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POLITICAL

1. Castello Branco in Ceara Supports '65 Elections

President Castello Branco continued his series of visits to various states this week, spending almost three days in his natal state of Ceara. The President flew first to Crato in the Cariri Valley, where he presided over the closing ceremony of a livestock exposition, was feted at a dinner given by local business and government leaders, and toured part of the valley's promising self-help industrialization project which was designed and directed by Professor Morris Asimow.

In Fortaleza, following his reception by a group which the press estimated at 100,000, the President made the customary tours of various installations and institutions, attended the usual banquets, and was decorated with Ceara's Medal of Abolition. He also delivered two major addresses and held a press conference, and it was during the course of the latter that Castello Branco made the most important statements of the entire visit.

Speaking to the press, Castello Branco declared himself in favor of direct elections in 1965. This was at least the third occasion on which the President announced himself in favor of 1965 elections, and at least for the moment has had the effect of terminating speculation on whether presidential elections are to be held in 1965 or postponed until 1966.

The President also attempted to define the ideology of the Revolution as being "center left" or "an ideology which presides over a national development whose objective is man and among whose instruments is social justice". Labeling the extreme left subversive, and the extreme right reactionary, Castello Branco said that the ideology of the Revolution is one "that will carry us forward".

The President denied the existence of radical and moderate wings of the Revolution, and expressing surprise at a reporter's question over UDN opposition to the government, eulogized the UDN as the party that "made the Revolution, impulsed the Revolution, and is the support of the Revolution".

Finally, the President told the collected reporters that the government was not considering the granting of amnesty to political prisoners. Admitting that the business of political prisoners was unpleasant, he stated that "it is not possible for the government to undo what the nation demands".

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In his address at the University of Ceara, the President sketched in very broad terms the educational problems of the country and the educational reform that his administration will introduce to resolve them. Included among the provisions of the reform, he stated, is one that calls for the institution of the "education bonus" under which business and industrial enterprises will apparently be called upon to contribute directly to the cost of education of employees' children. Addressing the classes produtoras the President described his intention to encourage private investment in the Northeast and to amplify the number of mixed state-private enterprises.

In the final day of his visit, the President witnessed the signing of two USAID-SUDENE agreements, and, in a brief extemporaneous address, called upon the governors of the North and Northeast to join the federal government in its fight against corruption and tax invasion. (UNCLASSIFIED)

2. President Submits Controversial Constitutional Amendments

Following last week's outburst of rather vehement opposition to the feature of President Castello Branco's electoral reform which would grant suffrage to the unlettered, there was some expectation that the government might reconsider this proposal before submitting it to the Congress. Not so. On June 24 the President presented to the Congress a package of six constitutional amendments, including one which would grant a limited franchise to the illiterate.

While the suggested enfranchisement of the illiterate was probably the subject of most controversy and violent discussion last week, it was replaced this week by another part of the constitutional amendment package of much greater importance in terms of immediate political repercussions. This proposed amendment would establish the requisite of an absolute majority in presidential elections. Under the terms of the draft, the failure of any of the candidates to gain an absolute majority of the valid votes cast in the direct election would throw the election into Congress. In Congress the most highly voted of the direct election candidates would compete against new candidates for an absolute majority, with the least voted of the candidates being eliminated after each ballot. No new candidates could be introduced after the first ballot except in extreme cases such as the death of one of the other candidates. Each candidate for the Presidency would have as a running mate a registered candidate for the Vice Presidency, whose election or defeat would be simultaneous with that of the presidential candidate.

Two of the other proposed amendments would remove income tax exemptions presently enjoyed by authors, journalists, professors, and

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judges. Another would set a six-month time limit to congressional immunities in cases of common crimes, and the final suggested amendment would make sergeants and other designated military personnel eligible to run for public office under specified conditions.

Under the Ato Institucional, constitutional amendments are approved by an absolute majority of Congress, voting in two sessions held within thirty days after the submission of the amendment proposals. (UNCLASSIFIED)

Comment: The administration's proposal for an absolute majority in a direct election will probably find little support among present candidates for the Presidency. Neither São Paulo Governor Adhemar de Barros nor Guanabara Governor Carlos Lacerda could expect to win an absolute majority of the votes in a direct election except in the event of a reduction in the number of political parties and a consequent reduction to two in the number of presidential candidates. Furthermore, barring an additional electoral reform which would reduce by law the number of candidates, no other potential candidate would seem to have any chance at all to win an absolute majority of votes in a direct election. This being the case, adoption of the amendment would almost certainly mean that Brazil's next President would be elected by the Congress.

It would be too speculative to predict at this point who would be able to win an absolute majority in the Congress in 1965, but it seems fairly clear that among those who would find such a task difficult is Governor Carlos Lacerda. Possibly sensing in the proposed amendment a threat to his candidacy, Lacerda reportedly announced on June 24 that he would have to cut short his visit to the United States and hurry back to Brazil.

Unless the government intends to follow up this proposed amendment with an additional electoral reform package aimed at the various existing parties and with the intention of reducing the number of presidential candidates, this would seem to be another case of President Castello Branco deliberately taking on the conservative wing of the Revolution. Any presidential election held in the Congress would give the PSD and the PTB the opportunity to again hold the balance of power, an event which would greatly displease those elements of the Revolution who see in the two parties the bane of Brazil's recent history. (CONFIDENTIAL)

3. New Army Chief-of-Staff Warns Against Military Tutelage

In June 22 ceremonies attended by War Minister Costa e Silva, General Decio Palmeiro de Escobar relieved retiring General

Emilio Maurell Filho as Army Chief-of-Staff (the position held by President Castello Branco prior to the Revolution). In his speech, Escobar stated that members of the armed forces must remain aloof from party politics "...even when partisan arguments are invoked to justify the intervention (of the Armed Forces) with historic responsibility for the implantation and maintenance of a republican regime... We oppose, therefore, the tutelage of the nation by military powers whose subordination to legally-constituted civilian power we recognize ... " Continued the General, "the victorious revolution had as an objective the infusion into politics and administration levels of decency and authority which seemingly had been banned from public life. But the impatient ones, the radicals, the most blind already say that they are disenchanted. They intend that the movement purify customs and reintegrate democracy...through the total and immediate destruction of those guilty for the dark night which had engulfed the nation... The complaint has the taste of something old and recognized which repeats itself in the transformations of our political-social organism... The purification of democracy which the nation craves is the product of long efforts." The new Chief-of-Staff closed by noting the responsibility of the armed forces in "...erecting the new order with the demanded and indispensable reforms..." (UNCLASSIFIED)

Comment: Escobar's reasoned speech clearly reflected what is considered to be the predominant attitude within the Army--i.e. support for the Castello Branco regime in its reform efforts. In his allusions to the fact that the body politic cannot purify itself overnight, the General also played the "soft-line" acceptance of the cautious use of Article 10 powers by President Castello Branco.

(CONFIDENTIAL)

4. Government Proposes Liberalization of Restrictions on Profits Remittances

The President sent to Congress on June 23, a bill substantially liberalizing present restrictions on the remittances of profits and repatriation of capital by foreign firms operating in Brazil. Under the Presidential proposal, provisions of the present law which limit the level of annual remittances to 10 percent, and capital repatriation to 20 percent, of registered capital would be abolished. Contingency authority to limit profits remittances to 10 percent and to prohibit capital repatriation on a temporary basis during periods of grave balance-of-payments disequilibrium would, however, be retained under this proposal.

The proposed modification also permits the registration of reinvestments in foreign currency using the exchange rate prevailing at

the time the reinvestment took place. Remittances made under the contingency limitation, could, therefore, be calculated on a base which would include reinvestments realistically valued. Under existing regulations, reinvestments are registered in cruzeiro terms only and, according to most interpretations, may not be included in the remittance base in any event. (UNCLASSIFIED)

Comment: The proposal will be considered under the regime of the Institutional Act and prompt passage is likely. Press and public reaction thus far has been generally favorable.

If the bill passes, as expected, the modifications should promptly stimulate reinvestments and expansion of foreign operations already operating in Brazil. While new foreign investments no doubt will also be encouraged, results will not be immediately perceivable owing to the natural lag in investment planning and execution. Additionally, in spite of the improved atmosphere for foreign investments, some potential investors may still delay moving ahead with plans pending further clarification of the political situation. (LIMITED OFFICIAL USE)

5. Administration to Withdraw Draft Bill Increasing Sales Tax

A draft bill sharply increasing the rates of the Brazilian sales tax (Imposto de Consumo) was sent to Congress last week, but was held from further processing by Chamber of Deputy officers. At the request of the administration, it continues to be held pending the receipt of a message from President Castello Branco withdrawing the bill. The text of the draft has not been revealed officially, although the increase in rates is reported to be around 30-40 percent, perhaps higher in some instances. (LIMITED OFFICIAL USE)

Comment: Congressional sources indicate that party leaders in the Chamber of Deputies reacted unfavorably to the stiff terms of the bill, and that their views were shared by some high administration officials. They apparently thought that such an increase in the sales tax, coming after the removal of wheat and petroleum products subsidies, the submission of the omnibus tax bill (Weeka 22) and other recent economic and financial steps, would provoke unfavorable political reactions. (LIMITED OFFICIAL USE)

6. CGI Head Cautions Against Illegal Imprisonment

Marshal Taurino Resende Neto, Chief of the post-revolutionary investigative machinery, felt constrained this week to reiterate an

earlier order to the effect that political prisoners would have to be released after fifty days unless a specific preventive arrest decree had been issued for the individuals concerned (Weeka 24). In his June 22 warning, Resende Neto stated that authorities who disregarded his order to release such prisoners would be subject to criminal processing under the provisions of the Code of Military Justice.

Evidently Resende Neto's strong warning did not fall on deaf ears. Reports indicate that 29 prisoners in Bahia were released on June 24. In a separate notable case, ex-SUPRA Chief João Pinheiro Neto was released from prison on June 23--even though preventive arrest had been decreed in his case. (UNCLASSIFIED)

Comment: Resende Neto's repeated warning against holding prisoners beyond the 50-day period might be prima facie evidence that some persons were being held illegally. On the other hand, reports continue to indicate that releases are taking place at an accelerated rate. One June 20 report noted that 240 political prisoners in Rio State had been released, leaving only maverick padre Anibal Mendes still under arrest as a post-revolutionary political prisoner.

(LIMITED OFFICIAL USE)

7. Minister of Interior and Director of National Information Service Take Office

General Osvaldo Cordeiro de Farias was sworn in on June 24 as Minister for Extraordinary Affairs in President Castello Branco's cabinet. At the same ceremony, President Castello Branco issued the oath of office to General Golberi do Couto e Silva as Director of the recently-created National Information Service (SNI).

Cordeiro de Farias, as head of the newly-created Extraordinary Ministry for Coordination of Regional Organisms, will coordinate and direct the affairs of certain specialized agencies previously directly subordinate to the Presidency (Weeka 25). Popularly, Cordeiro de Farias will be known as Minister of Interior, at least until such time as a true Ministry of the Interior is created.

General Couto e Silva, on assuming his office, characterized the SNI as a "Ministry of Silence" which will keep an eye open to the most subtle inflections of public opinion but which will rarely come into the public view. (UNCLASSIFIED)

8. Assembly Extends Lacerda's Time Abroad

In an extraordinary evening session on June 22, the Guanabara Legislative Assembly voted unanimously to extend its previously granted permission to Governor Carlos Lacerda to remain abroad. Lacerda had requested an extension of approximately thirty days, but the Assembly granted forty days or until August 1. Following the Assembly vote there was some press speculation that Lacerda needed the additional time to further develop his position vis a vis the Castello Branco government. However, on June 24, it was reported that Lacerda canceled a July 4 speaking engagement in Miami because of a sudden need to return to Brazil. (UNCLASSIFIED)

Comment: Reportedly the Paraná UDN requested Lacerda to return to help develop the UDN position toward the government's reform proposals. It is also possible that Lacerda felt that his presidential candidacy was in danger. (Item 2) (LIMITED OFFICIAL USE)

9. Mauro Borges Issues Manifesto

Goias Governor Mauro Borges broke his self-imposed press silence on June 18, issuing a statement to his state's citizens explaining his views and conduct with respect to the federal investigation of his government. While expressing loyalty to President Castello Branco and the ends of the Revolution, Borges criticized strongly the Article 10 removal of his State Secretaries of Education and Justice, Padre Ruy Rodrigues and Wilson da Paixão. Borges implied that the investigatory commission had been influenced by a "systematic political campaign" carried on by his local opposition. But he proudly noted that "I did not permit any...action to reduce or annul my constitutional prerogatives". (UNCLASSIFIED)

Comment: Borges probably believes that his tactics in the last months have provided him with an overall net gain politically. He remains as one of the few national figures who successfully resisted considerable pressure of the forces of the Revolution. It is still too early to predict how much the young governor will be able to use this position to amplify his political horizons, but it is noted that his name is now one of several being mentioned as possible PSD presidential candidates in 1965. (LIMITED OFFICIAL USE)

10. Asylees Leave Yugoslavian Embassy

The granting of safe-conducts permitted a mass egress of political asylees from the Embassy of Yugoslavia in Brasilia this week.

Preparing to travel to Yugoslavia on the freighter Bohinj are ex-Federal Deputies (or alternates) Almino Afonso, Lamartine Tavora, Fernando Santana and Licio Hauer. They had been preceded by ex-PTB Chamber Leader Bocayuva Cunha and ex-Goulart press secretary, Raul Ryff, who presumably prefered the more costly but comfortable voyage by air. Meanwhile, ex-Senator and Labor Minister Amauri Silva also left the Yugoslavian Embassy but instead of proceeding to Belgrade, he managed to slip away to Montevideo with a promise to "return to answer any accusations as soon as I have the minimum assurance of indispensable liberty..." (UNCLASSIFIED)

PSYCHOLOGICAL

1. Brazil Applauds Passage of U. S. Civil Rights Bill

Brazilian reaction to the U. S. Senate's passage of the civil rights bill, as reflected in the press and in the Congress, was, of course, highly favorable and commendatory. In the Chamber, UDN Vice Leader Adolpho de Oliveira said that Brazil, which prides itself as a racial democracy, accompanied the fight for this bill with great interest. He called the bill a homage to the memory of the late President Kennedy. In the Senate, Senator Afonso Arinos (who introduced the bill for Brazil's own severe federal anti-racial discrimination law--Decree No. 1.390 of July 3, 1951) sponsored a request to send a note of praise to the U. S. Senate. Senator Eurico Rezende (UDN-Espirito Santo), who gave a long speech of praise for the passage of the bill, said it was the culmination of a battle that began with Lincoln and had the figure of John Kennedy as its high point. He further said "racial hate is a brutal contradiction in the American democratic system, withdrawing moral substance from its preaching of...human liberties throughout the world." He expressed hope that the law would now be vigorously applied.

Among the various laudatory comments of the press, O Globo said that "For all the nations of the free world which look to the United States as the leading nation of our time, the approval by the Senate in Washington of the Civil Rights Bill is a great joy..." Ultima Hora termed passage of the bill "...cause for jubilance...throughout the world", and a Jornal do Brasil editorialist, while pointing out the difficult social problems involved in ending discrimination, congratulated the U. S. for having solved the problem at the political and legal level "where the injustice, by being codified, was most glaring". (UNCLASSIFIED)

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2. Reactions to Assistant Secretary Mann's Recent Public Statements

The release this week of Assistant Secretary Mann's May 18 testimony at congressional appropriations hearings touched off a minor series of editorial expressions of indignation.

On June 20, the respected <u>Jornal do Brasil</u> published an editorial entitled "Dollar Diplomacy" which attributed to Mr. Mann a statement that democracy had been saved in Brazil by a U. S. policy of assistance to selected state governments and the denial of assistance to the Goulart administration. That policy, the editorial declared, was largely responsible for the failure of Celso Furtado's three-year plan, and the collapse of the plan led to the strengthening of anti-American forces which in turn made a revolution necessary. No matter how well intentioned such dollar diplomacy may be, the editorial went on, a continuation of the policies outlined by Assistant Secretary Mann is destined to work against the development of stable democratic institutions in Latin America. "Frankness", it concluded, "is always welcome. Mr. Mann spoke clearly. But his reasoning is not correct. Brazil's problem is a new economic apparatus. The name of the pilot is of secondary importance."

On the same day opposition Correio da Manhã editorialized that kmm Assistant Secretary Mann's statements merited the fullest attention not only of Brazilian public opinion but of international public opinion as well. The editorial stated: "Secretary Mann's declarations confirm North American intervention in Brazilian affairs. Such interference, openly confessed, cannot be tolerated."

Leftist Ultima Hora, on June 22, approved the Senate's passage of the civil rights bill but then asked whether the end of racial discrimination in the U. S. should not be followed by the end of political discrimination of the type indicated by Mr. Mann's testimony. "Now that the situation has modified, and Brazil has become a type of democracy more in line with the desires of Secretary Mann, it is time for the Castello Branco government to express the sentiments of the Brazilian people who are against a system of discrimination which signifies interference in the internal life of the country."

The following day, Ultima Hora published a second editorial which pointed to a PTB motion in the Guanabara Legislative Assembly to investigate the distribution of USAID funds, and stated that Assistant Secretary Mann's words were producing repercussions among both federal and state authorities. "The problem", said the writer, "is important. From now on we shall not be able to choose our own way. Before we can decide what democracy is, we will first have to consult Mr. Thomas Mann."

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On the other hand, Mr. Mann's Notre Dame speech received widespread, favorable coverage and was highly praised in editorial comment by O Estado de São Paulo as reflecting a "bi-partisan consensus, a balance between theory and practice concerning the policy that the U. S. ought to follow in Latin America..." Mr. Mann, Jornal do Commercio added, "...analyzed, with objectivity and erudition, various U. S. doctrines for defense of the hemisphere and their Latin American counter-doctrines..."

MILITARY

ARMY

1. General Riograndino Kruel Named Federal Police Chief

Retired General Riograndino Kruel, brother of 2nd Army Commander General Amaury Kruel, has been named Chief of the Federal Department of Public Security, the primary function of which is the policing of the Federal District. On assuming office, General Kruel indicated that the government will seek to obtain congressional approval to expand the operations of the federal police, and other reports have indicated that General Kruel has been given the task of moulding the federal police force into a nation-wide police organization.

(UNCLASSIFIED)

2. Military Attachés to Paris and Buenos Aires Named

Colonel Antonio Carlos de Andrade Serpa has been named Military Attaché to Paris and Colonel Carlos Alberto Cabral Ribeiro has been named to the same position in Buenos Aires. (UNCLASSIFIED)

NAVY

1. Changes in Flag Rank Command

A. Vice Admiral Jose Moreira Maia, Inspector General of the Navy, has been assigned as President of the Military Tribunal. It is expected that Vice Admiral Helio Garnier Sampaio, presently Director of Hydrography and Navigation, will be appointed as the new Inspector General. (UNCLASSIFIED)

Comment: Vice Admiral Moreira replaces Admiral Paulo Mario da Cunha Rodrigues (Ret) who was removed by President Castello Branco for reasons of previous subversive activities. (UNCLASSIFIED)

B. Vice Admiral Jose Santos Saldanha da Gama, Chief of the Nucleus of Atlantic Defense Zone Command, has been named Director of Naval Air. (UNCLASSIFIED)

Vice Admiral

Comment: /Saldanha da Gama is returning to his previous position after having been relieved last fall over a direct conflict with the then-Minister of the Navy, Admiral Sylvio Mota, over the proper way to run the Directoria. (LIMITED OFFICIAL USE)

C. Rear Admiral Claudio Acylino de Lima has been relieved as Commandant 2nd Naval District and replaced on a temporary basis by Captain Alexandrino Ramos de Alencar. (UNCLASSIFIED)

Comment: Rear Admiral Acylino's dismissal arose from his failure to define himself during the Brazilian Revolution. (CONFIDENTIAL)

AIR FORCE

1. President of Joint Brazil-U. S. Military Commission

Ten. Brig. Francisco Correia Melo, former BAF Chief of Staff and Air Minister, has been appointed President of the Joint Brazil-United States Military Commission, a post normally held by a high-ranking Army officer and recently left vacant by the death of General Penha Brasil. (UNCLASSIFIED)

Comment: This appointment is regarded as a measure to placate military circles which felt that Melo had been unjustly pushed aside after the Revolution. (CONFIDENTIAL)

2. Command Change

Major Brig. Antonio Joaquim da Silva Gomes has been appointed Commander of the Air-Naval Tactical Command (Aerotatico Naval) replacing Brig. Itamar Rocha.

Comment: Maj. Brig. Silva Gomes was Commander of the Second Air Zone until January, 1964, and is reported to be a close friend of the ousted Major Brig. Francisco Teixeira, former Commander of the Third Air Zone. Silva Gomes bitterly and vocally opposes any suggestion that the long-standing embarked aviation problem be settled in favor of the Navy, but whether his present assignment is anyway related to his views on the embarked aviation issue is unclear. (CONFIDENTIAL)

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