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TO : Department of State

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Info: Rio de Janeiro, Brasilia, Sao Paulo

OCT 2 8 28 AM 1967

RS/AN
ANALYSIS BRANCH

FROM : Amconsul PORTO ALEGRE

DATE: September 30, 1967

SUBJECT : The Crisis That Never Was

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS

REF :

OCT 4 - 1967

SUMMARY

1. Somebody is trying hard to torpedo Governor Walter Peracchi Barcellos but it is unclear who or why. During the week of September 18 rumors circulated that the state was about to be intervened by the national government and the Governor replaced. The rumors, which began with a story published in O Estado do Sao Paulo, indicated that the reason for intervention would be dissatisfaction with the Governor on the part of "hard line" elements of the military in Rio Grande Sul, and especially dissatisfaction with Peracchi's management of the state finances. The rumors have thus far proved to be baseless but stirred up such a fuss that the Commanders of the III Army and V Air Zone were finally moved to call on the Governor with their entire staffs to assure him of their continued support and good will. The importance of the incident lies not in the substance of the rumors themselves but in the fact they were capable of causing such a stir.

INTERVENTION: RUMORED

2. During the week of September 18 rumors began to circulate in Rio Grande do Sul that the state was soon to be intervened by the national government and the Governor replaced. The rumors were based initially on a story published in the influential Sao Paulo daily, O Estado do Sao Paulo. According to the story certain "hard line" elements of the military in

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Drafted by: ACHewitt:jwr

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Rio Grande do Sul are dissatisfied with Peracchi chiefly because of the critical financial condition of the state government. The matter might have died there except that Peracchi's Secretary of Security, General Iba Ilha Moreira, acting apparently on his own initiative attributed the story to half a dozen disgruntled persons in RGS. He added that he knew who the culprits were and would grundle them when the time came. Iba's declaration was meant to calm the situation but actually had the opposite result and stimulated local interest by providing more grist for the rumor mills. The stories continued to circulate and the political temperature rose from the friction of their passage from hand to hand.

3. Meanwhile the Peracchi Government was trying hard to find out where it all began. Suspicion finally centered on the Porto Alegre correspondent of O Estado do Sao Paulo, but he tells the Consulate that he was altogether innocent and that the story, according to his information, originated in Brasilia. He was finally made so uneasy by the attention focused on him that he published another story in O Estado denying all and praising Peracchi down to the ground.

4. The automatic candidates of the Armed Forces for the role of culprit were, according to Consulate sources, the Communists and the MDB. The military held its peace but was extremely concerned at being accused of political intervention for the second time in a week (the other occasion being the gaffe of Minister of Education Tarso Dutra). In the end they felt moved to the highly unusual action of calling on Peracchi en mass. To avoid the appearance of really meddling in politics the ostensible purpose of their call was the floods and a desire to offer their support in "this and future crises", but since the floods were already over and the military had worked like beavers throughout nobody was deceived.

5. Some other competent observers tend to "finger" the followers of Minister of Education Tarso Dutra, and perhaps the Minister himself, as responsible for the story. Tarso Dutra, whose gubernatorial ambitions are obsessive, might see an advantage in blackening Peracchi's reputation and perhaps driving a wedge between the Governor and the Armed Forces. However his management of himself of late has been so clumsy it is hard to see him in the role of arch conspirator. Also a conspiracy as specific as this one usually has some specific goal in mind, and it is difficult to see what the goal might be in the case of Tarso. If Tarso was behind the ploy it has backfired. Because of the coincidence in timing with his own gaffe about the intentions of the military for 1970 the two incidents have become linked in the minds of many.

6. A final possibility is that the story really was generated by "hard line" officers in Rio Grande do Sul, perhaps as a warning to

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Peracchi who is sometimes regarded as being too easy on the MDB. They would have been prevented from delivering such a warning directly because of the close cooperation between General Braga and the Governor. There are just enough bits of evidence to mention this theory, but not enough to promote it to first place.

COMMENT

7. The elements of this puzzle can be multiplied, divided, and the square root taken but the answer keeps coming up zero. The importance of the incident lies not in the substance of the rumors but in the fact they were able to get everyone, including the military, so upset. The production of so much smoke from a tiny spark suggests an atmosphere of doubt and confusion which may be partly local, but which may arise in part from lack of firmness and direction at the national level. The fact that the original O Estado story came from outside the state, whether from Brasilia or Sao Paulo itself, is suggestive in this connection. Whatever the origins of the incident its results thus far have been to strengthen Peracchi by goading the military into an open expression of support and regard.

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