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1. SAN TIAGO DANTAS LUNCED WITH ME THURSDAY TO REVIEW POLITICAL AND ECONOMIC SITUATION, WHICH HE FINDS VERY DISTURBING. CONFIRMED THAT BRIZOLA RUMORS HAD SUFFICIENTLY WORRIED HIM SO THAT HE SOUGHT OUT GOULART EARLY THIS WEEK. THIS CAME AFTER SUBSTANTIAL PERIOD OF LITTLE CONTACT, DUE TO DISAGREEMENTS ON POLICY AND TO LIMITATIONS ON DANTAS HEALTH. (ON LATTER, INCIDENTALLY, HE ATE VERY HEARTILY AND TALKED VIGOROUSLY, BUT STILL COUGHED FROM TIME TO TIME AND ADMITTED TO BECOMING EASILY FATIGUED.)

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2. DANTAS SAID HE URGED ON GOULART UNWISDOM AND EVEN DANGER.
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OF TAKING TACK TOWARD EXTREME LEFT, AND DESIRABILITY AS ALTERNATIVE OF SEEKING BROAD CONGRESSIONAL SUPPORT FROM ELEMENTS IN SEVERAL PARTIES FOR PROGRAM MODERATE REFORMS. DESPITE CARVALHO PINTO'S RECOGNIZED LIMITATIONS, HE ALSO URGED GOULART TO KEEP PINTO IN FINANCE MINISTRY. HE SAID GOULARTS REACTIONS WERE GENERALLY REASSURING, AND HE SATISFIED NO LIKELIHOOD EXTREME LEFT SHARP MOVE IN VISIBLE FUTURE.

3. DANTAS THOUGHT BRIZOLA'S REAL INTENTIONS WERE OBSCURE, PERSONAL POWER BEING MORE IMPORTANT TO HIM THAN IDEOLOGY. HE FELT FAR LEFT UNLIKELY TO UNITE AROUND BRIZOLA, ARRAES, FOR EXAMPLE, VIEWING BRIZOLA WITH DEEP SUSPICION. AS TO ARRAES HIMSELF, DANTAS THOUGHT HIS IMMEDIATE CONCERNS WERE WITH PROBLEMS IN PERNAMBUCO RATHER THAN IN EFFORTS TO OPERATE ON NATIONAL SCENE.

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-2- 1230, DECEMBER 13, 1 PM, FROM RIO DE JANEIRO

4. AT SAME TIME, DANTAS SAW TENDENCIES TOWARD GREATER INFLATION AND STAGNATION BECOMING CONSTANTLY WORSE, WITH UNFORESEEABLE EFFECTS ON GENERAL POLITICAL DEVELOPMENTS. AS TO ANTI-AMERICAN ECONOMIC PROGRAM OF FAR LEFT, HE INDICATED FULL AWARENESS DISASTROUS CONSEQUENCES FOR BRAZIL OF ESCALATING ECONOMIC WARFARE WITH US, AND SAW NO PROSPECT SOVIET AID AS AN ADEQUATE SUBSTITUTE. IN HIS CONNECTION, HE SUGGESTED USEFULNESS OUR

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DISCREETLY COMMUNICATING TO SOME ARMY CIRCLES, ESPECIALLY WAR MINISTER JAIR, UNDERSTANDING OF RAW MATERIAL, SPARE PART, WHEAT, AND PETROLEUM SUPPLY PROBLEMS THAT COUNTRY MIGHT CONFRONT. IN THIS CONNECTION, SAID GOULART SHOWING INCREASING RELIANCE ON MILITARY DISPOSITIVO, BEING CONVINCED HE ENJOYED MORE MILITARY SUPPORT THAN ANY PRESIDENT IN RECENT HISTORY.

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