

CONFIDENTIAL

-2- 852, October 17, 9 p.m. from Rio de Janeiro

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MEETING FOR THIS REASON, AND EXCLUDED MAGALHAES PINTO TO DEMONSTRATE THAT GOVERNORS COULD BE ASSEMBLED WITHOUT MAGALHAES PINTO INITIATIVE OR EVEN PARTICIPATION. ALVES FEELS THAT ANY GOULART MOVE TOWARD REDUCING TENSION AND AWAY FROM EXTREME LEFT SHOULD BE WELCOMED AND ENCOURAGED, EVEN THOUGH CONFIDENCE IN DURABILITY SUCH MOVE IS SMALL.

3. ALVES SEES SUBSTANTIAL LIKELIHOOD DROPPING DARCY FROM CIVIL HOUSEHOLD, BUT SAYS GOULART ADAMANT ON RETAINING ASSIS BRASIL. GOULART CLAIMS THAT ASSIS BRASIL VERY CLOSE TO HIM PERSONALLY AND NOT COMMUNIST. ALVES REGARDS APPOINTMENT AS ESSENTIALLY SIGN GOULART'S MISTRUST OF ARMY AND DESIRE DIVIDE THIS MAJOR POTENTIAL RESTRAINING FORCE.

4. ALVES CONSIDERS GOVERNMENT'S BUILDING UP OF LACERDA AS GROSS ERROR THEIR PART, WHICH MIGHT STILL END IN HIS ELECTION. SAYS SOME COMMUNISTS EVEN FAVOR THIS, ON THEORY THAT "REACTIONARY" GOVERNMENT WILL FOSTER REVOLUTIONARY SITUATION IN LONG RUN. ALVES SAID HE CONSIDERED THIS SAME ERROR COMMUNISTS MADE IN FOSTERING RISE OF BOTH HITLER AND FRANCO, AND THAT WHILE LACERDA NO FASCIST, HE WOULD LIQUIDATE COMMUNISTS EFFECTIVELY SPEEDILY. ON OTHER HAND, ALVES CONSIDERS LACERDA'S INTERVIEW AND ARMS

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MOVEMENTS IN GUANABARA ALMOST INCREDIBLE POLITICAL ERRORS.

5. ALVES BELIEVES SUBSTANTIAL POSSIBILITY OF GETTING THROUGH NEXT TWO YEARS IF COHESION MAINTAINED AMONG SENSIBLE GOVERNORS, BULK OF ARMED FORCES, AND MODERATE GROUPS IN CONGRESS. THINKS CONSTITUTIONAL AMENDMENT FOR LAND REFORM UNLIKELY, ALTHOUGH BADRA BILL SHOULD PASS AND GOULART WILL HAVE TO ACCEPT IT AS BETTER THAN NOTHING. LACK OF CONFIDENCE IN GOULART NOW ALMOST UNIVERSAL, BUT NO POINT REMOVING HIM IF HE AVOIDS FURTHER RECKLESS ACTION.

6. REMAINDER ALVES' CONVERSATION DEALT WITH AFP, PROSPECT SAO PAULO MEETING, AND STRONG DESIRE PRESS AHEAD HIS FAVORITE PROJECT FOR MEDIUM-SIZED RESERVOIRS IN RGN.

GP-3. GORDON.
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