

INCOMING TELEGRAM *Department of State*

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SUBJECT: MEETING WITH ROBERTO CAMPOS

AMBASSADOR AND KUBISH HAD LONG MEETING LAST NIGHT WITH NEW MINISTER FOR PLANNING AND ECONOMIC COORDINATION, ROBERTO CAMPOS. CAMPOS APPOINTMENT HAD BEEN ANNOUNCED APRIL 20. SUMMARY OF DISCUSSION FOLLOWS:

1. ORGANIZATION. CAMPOS SAID HE WAS A MINISTER WITHOUT MINISTRY OR STAFF. SAID DIOGO GASPAR HAD ENDEAVORED UNSUCCESSFULLY CENTRALIZE GOB PLANNING FUNCTIONS UNDER ACESSORIA TECNICA IN EXECUTIVE OFFICE OF PRESIDENT. PLAN HAD NOT WORKED AND WITH DIOGO'S DEPARTURE SEVERAL MONTHS AGO, GOB ECONOMIC PLANNING AND COORDINATING ORGANIZATIONS HAD FALLEN INTO SHAMBLES. SAID COPLAN, FOR EXAMPLE, VIRTUALLY NON-EXISTENT AND THAT PLANNING COUNCIL HAD ONLY SECRETARIAL AND CLERICAL EMPLOYEES. EXPECTED MOVE INTO HIS OWN NEW OFFICES THIS MORNING AND TO BEGIN ORGANIZING MINISTRY. SAID SUDENE, SPVEA AND OTHER REGIONAL PLANNING BODIES WOULD REPORT TO HIM. ALSO SAID ENDEAVORING TO GET JOSE LUIZ BULHOES PEDREIRA AS VICE MINISTER.

2. REFORMS. CAMPOS SAID THAT IN ADDITION BUILDING ECONOMIC STAFF, ANOTHER TOP PRIORITY WOULD BE TO MOVE QUICKLY ON "INSTITUTIONAL" AND ALSO "COSMETIC" REFORMS. HE FELT IT OF HIGHEST IMPORTANCE TO TAKE FULL ADVANTAGE OF 30-DAY PROVISION ATO INSTITUTIONAL TO MAKE MAXIMUM PROGRESS WITH CONGRESS. SOME OBSOLETE CODES, SUCH AS PORTS AND NAVIGATION, LONG OVERDUE FOR REFORM. ALSO OF HIGHEST IMPORTANCE MOVE QUICKLY ON REFORMS THAT WOULD DEMONSTRATE TO PEOPLE OF BRAZIL THAT REVOLUTION HAD NOT BEEN INTENDED TO RETURN TO STATUS QUO AND OR SIMPLY TO PROTECT PRIVILEGED GROUPS. HE HAD IN MIND WIDE RANGE OF PROPOSED ACTIONS WHICH WOULD COMMAND POPULAR ATTENTION AND CONVEY IMAGE OF PROGRESSIVE NEW GOVERNMENT DETERMINED RESTORE ECONOMIC HEALTH AND BRING RAPID SOCIAL PROGRESS TO NATION. HE REFERRED AMONG OTHERS TO LAND AND AGRICULTURE REFORMS, MANUFACTURING EXPORTS CAMPAIGN, INDUSTRIAL

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-2-, 2360, April 22, 8 p.m. (SECTION ONE OF TWO) from Rio de Janeiro
PRODUCTIVITY TEAMS, "NON-INFLATIONARY" EASY CREDIT FOR SMALL
AND MEDIUM SIZE FARMERS, SPECIAL ATTENTION TO FERTILIZER
REQUIREMENTS WHICH MIGHT RAPIDLY INCREASE FOOD PRODUCTION,
AND INTENSIFIED EFFORTS ON AID-SUPPORTED LIVESTOCK PROGRAMS
WHICH COULD CONTRIBUTE BOTH TO EXPORT EARNINGS AND INCREASED
FOOD SUPPLY. SAID WOULD LEAVE MATTER OF ECONOMICS TO LATER
COLLABORATION WITH FOREIGN TECHNICIANS.

3. AMFORP. AMBASSADOR REVIEWED CURRENT SITUATION WITH RESPECT
AMFORP AND CONVEYED TO CAMPOS SUBSTANCE HIS RECENT DISCUSSIONS
WITH PRESIDENT CASTELLO BRANCO, MINISTER FINANCE BULHOES
AND MINISTER FOREIGN AFFAIRS LEITAO DA CUNHA. AMBASSADOR EXPRESSED
BELIEF THAT IF GOB IN FACT WILLING ACCEPT SOLUTION ALONG COLOMBIAN
LINES, NEXT STEP WOULD APPEAR TO INVITE SARGENT AND WORK OUT
DETAILS. CAMPOS SAID THIS DECISION PUT TO PRESIDENT ON
ADVICE FROM MINISTER MINES THIBAU AND LEITAO DA CUNHA BUT
THAT CAMPOS WOULD SUPPORT. SAID HE WOULD RAISE QUESTION
AT CABINET MEETING THIS FRIDAY AND EXPLAIN SITUATION. FELT
LEITAO DA CUNHA WOULD ALSO SUPPORT BECAUSE OF OVERALL FOREIGN
POLICY ASPECTS. SAID HE DID NOT YET KNOW THIBAU OR HIS VIEWS.

4. PROFIT REMITTANCES. WE POINTED OUT NEED TO DEAL PROMPTLY
WITH PROBLEM PROFIT REMITTANCES. THIS COULD HAVE IMPORTANT
ADVANTAGE NOW OF ENCOURAGING INVESTMENTS IN A PERIOD WHEN
NEEDED TO HELP CUSHION EFFECTS OF ANTI-INFLATION PROGRAM.
CAMPOS SAID JOSE PINHEIRO NETO, TOP CORPORATION LAWYER,
DRAFTING A BILL AT REQUEST SAO PAULO PSD DEPUTY CUNHA BUENO
WITH VIEW ITS SUBMISSION TO CONGRESS. CAMPOS SAID, HOWEVER,
THAT NEW MINISTER INDUSTRY AND COMMERCE DANIEL FARACO SEEMED
PREFER MERELY AMENDING PRESENT LAW, PERHAPS ALONG LINES
PREVIOUSLY PROPOSED KRIEGER AMENDMENT, TO REMOVE ONEROUS
PROVISIONS ARTICLES 31, 32 AND 33. FARACO THINKING ALSO THAT
MUCH CAN BE DONE SIMPLY THROUGH SUMOC ADMINISTRATIVE REGULATIONS.
CAMPOS ALSO INDICATED CONCERN ON PART NEW GOVERNMENT NOT TO
CONVEY IMPRESSION TO PEOPLE THAT REVOLUTION TOOK PLACE TO HELP
"FOREIGN" INTERESTS.

5. INVESTMENT GUARANTY AGREEMENT. AMBASSADOR COVERED NEED GET
ON WITH IGA AS QUICKLY AS POSSIBLE AND EXPLAINED DECEMBER
1965 AID LEGISLATIVE REQUIREMENT. POINTED OUT THAT LARGE
BACKLOG OF PROJECTS EXISTED AT TIME DISCUSSIONS WITH SANTIAGO
DANTAS IN WASHINGTON MARCH 1963. ALSO DISCUSSED POSSIBLE
AVAILABILITY SOME NEW MULTI-LATERAL APPROACH, PERHAPS EMPLOYING
SERVICES HEMISPHERIC ORGAN SUCH AS CIAP OR IDB. SUGGESTED
THAT CAMPOS APONSOR AGREEMENT NOW.

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CAMPOS SHOWED INTEREST GETTING BEHIND IGA AND ASKED FOR AS MUCH AMMUNITION AS WE COULD PROVIDE SO THAT HE COULD SELL PROPOSAL HERE. WENTED TO KNOW SPECIFICS OF PRESENT BACKLOG

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OF PROJECTS SUCH AS: BRIEF DESCRIPTION, WHEN WILL PROJECT BE READY, HOW MUCH NEW INVESTMENT INVOLVED, EMPLOYMENT CREATING, ETC.? (REQUEST AID/W SEND SKELETON FACTS BY CABLE ASAP).

CAMPOS ALSO RAISED IDEA OF TRYING TO INVESTMENT GUARANTIES A REQUIREMENT OF COMPULSORY OPENING TO LOCAL PRIVATE INVESTORS AFTER PERIOD OF, SAY, FIVE YEARS. AMBASSADOR FELT "INCENTIVE" FAR PREFERABLE TO COMPULSORY ARRANGMENT; GOB COULD USE, FOR EXAMPLE, DISCOUNT ON TAXES TO COMPANIES MEETING CERTAIN STANDARDS OF LOCAL PARTICIPATION.
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SUBJECT: MEETING WITH ROBERTO CAMPOS

6. POLITICAL RIGHTS. AT THIS POINT CONVERSATION MOVED TO DISCUSSION SUSPENSION POLITICAL RIGHTS WITH CELSO FURTADO AS CASE IN POINT. CAMPOS SAID HE QUITE FAMILIAR FURTADO'S VIEWS OVER LONG PERIOD OF TIME AND HAD BEEN INSTRUMENTAL IN SOME KEY ASSIGNMENTS FURTADO HAD RECEIVED IN PAST. SAID GOB FULLY AWARE NOW BAD REACTION ABROAD. SAID ACTION WAS "UNFORTUNATE" BUT SAID THAT FURTADO HAD BEEN NOTORIOUSLY EASY AVENUE FOR COMMUNISTS ENTER GOVERNMENT, ESPECIALLY SUDENE. SAID FURTADO'S VIEWS NOT REPRESENTATIVE THOSE HELD BY GOB, REFERRED TO FURTADO'S RECENT SPEECH AT CIAP MEETINGS WASHINGTON. (WE DID NOT KNOW OF THIS SPEECH AND WOULD APPRECIATE RECEIVING COPY IF AVAILABLE). GIVE IMPRESSION THAT "RIGHTS" PROBLEM REMAINS TO BE RESOLVED.

7. DEBT AND OVERALL PROGRAM. AFTER DISCUSSION CURRENT SITUATION WITH RESPECT EXTERNAL DEBT AND RELATED NEGOTIATIONS, AMBASSADOR ASKED WHETHER APPROPRIATE NOW CONTINUE TO VIEW THESE NEGOTIATIONS MERELY AS EFFORT ON PART GOB KEEP HEAD ABOVE WATER THROUGH 1965; NOW APPEARED TO BE TIME TO MOVE QUICKLY ON DEBT BUT AS ONLY ONE ELEMENT IN COMPREHENSIVE FINANCIAL AND ECONOMIC PROGRAM. CAMPOS UNHESITATINGLY REPLIED HE AND OTHERS IN GOB STRONGLY FAVOR THIS MUCH ENLARGED, MORE COMPREHENSIVE APPROACH. SAID MINFIN BULHOES EXPECTED HAVE FINANCIAL PROGRAM BLOCKED OUT WITHIN 30 DAYS, ALTHOUGH NOT IN DETAIL THAT WOULD ULTIMATELY BE REQUIRED. CAMPOS INDICATED WE COULD EXPECT TALK IN MORE SPECIFIC TERMS DURING NEXT FEW WEEKS.

8. AID PROJECTS. CAMPOS MADE STRONG PRESENTATION FOR NEED TO GET ON QUICKLY WITH AS MANY AID DOLLAR PROJECTS AS POSSIBLE. THESE NEEDED FOR MANY AND OBVIOUS REASONS. SEEMED MOST ANXIOUS ABOUT STATUS CEMAT AND FURNAS LOANS. ASKED IF AID COULD APPROVE QUICKLY LOANS FOR OTHER PROJECTS NOW UNDER CONSIDERATION AS WELL AS NEW LOANS WITH HIGH LOCAL CURRENCY COMPONENT. ONE SUCH PROJECT WOULD BE CONSTRUCTION THIRD AND FOURTH LANES HIGHWAY BR-2 BETWEEN RIO/SAO PAULO WHICH BOTH USAID AND DNER BELIEVE HAS TOP HIGHWAY PRIORITY IN BRAZIL. THIS

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PROJECT APPROXIMATELY \$18 MILLION AND COULD BE READY
QUICKLY WITH EXCEPTIONAL PUBLICITY ADVANTAGES FOR AFP. WE AGREED
ESTABLISH SPECIAL WORKING GROUP OF COMBINED GOB-USAID STAFF
TO ACCELERATE ALL PROJECT EFFORTS.

9. IDB. CAMPOS SAID HE AND BULHOES HAD HOPED THAT CLEANTHO DE PAIVA LEITE WOULD RESIGN HIS POST AT IDB AS RESULT GOB'S MESSAGE ABOUT 10 DAYS AGO SAYING CLEANTHO WOULD NOT SPEAK FOR GOB AT PANAMA MEETING. SAID THERE IS WIDESPREAD WILLINGNESS TO KICK CLEANTHO OUT BUT PROBLEM IS HOW, SINCE HE APPARENTLY WILL NOT RESIGN. SAID THEY CONSIDERING ANOTHER MESSAGE TO IDB WITHDRAWING SUPPORT CLEANTHO WITH HOPE ECUADOR AND HAITI WOULD DO SAME.

10. BNDE. WE EXPLAINED TO CAMPOS PRESENT SITUATION WITH BNDE AND NEED TOMOVE QUICKLY ON PENDING PROJECTS AS WELL AS MAKE MUCH IMPROVED ARRANGEMENTS TO PROGRAM HUGH AMOUNT CRUZEIROS BECOMING AVAILABLE UNDER FIFTH SALES AGREEMENT AND AMENDMENT. ALSO MADE STRONG POINT OF FAILURE BNDE TO MAKE LOANS TO US FIRMS WHICH COULD BE REGARDED AS STRAIGHT CASE OF NON-COMPLIANCE BY GOB WITH AGREEMENT. CAMPOS SAID BNDE SUPERINTENDENT GENIVAL SANTOS HAD MADE SOME PROGRESS IN "CLEANING OUT" BANK BUT LONG WAY STILL TO GO. HE WAS CONSIDERING PUSHING FOR NEW MANAGEMENT FOR BNDE AND ALSO WAS CONSIDERING GENIVAL AS POSSIBLE CANDIDATE FOR NEW SUPERIENTENDENT SUDENE.

11. FOOD. CAMPOS HAD MADE STRONG CASE IN OUR PREVIOUS MEETINGS OF NEED TO RECEIVE IMMEDIATE ASSISTANCE IN VARIETY OF FOODS UNDER PL 480, BOTH TO INCREASE FOOD SUPPLIES AND TO HELP DAMPEN COST-OF-LIVING INCREASES. EXPLAINED WE HAD RECEIVED ONLY QUALITATIVE LIST OF FOOD NEEDS AND HAD RESPONDED ON AVAILABILITIES; WHAT WAS NEEDED NOW WAS SPECIFIC QUANTITIES.

12. COFFEE. CAMPOS MADE STRONG POINT OF RECENT SHARP FALL IN COFFEE PRICES. SAID COFFEE FELL FIVE CENTS LAST WEEK AND THIS AMOUNTED TO AN ANNUAL LOSS IN FOREIGN EXCHANGE EARNINGS FOR BRAZIL OF ALMOST \$125 MILLION. SAID MARKET HAD FALLEN AN ADDITIONAL TWO CENTS ON MONDAY, ALTHOUGH HAD RECOVERED SLIGHTLY YESTEREAY. IN CAMPOS VIEW THIS MARKED PRICE WEAKENING IN COFFEE COULD BE A MAJOR DISASTER FOR THE NEW GOVERNMENT AND FOR BRAZIL. HE THOUGHT ONE OF MAIN REASONS FOR DROP WAS US PRESSURE FOR INCREASING QUOTAS ALTHOUGH HE ACKNOWLEDGED MAY OTHER CONTRIBUTIONG FACTORS.

COMMENT. THIS DISCUSSION WITH CAMPOS, IN CONTEXT OF EVER-WIDENING RANGE OF CONTACTS WITH NEW GOVERNMENT, WAS FURTHER EVIDENCE OF MOST AUSPICIOUS BEGINNING. BELIEVE NEW GOVERNEMNT MAY OFFER BEST OPPORTUNITY FOR COLABORATION WITH US HAS HAD IN BRAZIL FOR MANY YEARS. GORDON

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