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HANDLING INDICATOR

TO : DEPARTMENT OF STATE
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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 14 1965
SEP 11 1965

INFO : RIO DE JANEIRO, BRASILIA

RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

FROM : Amcongen São Paulo

DATE: September 10, 1965

SUBJECT : O Estado Warns Lacerda

REF :

As long as UDN presidential aspirant Carlos LACERDA has concentrated on campaigning against the Federal Government on political grounds, São Paulo's prestigious, pro-UDN, pro-"hardline" O Estado has been with him. Thus for the past several months, in numerous editorials the respected daily has been ardently, almost vociferously supporting his positions and has doggedly defended him against attack and against real or imagined plots to annul or sidestep his presidential candidacy. At the same time, the newspaper has become increasingly harsh and outspokenly critical in its treatment of the Federal Government and of President CASTELLO BRANCO. Most of its unhappiness apparently focuses about its conviction that Government political decisions and maneuvers are intentionally or unintentionally paving the way for a resurgence of the power of its arch-enemies, the PTB and the PSD, which O Estado believes will completely nullify the Revolution of March 31, 1964.

Recently, however, in a Rio speech Lacerda reverted to condemning some of the Federal Government's economic and financial policies, policies which O Estado wholeheartedly and unfailingly endorses. The newspaper's reaction to its mercurial hero's outburst was swift and the honeymoon between the candidate and his devoted backer, at least for the moment, appeared ended. A frosty, not entirely pleasant, exchange followed.

Though Lacerda's fulminations against Rio Light Company and Planning Minister Roberto CAMPOS' trip to the USSR were much milder than a good

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many of his attacks against aspects of the Federal Government's economic policies, watchful O Estado lashed out against the heresy in an editorial entitled "Mr. Lacerda and Foreign Capital". The article methodically refuted Lacerda's charges that the Government was subservient to foreign capital and that Campos' Russian trip was designed to blackmail the US. In frank language it also declared that Lacerda was incapable of judging the nation's economic policy with necessary serenity and seriousness and accused him of hampering foreign investment in Brazil by his economic criticisms of the Government.

In rejoinder Lacerda fired off a lengthy, waspish letter to Estado publisher, Dr. Julio MESQUITA Filho, which the paper published in full. In it he adopted a wounded tone in defending his theses and dared to challenge not only Estado's interpretations and evaluations of his position, but also the newspaper's facts. For good measure, he included further heated criticisms of Federal economic policy and also some not very diplomatic innuendoes concerning Estado's economic editor, Frederico HELLER, who in the past has been accused of being slavishly devoted to Roberto Campos. All in all, Lacerda's letter was acerbic, argumentative and slightly offensive.

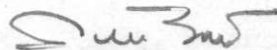
Nettled O Estado without delay shot back with an irritated editorial, reminding Lacerda that it has backed him for years, but clearly cautioning him that its patience had limits. The editorial defended Heller, but not by name, and assumed total responsibility and stated complete approval for economic editorials, which it declared, reflected the views of the paper's directors. After proclaiming the success of the Government's economic measures, the editorial sternly proceeded to give the UDN nominee blunt advice. It suggested that he omit from his campaign further disputation with personal enemies and with business firms with whom he disagreed and indeed, that he change his attitudes and his methods, pointing out that a presidential candidate cannot employ the same tactics as a polemical journalist. Declaring that a campaign is a team effort, Estado warned that it "is not willing to participate in the campaign", should he persist in violating its jealously guarded economic sensibilities.

Comment: In the past O Estado's Mesquita has several times sent Lacerda private warnings, informing him that the newspaper would not continue supporting his candidacy if he persevered in his economic condemnations and broke with Castello Branco on such issues. Several months ago, Padre Nicolas BOER, an O Estado editor wholly in the confidence of the

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Mesquitas, stated that Lacerda had been urged to stick to political issues, leaving economic evaluations to experts who understood economics. For a time it seemed that Lacerda was following the advice. The latest spat between Lacerda and the paper will most probably not lead to an actual break between them, but it is interesting to note that this is the first time O Estado publicly threatened to split with him. While O Estado certainly does not control many votes, even though it is respected and carefully read, the paper's animosity after so many years of support, would not enhance Lacerda's position in the UDN, though it might garner support, or at least sympathy, for him elsewhere.



Niles W. Bond
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