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PRIORITY

HANDLING INDICATOR

TO : DEPARTMENT OF STATE

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APR 3 7 23 AM 1967

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RS/AN ANALYSIS BRANCH

FROM : Amembassy RIO DE JANEIRO

DATE: March 31, 1967

SUBJECT : WEEKA NO. 13

REF :

ACTION ASSIGNED TO

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CONTENTS

4/5 RAR

CP file

POLITICAL

1. Administration Gets Underway
2. First Decisions Mainly Economic
3. MDB Leads Attack on Security Law
4. Brazilian Communist Party Activity
5. Talk of "Pacification"
6. Initial Step in Education Field

MILITARY

7. Army Command Change

ALLIANCE FOR PROGRESS

STATE DEPARTMENT SYSTEMATIC REVIEW

Retain class'n Change/classify to

Declassify with concurrence of CIA

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FPC/HDR by cut Date: 3/14/96

Negative

PSYCHOLOGICAL

Withdrawal No. 58-7 POL 67-69

8. Article on Anti-Americanism
9. U Thant's Three Points for Peace
10. Brazil and Denuclearization
11. Populorum Progressio
12. New Newspaper in Rio
13. Press Attaché Named Honorary Carioca

GROUP 3: Downgraded at 12-year intervals; not automatically declassified.

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In Out

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Clearances:

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COMMUNICATIONS

POLITICAL1. Administration Gets Underway

As it approached the end of its first fortnight in office, the Costa e Silva Administration began to gather steam. While moving with great caution and holding himself somewhat aloof in Brasilia, the President began to take decisions (see below) and his team seemed to be settling down to work. More appointments were announced to the second echelon jobs in the ministries and to the top jobs in such semi-autonomous entities as Petrobras, the National Steel Company, the Coffee Institute, and the Sugar-Alcohol Institute. Though his initial decisions seemed to carry a temporizing flavor, the President let it be known that he would resist any attempt to revise the constitution or any of the basic legislation enacted under Castello Branco. At the same time, he has given the impression that he has no intention of making use of the more draconian presidential powers unless there is an unmistakable threat to national security. (LIMITED OFFICIAL USE)

2. First Decisions Mainly Economic

Several measures taken by the Costa e Silva Government during the past week indicate some "humanizing" of economic policy. Portarias 36, 37 and 38 emitted by the chief of the new National Social Security Institute on March 6 dismissing some 1400 surplus employees admitted other than through competitive examination procedures (i.e., "interinos") were suspended by President Costa e Silva pending review of the personnel situation created by the unification of the old social security institutes. Application of state excise taxes to gasoline and diesel fuel at the rate of approximately 10.5 percent was postponed from April 1, 1967 to January 1, 1968, thereby greatly reducing the upcoming hike in retail prices of these products. The Finance Ministry is reportedly preparing to reduce both income and/or excise tax burdens and federal investment expenditures in a short-term effort to re-channel resources to the private sector.

News reports to the effect that President Costa e Silva had suspended a 50 percent, April 1 commuter fare increase by the Central do Brasil and Leopoldina railways were false. The National Rail Network had already effected commuter fare increases on its other lines and had merely determined to hold the Rio area increase in abeyance pending restoration of full service interrupted by local energy shortages and landslides. Also, while fiscal measures may be forthcoming to increase private sector liquidity, the authorities are moving in the

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monetary area to reduce the large volume of free reserves recently accumulated by commercial banks, thereby curtailing the ability of the banks to effect autonomous increases in the money supply. (LIMITED OFFICIAL USE)

3. MDB Leads Attack on Security Law

Impelled by a strong dislike for the provisions of the National Security Law decreed in the last days of the Castello Branco Administration and spurred by a desire to capitalize on the law's unpopularity, the MDB has spearheaded an attempt to have the law rescinded and replaced. A bill seeking to reinstate the 1953 Security Law has been introduced by the MDB, but realizing the inadequacy of this earlier law, the party has designated a group to draft a new one with the advice and assistance of competent juridical authorities.

COMMENT: Despite the apparently well-grounded efforts of the MDB to modify the Security Law in Congress, there is little hope of favorable action on the party's proposals. Government forces are not disposed to allow the law to be modified or rescinded by legislative action. They have indicated that any changes in the law required by reason of possible conflicts with the Constitution should come about through court action as cases are tried. (LIMITED OFFICIAL USE)

4. Brazilian Communist Party Activity

According to CAS, the Central Committee of the Brazilian Communist Party (PCB), at its latest meeting during the second week of March, concentrated largely on the international situation and issued a lengthy internal-party document strongly attacking Fidel Castro and the Chinese Communists. There was no discussion, formal or informal, of any proposed action against the Punta del Este conference in April although it was resolved to issue a propaganda call for "unity" against the United States and the OAS over the issues of the IAPF and other forms of "intervention in the internal affairs" of Latin American countries.

The Central Committee also dismissed Carlos Marighella, dissident leader of the PCB's São Paulo State Committee, from his post on the National Executive Committee (from which he had already resigned), reaffirmed the Party's current non-violent policy, and warned its hard-line faction (represented on the Central Committee by Marighella and a half-dozen others) not to oppose this policy. It is anticipated that Marighella may be formally

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expelled from the Central Committee and perhaps from the PCB at the next Party Congress, to be held within the next 90 days according to another of the Central Committee's decisions during the March meeting. (CONFIDENTIAL)

5. Talk of "Pacification"

Amid the uncertainty surrounding the change-over of administrations, there has been much talk throughout the week of political pacification. Heartened by some of Costa e Silva's initial decisions, the opposition has spoken variously of "national union" to support his regime or of offering him the backing of a significant segment of the MDB congressional forces. Stories circulated widely in the press to the effect that Juscelino Kubitschek might return to Brazil in April or May. Another important exile, Goulart's ex-Justice Minister Abelardo Jurema, announced through the press that he would soon come back. President Costa e Silva was quoted by one of Brazil's leading columnists as saying the punitive acts of the revolution could well be reviewed some two years from now on a selective basis.

At week's end, the Administration announced it intended to indict newsman Helio Fernandes of Tribuna da Imprensa on criminal charges. Basing himself on a Complementary Edict issued by Castello Branco, the Minister of Justice said Fernandes would be prosecuted in the regular courts for engaging in political activity after being deprived of his political rights. The Minister charged the Federal Police with making the preliminary investigation and drawing up the indictment. The government's tempered solution to this case (it could have banished him to Mato Grosso) seemed designed to please both the hardline and the opposition, with the chances being that Fernandes will come off with a very light sentence, if any. Altogether, the climate seemed to be growing a bit more favorable for an eventual political pacification.
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6. Initial Step in Education Field

Meeting in Brasilia on March 28 with the heads of Brazilian Universities and the Minister of Education, President Costa e Silva announced a "solution" to the long-standing educational

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problem of the "excedentes." These are students who have passed the college entrance examination but find that all university vacancies have been given to students passing this hurdle with higher marks. Numbering ~~over a thousand~~ throughout Brazil this year, the students have been campaigning and petitioning for weeks in an effort to obtain governmental interest in their plight. Prior to the Costa e Silva Government taking office, the excedentes had succeeded in enlisting Mrs. Costa e Silva as their "godmother" and gaining her assurance that something would be done for them.

The "solution" released to the press consists of an agreement signed by the Ministry of Education and the heads of Brazilian Universities. It calls on universities to provide space for out-of-town students in an effort to bring about a better geographic balance between openings and candidates, and to make fuller use of present class, laboratory, and teaching facilities. The Government, for its part, agrees to supply funds to help cover the additional costs. (LIMITED OFFICIAL USE)

COMMENT: The President's action, although undoubtedly sincere, was also designed to garner some political support among the students, who have been highly vocal in their criticism of the previous government. As such, it was an initial success, immediately gaining for him the nickname "Marshal of Education." Prospects for his program are, however, uncertain and hinge on the various University Councils endorsing the agreement, the willingness of the part-time professors, who earn the bulk of their income during their non-teaching hours, to take on a heavier teaching load, the readiness of the students to move to out-of-town universities, and the availability of government funds. (LIMITED OFFICIAL USE)

MILITARY

7. Army Command Change

In a generally unexpected move, General Syseno Sarmiento was promoted to full general and is to be assigned as Commander of the Second Army in São Paulo. His promotion could well trigger off a small game of musical chairs, though the extent of the changes as well as the persons involved are unknown at this time. (UNCLASSIFIED)

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8. Article on Anti-Americanism

Starting out from the cover of Realidade magazine (circulation 416,000) this week is a color picture of Uncle Sam sporting a black eye. Oddly enough, however, the ~~poll of 1,200 Brazilians~~ that Realidade canvassed throughout Brazil showed that ~~two-thirds of the people hold generally favorable opinions towards the US.~~

Also included in the spread was a long article by Carlos Lacerda who traced the history of US-Brazil relations and concluded, despite some digs at the CIA, IMF and Alliance for Progress, that better comprehension is needed between Brazilians and Americans. He pays the ultimate tribute by saying that a majority of Brazilians want their country to be like the US.

The feature on the US concludes with a series of questions asked Ambassador Tuthill which put on the record some of the most frequent charges against the US support of dictators, whether US private investment threatens Brazil's economic independence, etc. (UNCLASSIFIED) § rebuttals to

9. U Thant's Three Points for Peace

The US scored a clear propaganda victory in Brazil's headlines this week when it immediately accepted U Thant's three points while Hanoi quickly rejected them. Although there has been little editorial comment on the subject, Jornal do Brasil's international editor sees in the plan U Thant's acceptance of the US's position on reciprocity, and concludes that U Thant therefore sees no wavering or compromising on the part of the US.

10. Brazil and Denuclearization

News from Geneva that Brazil's delegate to the Committee of Seventeen had declared nuclear explosions necessary for Brazil's economic development coincides with editorial opinion in both Jornal do Brasil and O Globo. In a lead editorial, Jornal do Brasil accused the USSR and the US of wanting to monopolize the world's nuclear capabilities, thus depriving Brazil and other developing countries of their benefits. The issue has become further involved with the present discussion in Brazil of the necessity of a "Atomobras," a nuclear energy monopoly patterned

after Petrobras. Jornal do Brasil supports the creation of such an agency, but Estado de São Paulo comments more thoughtfully that the country has one of the world's greatest hydroelectric potentials and that this would be more economical to develop than nuclear power. Discussion continues, however, and Jornal do Brasil has advised its readers that Brazil can only follow the lead of France and Communist China as regards nonproliferation. (UNCLASSIFIED)

11. Populorum Progressio

The Pope's latest encyclical has been the subject of major stories and editorials this week, with much of the press, particularly the opposition, focusing on such headlines as "Pope opposes imperialism and colonialism, more bread, less arms; Pope assumes command of revolution of the people," etc. The story was also kept on the front pages later in the week with reports of what other newspapers abroad were saying editorially. The Wall Street Journal, it was widely noted, had found "Marxist overtones" in the new encyclical.

Editorials were immediately forthcoming in all newspapers and all hailed the encyclical as a much-needed, brilliant statement of the Church's position on development. Costa e Silva's congratulatory message to the Pope on the encyclical was also widely noted in the press, with Ultima Hora advising the new President to think deeply on the encyclical and put the Pope's thoughts on the subject into action. (UNCLASSIFIED)

12. New Newspaper in Rio

A new afternoon newspaper named Edição Final (Final Edition) appeared March 30 in Rio. The Monday-through-Friday tabloid-size paper is reportedly being financed by Rio businessmen headed by Fernando Colagrossi. The publisher is Olympio Campos, former society columnist for Tribuna da Imprensa, who lost his job with Tribuna when its publisher Helio Fernandes received a complaint from then Planning Minister Roberto Campos that Olympio Campos was attempting blackmail in exchange for not publishing an untrue item about the Minister's personal life. Helio Fernandes fired his social columnist with the alleged declaration: "I won't tolerate blackmailers on my staff. If there is to be any blackmailing I'll do it myself." (LIMITED OFFICIAL USE)

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13. Press Attaché Named Honorary Carioca

US press attaché, Jack E. Wyant, was one of 16 foreigners named "honorary carioca" this week by O Globo. The annual award, which went to Ambassador Lincoln Gordon and Brigadier General Vernon Walters last year, was also given to another American, Father Charles Cullen, who has been in Brazil for several years studying environmental radioactivity.
(UNCLASSIFIED)

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