mean the undoing of his administration's work and the end of the revolution. Sérgio said the people on Lacerda's staff were preparing for any eventuality--changing the system of government, indirect election or re-election of Castello Branco. He said Lacerda is planning a campaign to alert public opinion which will grow, hopefully, fast enough to prevent any such move from coming to fruition.

UDN Union. Sérgio Lacerda claimed the reapproximation between Lacerda and Minas Gerais Governor Magalhães Pinto is permanent. Castello Branco had double-crossed Pinto, he said, and now Pinto is pulling the rug out from under the President's feet. Sérgio said Pinto will now work to bring other party leaders in behind Lacerda's candidacy--possibly in exchange for "legitimate compensation" such as the Vice Presidency. He said the aim of the union is to consolidate the UDN behind Lacerda's candidacy and prevent its division by Castello Branco. The alliance is also useful to Pinto because it gives him an important role in the party when he otherwise is completely without room to maneuver. Considering other party leaders, Sérgio said Juracy Magalhães would support Lacerda or otherwise "it would be a terrible treason to the party and he would lose all influence". Lacerda hopes to control the UDN party machinery with the election of a new slate of national officers at the convention at the end of April, explained Sérgio. (NOTE: The frontrunning candidates for the two most important posts--Ernani Satiro for President and Oscar Correia for Secretary General--are both supporters of Lacerda.) Using Lacerda's power among the electorate and among many of the local party chiefs in combination with his control of the top party positions, Sergio said Lacerda hoped pressure could be brought to bear on the UDN deputies and senators, to increase his support in Congress.

Political Anachronism. Sérgio discoursed at length on what he feels to be the outmoded political system existing in Brazil. He criticized the idea of "playing politics" like a chess game, claiming that is what "Castello Branco and the deputies in Brasilia" do. He said the UDN, to begin with, has to die as a party. It no longer represents what it did when it was founded to oppose the Vargas regime; "it is just like the PSD". Sérgio said there was not one worthwhile PTB deputy in the Congress, but expressed praise for what he described as a small group of intellectuals working to create a true labor party of the left. As for the PSD, it appears to be the embodiment of the old system to Sérgio. He professed that the understanding Lacerda and his close advisors have of the desire of the people to do away with the anachronistic but current political methods in Brazil is one of their chief political advantages in the campaign. He said Janio Quadros also understood the need for deep changes. Comparing the campaign

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tactics to warfare, Sérgio said "They (meaning the government) are fighting us according to the tactics of the last century, but we are fighting back according to the precepts of guerrilla warfare."

Lacerda's Policy on Foreign Investment. In Sérgio Lacerda's opinion, Lacerda feels that foreign investment is needed, but needs drastic regulation. He said Lacerda's staff is working on a plan for when he is elected of setting up a system of bonuses and penalties in the form of more or less profit, to channel foreign investment to where it is most needed. He claimed that the existing system to attract foreign investment is too rigid. Perhaps at one time it reflected the needs of the country, but now it serves to keep the nascent Brazilian industries restricted to a few fields in face of more efficient competition from long-established foreign firms. Sérgio explained that the system of bonuses and penalties should, at best, allow foreign firms to compete on an equal basis with domestic firms, especially with respect to access to national bank deposits. He said this would force the firms to keep bringing in new capital. Where a domestic industry in an area important to the country was getting started, but threatened by foreign competition, the system would be flexible enough to give increased support to the domestic firm. Sérgio said that in some areas of the national economy, such as in public service concessions, foreign investment should not be permitted at all. He cited the example of Light in Rio as a company completely "Brazilianized": "Where a few poor Canadians are exploited by a few rich Brazilians." When challenged that such a system, if put into effect, would scare away all private investment because businessmen would not be able to plan, Sérgio replied that frequent political and economic changes are a fact of life in Brazil and that if the businessman did not want to take a risk, he could invest in Puerto Rico.

U.S. Aid. Sérgio complained that the United States was not giving enough aid to Brazil, and most of what is given is social assistance, rather than fundamental economic aid. He said what is needed is a large, central fund which Brazil would use to control inflation. It was explained that Brazil receives almost as much American aid as any country in the world and that private investment, which Lacerda's campaign statements are scaring off, is an integral part of that aid. Sérgio replied that Lacerda is being misinterpreted by the American press.

Castello Branco and General Golberi. Sérgio constantly compared President Castello Branco to Getulio Vargas in the way he uses the Presidency. He said he believes the President is personally honest and a man of his word. Castello Branco's major defect, according to Sérgio, is his vanity, both physical and intellectual. He opined that

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personal vanity in a politician is excusable and even desirable, but charged that the President's intellectual vanity made him too rigid in his policies, too certain he was right and should not be challenged. Sérgio claimed that General Golberri plays on the President's vanity by trying to control the information that reaches him. He then launched into an acid personal attack on Golberri in conformance with Lacerda's recent Jornal do Brasil article. Sérgio Lacerda characterized Golberri as opportunistic, thirsty for power, frustrated and two-faced. He said Golberri is ready to serve any master and will seek out the most powerful man to support.

Opposition to Roberto Campos' Policies. Sérgio said he was the author of the sentence, "The direction of the policy is correct, but the rhythm is wrong", used in the recent Jornal do Brasil article to describe Lacerda's position on Planning Minister Roberto Campos' policies. Lacerda feels that the goals are certain, but Campos has made some mistakes which he refuses to correct. He said Lacerda would be happy if Campos would simply correct some of these errors. The main error, he claimed, is Campos' insistence on stopping inflation at all cost, and in the shortest possible time. Inflation could be stopped more gradually so that it would not provoke the recession which is now underway, said Sérgio. He said Campos' policies were a mixture of St. Thomas Aquinas and Flash Gordon: "Campos has constructed an impeccable dogmatic structure complete in itself, but when he does not have the data to support the plan, he goes ahead anyway".

Jornal do Brasil, Correio da Manhã, and O Estado de São Paulo. Sérgio said that Jornal do Brasil has decided to support Lacerda because "its directors thought it would be in their interest, intellectually and politically". In reply to a question about pressure that may have been brought to bear by advertisers who support Lacerda, Sérgio said the advertisers support Roberto Campos and IPES, not Lacerda. He said there would be more exclusive articles by Carlos Lacerda published by Jornal do Brasil, including one now in preparation. (NOTE: Sérgio Lacerda may be referring to Lacerda's announced intention to declare his campaign platform publicly on April 21, the anniversary of the founding of the State of Guanabara.) He said Correio da Manhã is in debt and should have folded long ago. He thought the only thing keeping it going was the loan of nearly "\$800 million it had received from industrialist Walter Moreira Salles. However, Sérgio said he was not convinced that Salles gave Correio his own money--"he never spends a cent of his own"--and wondered where it might have come from. He said Julio Mesquita of O Estado has the same mentality as Roberto Campos about economic matters and nothing can be done except wait until he passes from the scene. He said, however, that O Estado's political support of Lacerda is firm.

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