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Action

Control: 16530

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ARA

FROM: RIO DE JANEIRO

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TO: Secretary of State

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1. CARVALHO PINTO SCHEDULED TODAY SEE GOULART IN BRASILIA AND DANTAS IN RIO, AFTER WHICH EXPECTED GIVE DEFINITIVE DECISION ON APPOINTMENT FINANCE MINISTER. MOST PRESS REPORTS TODAY INDICATE PINTO SOUNDINGS IN SAO PAULO YESTERDAY FAVORABLE AND ANTICIPATE PINTO ACCEPTANCE. WEIGHT OF PRESS REPORTS TODAY IS SPECULATION THAT PINTO WOULD TRY PURSUE SOUND FINANCIAL POLICIES, TRY KEEP LINES OPEN WITH INTERNATIONAL CREDITORS AND GIVE NEW PUSH TO DEVELOPMENT IN INTERNAL POLICY. HOWEVER, SOME OBSERVERS CONTINUE SKEPTICAL PINTO WOULD BE ABLE ACHIEVE THIS AS ODD MAN IN CABINET. PARALLEL RATE OPENED TODAY 770-780.

2. DANTAS IN PRESS CONFERENCE YESTERDAY SET STAGE FOR FUTURE POLITICAL BEHAVIOR. ANNOUNCED WOULD ASSUME SEAT IN CHAMBER OF DEPUTIES AND WOULD JOIN PARLIAMENTARY GROUP WHICH ENDORSES ECONOMIC-FINANCIAL POLICY HE HAS TRIED TO FOLLOW. CONDEMNED BOTH POLITICAL RIGHT WHICH SAID LED BY LACERDA AND "NEGATIVE LEFT" WHICH LED BY BRIZOLA AND ASSOCIATED HIMSELF WITH LARGE MIDDLE GROUP WHICH SAID "HAS RIGHT TO GOVERN BRAZIL." INDICATED, HOWEVER, SUCH MIDDLE GROUP NEEDED GIVE POSITIVE DIRECTION AND LEADERSHIP TO BRAZIL RATHER THAN "VACILLATIONS, DUPLICITIES, SIMULTANEOUS CONCESSIONS TO CONTRADICTORY OPINIONS," WHICH REFERENCE DANTAS INDIRECTLY CRITICIZED GOULART. DANTAS DEFENDED INDEPENDENT FOREIGN POLICY MENTIONING HE INSTRUMENTAL IN RECOGNITION AND TRADE AGREEMENT WITH USSR AS WELL AS NEGOTIATIONS WITH US, WESTERN EUROPE, AND IMF. IN DOMESTIC POLICY DEFENDED NECESSITY FINANCIAL STABILIZATION AND WARNED DANGERS RESUMPTION

Handwritten notes: *16530*, *ESTB*, *Ris 2462*

Vertical handwritten notes: *POL 15-1 BRAZ*, *XR POL 2 BRAZ*

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NAME OF OFFICER: <i>RJ Burton</i>	DATE OF ACTION: <i>6/25/63</i>		

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INFLATION AT ACCELERATED PACE.

3. BY THESE STATEMENTS DANTAS APPEARS HAVE IN MIND DISSOCIATE HIMSELF SOMEWHAT FROM GOULART, MAKE BID FOR LEADERSHIP CONSTRUCTIVE CENTER AND LEFT FORCES AND SAVE HIS POLICIES AND REPUTATION IN CASE NEW CABINET UNABLE SOLVE BRAZILS ECONOMIC AND FINANCIAL PROBLEMS. HOWEVER, IN PRESS STATEMENT WAS CAUTIOUS IN HIS WORDS, PRAISED CARVALHO PINTO AND AFFIRMED BELIEF POLICY THREE-YEAR PLAN WOULD BE CONTINUED UNDER PINTO. DANTAS MENTIONED INVITATION MADE TO HIM HEAD FINANCIAL MISSION ABROAD, REPORTED REFTEL, SAYING WELCOMED THIS AS SIGN PRESIDENT INTENDS CONTINUE NEGOTIATIONS WITH INTERNATIONAL CREDITORS, INCLUDING IMF, AND AS DENIAL REPORTS BRAZIL WOULD EMBARK ON MORATORIUM WHICH HE SAID "WOULD BE SUPERFLUOUS AND PREMATURE IN ADDITION TO SACRIFICING DEVELOPMENT PLANS" (ON LATTER POINT MENTIONED CREDITS FOR VOLTA REDONDA, FURNAS, ETC). HOWEVER DID NOT SAY WHETHER WOULD UNDERTAKE MISSION. BERNARDES TOLD ME LAST NIGHT NO MISSION WOULD BE SENT. THIS CONFIRMED BY BITTERCOURT, SECRETARY GENERAL EASTERN EUROPEAN AFFAIRS, FOREIGN OFFICE, WHO SAID DANTAS WOULD VISIT SOVIET UNION IN SEPTEMBER IN "PERSONAL" CAPACITY.

4. DANTAS POSITION INTERPRETED AND PLACED IN STRONGER RELIEF BY HIS PUBLIC RELATIONS AND POLITICAL ADVISOR ALBERTO BAHIA, APPEARING LAST NIGHT ON TV PROGRAM. HIS INTERPRETATION DEVELOPMENTS LAST THAT ONE OF THE MAIN MOTIVATIONS GOULART IN MINISTERIAL CHANGE WAS GETTING RID OF DANTAS FINANCIAL POLICY. SAID GOULART IMPRESSED WITH RECENT POLL SHOWING UNPOPULARITY STABILIZATION AND CONTINUED POPULARITY KUBITSCHER. THOUGHT GOULART HAD DECIDED NEEDED ASSUME "DESENVOLVE-MENTISTA" ROLE OF KUBITSCHER, EVEN AT COST CONTINUED INFLATION TO WHICH COUNTRY HAD AFTER ALL BECOME ACCUSTOMED. WHILE GIVING DUE CREDIT TO CARVALHO PINTOS REPUTATION AND ABILITIES, BAHIA THOUGHT (THIS COULD BE PARTLY ATTRIBUTED TO "SOUR GRAPES") PINTO WOULD NOT BE ABLE COMBAT RESUMPTION INFLATION AT ACCELERATED PACE. SAID NEW FINANCIAL POLICY MOOD OF GOB REFLECTED IN REJECTION BY TWO SENATE COMMITTEES YESTERDAY OF COMPULSORY LOAN PROJECT AND REPORT FROM PRESIDENT'S OFFICE THAT RECENTLY ANNOUNCED COFFEE POLICY WOULD BE REVIEWED IN RESPONSE TO CRITICISM FROM PRODUCERS

(BOTH REPORTS)

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(BOTH REPORTS CONFIRMED OTHER SOURCES). BAHIA LIKENED IMPACT DISMISSAL DANTAS TO CONSEQUENCES QUADROS RESIGNATION AND SAID ANY ATTEMPT CARVALHO PINTO NEGOTIATE FINANCIAL ASSISTANCE FROM ABROAD WOULD BE BURDENED BY FACT GOB IN 1961 UNDER QUADROS, AND JUST RECENTLY IN MARCH MADE COMMITMENTS WHICH IT HAS NOT KEPT.

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