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TELEGRAM

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ACTION ARA 19

INFO GPM 03, SC 01, RSC 01, USIA 12, H 02, NSC 10, L 03, INR 07, P 04, CIA 04,

DOD 01, SP 02, SS 35, AID 30, PC 04, SAH 03, NSA 02, RSR 01, /144 W

P R 071100Z OCT 67
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 585
INFO AMEMBASSY RIO DE JANEIRO 673
AMCONSUL SAO PAULO 241
AMCONSUL RECIFE 73

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H
RIO PASS OTHER CONSULATES

SUBJ: PRESIDENT, BUOYED BY SOLIDARITY EXPRESSIONS, DEFINES POSITION

1. PRESIDENT COSTA E SILVA'S BIRTHDAY OCT 3 BROUGHT IMPRESSIVE DISPLAY OF MILITARY AND ARENA BACKING AND EXPRESSIONS OF SOLIDARITY WHICH APPEAR TO HAVE RENEWED HIS CONFIDENCE AND ENTHUSIASM FOR HIS JOB. PRESIDENT MET WITH ARENA LEADERS FOR OVER TWO HOURS OCT 5 AND CLARIFIED

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POSITION ON SEVERAL BROAD NATIONAL ISSUES. MEETING APPARENTLY MEANT TO DEFINE RELATIONSHIP BETWEEN ADMINISTRATION AND ARENA, BUT SERVED MORE AS OPPORTUNITY FOR PRESIDENT TO EXPRESS HIS ATTITUDES ON POLITICAL SITUATION. HE DID PROMISE HOWEVER, TO BROADEN HIS CONTACTS WITH ARENA AND TO MEET PERIODICALLY WITH ITS LEADERS, IN

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ATTEMPT TO KEEP IT STRONG AND UNIFIED.

2. PRESIDENT EMPHASIZED THAT HE WOULD WORK TO KEEP CONSTITUTION "UNSCRATCHED" (SEM ARRANHOES) UNTIL END OF HIS TERM, AND THAT HE REJECTED IDEA THAT CONGRESS HAD BEEN WEAKENED BY NEW CHARTER. HE REPORTEDLY WARNED "THOSE WHO WOULD TURN TO SUBVERSION" THAT HE HAD POWERFUL WEAPONS, INCLUDING LOYALTY AND COHESION OF ARMED FORCES, TO PRESERVE HIS POWER. IN APPARENT REFERENCE TO CARLOS LACERDA AND FRENTE AMPLA, COSTA E SILVA ATTACKED "CRITICS WHO BASED THEIR ACTIONS ON A SUPPOSED LOVE FOR DEMOCRACY," AND PRAISED FORMER PRESIDENT CASTELLO BRANCO FOR CREATION AND USE OF INSTITUTIONAL ACTS. DENYING ANY PREDILECTION FOR DICTATORSHIP, HE POINTED OUT THAT HE COULD HAVE TAKEN

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OVER GOVT SOON AFTER MARCH 1964 REVOLT, AND WITH STRONGER POWERS.

3. TURNING TO FINANCIAL-ECONOMIC SECTOR, PRESIDENT REAFFIRMED POLICY OF KEEPING INFLATION WITHIN BOUNDS COMPATIBLE WITH DEVELOPMENT. SAID PRESENT WAGE POLICY MUST BE MAINTAINED.

4. COMMENT: MAIN CATALYST FOR SOLIDARITY EXPRESSIONS TOWARD PRESIDENT WAS RECENT ACTIVITY OF CARLOS LACERDA, PARTICULARLY HIS LATE SEPTEMBER MEETING WITH GOULART. AFTER PERIOD OF AVOIDING ANY COMMENT ON LACERDA AND FRENTE, PRESIDENT HAS INDICATED CLEARLY HIS FEELINGS, ALBEIT INDIRECTLY, ABOUT OPPOSITION. THOSE IN ARENA WHO WANTED CHANGED ATTITUDE TOWARD DIRECT ELECTIONS, ETC., HAD NO CHANCE TO BE HEARD, AND WERE GIVEN TO UNDERSTAND USELESS PROCEED FURTHER THIS DIRECTION. BUOYED BY RENEWED CONFIDENCE, PRESIDENT HAS MADE CLEAR HE IS BOSS. EXEMPT. TUTHILL

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