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FOR AMBASSADOR FROM MARTIN

Appreciate how discouraged your conversation with Goulart must have left you. It seems apparent that Goulart mental pendulum currently once again swinging sharply to left for support. Also note that his actions presently influenced by those elements among his closest advisers who are pronouncedly anti-US leftist-nationalists. We are deeply concerned by the lack of scruples manifested by the fake story of the pro-Lacerda meeting and the ability maintain fiction in mind of President and others notwithstanding your clear-cut published and face to face denials. Similarly, the continuing maintenance of fiction regarding disproportionate assistance to Guanabara.

Goulart's resort to and talents for mass demagoguery would not per se be harmful if result were to be effective reform. Demagoguery is not necessarily linked to or characteristic of communist tactics and its exercise does not inevitably

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inevitably presage communist takeover. Few political leaders have reached top without some ability in this field. It was one of communist charges against FDR. Yet I doubt if he could have pushed through half the overdue reforms for which we thank him without this talent. And equally overdue social changes in Brazil will probably depend on similar impetus. My main concern would be with the reaction to failure to deliver after hopes aroused.

Appreciated your restraint respect AMFORP and IMF. But one point of 234 was of course question of whether you can or should engage in useful positive dialogue with Goulart or other Brazilian leaders on how US can help bring about successful agrarian reform from standpoint both of agricultural productivity and social and economic condition of peasants, or same for banking reform to which his government seems to give high priority. We might also even wish to discuss help in strengthening unions ability to improve conditions of workers.

Finally, while Goulart is important in presidential system of Brazil, we have long been operating on basis he is substantively uneducatable and we must concentrate on advisers and groups who can put pressure on him. Moreover this is long battle without

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question and US image must be built which looks beyond Goulart era. Hence impossibility of 234 approach making dent in Goulart as suggested in comment would not alone justify its rejection.

Is there not also a real problem in fact that Goulart advisers with continuing access to him in Brasilia are consistently and constantly feeding him with anti-US material, whereas other elements, including yourself, are handicapped by his inaccessibility which results in only infrequent dosages of countervailing information? Is this not also true regarding accessibility on a continuing basis to better elements in his entourage, principally based in Brasilia, such as Tancredo Neves.

END

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