

INCOMING TELEGRAM

Department of State

Brazil

32

~~CONFIDENTIAL~~

Action SJA080 SUA077

ARA DE RUESUA 369 20/1510Z

Info O 201459Z ZEA
FM AMEMBASSY RIODEJANEIRO

SS TO SECSTATE WASHDC

G STATE GRNC

SP BT

CAP

AIDA LIMIT DISTRIBUTION

INR

RMR

013789 022
1963 NOV 20 PM 1 01

~~CONFIDENTIAL~~ SEONE OFTWO IMMEDIATE (1086) NOV 20 1 PM

1. MONDAY EVENING NOVEMBER 18 SECRETARY AND MRS HARRIMAN WERE GUESTS OF HONOR IN BRASILIA AT ALVORADA PALACE DINNER DESIGNED TO APPEAR AS UNUSUAL HOMAGE. IN ADDITION TO PRESIDENT GOULART, PARTY WAS NOTEWORTHY FOR ALMOST UNPRECEDENTED PUBLIC APPEARANCE MARIA TERESA. OTHERS ATTENDING WITH WIVES WERE FOREIGN MINISTER ARAUJO CASTRO, FINANCE MINISTER CARVALHO PINTO, SUPREME COURT JUSTICE EVANDRO LINS, MILITARY HOUSEHOLD CHIEF GENERAL ASSIS BRASIL, CIVIL HOUSEHOLD CHIEF DARCY CFN 1086 20 1 1 18

PAGE TWO RUESUA 369 ~~CONFIDENTIAL~~
RIBEIRO, BRASILIA PREFECT IVO MAGALHAES, CEREMONIAL CHIEF FLAVIO CASTRO, AND MYSELF.

2. EXTREMELY LATE DINNER PRECEDED BY NINETY-MINUTE TALK INCLUDING ONLY GOULART, HARRIMAN, ARAUJO CASTRO, AND MYSELF. AFTER COURTESIES AND FLATTERING INTRODUCTION, CONVERSATION OPENED WITH DISCUSSION US POLITICAL SCENE, INCLUDING PROSPECTS PRESIDENTIAL CAMPAIGN, CONGRESSIONAL ATTITUDES ON FOREIGN AID, AFP, AND CIVIL LIBERTIES. THEN GOULART, REFERRING TO SAO PAULO MEETING, SAID HE OWED IT TO HARRIMAN TO INFORM HIM THAT US POSITION AND AFP POORLY REGARDED IN LA, ESPECIALLY AMONG POPULAR MASSES. WHEN KENNEDY TOOK OFFICE, HE HAD ENTHUSIASTIC BACKING OF NINETY PERCENT LA PEOPLES; NOW AFTER THREE YEARS WAS STILL REGARDED PERSONALLY WITH GREAT WARMTH BUT WAS FELT POLITICALLY TO BE MUCH LIKE PREVIOUS REGIME. PERHAPS EXPECTATIONS HAD BEEN TOO HIGH WITH CHANGE FROM REPUBLICAN TO DEMOCRATIC ADMINISTRATION, LA'S GENERALLY PREFERRING DEMOCRATS.

3. REPLYING TO HARRIMAN REQUEST FOR EXPLANATION THIS PHENOMENON, GOULART ASKED HIM TO COMPARE AFP WITH MARSHALL PLAN CFN 2 3

DECLASSIFIED

E.O. 11652, Sec. 3(E) and 5(D) or (F)

State MLK-76-182
By MFD NARS, Date 8-6-76

~~CONFIDENTIAL~~

REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"

~~CONFIDENTIAL~~

-2- 1086, NOVEMBER 20, 1 PM, (SECTION ONE OF TWO) FROM RIO DE JANEIRO

PAGE THREE RUSUA 369 ~~CONFIDENTIAL~~
CLEARLY INFERRING THAT AFP MUCH SMALLER. HARRIMAN GAVE BASIC FIGURES, POINTING OUT THAT MAGNITUDES OF OUTSIDE RESOURCES NOT SUBSTANTIALLY DIFFERENT IN PROPORTION TO RESPECTIVE GNP'S OF EUROPE AND LA. GOULART COMPLAINED ABOUT INCLUSION PRE-AFP TYPE PROGRAMS, SUCH AS PL 480, IN CALCULATION OF AFP OUTSIDE RESOURCES, AND HARRIMAN MADE SUITABLE REPLY. HARRIMAN ALSO POINTED OUT THAT MARSHALL PLAN SUCCEEDED BECAUSE OF EFFECTIVE EUROPEAN COOPERATION AND PROMOTION OF EUROPEAN INTEGRATION: HENCE HIGH HOPES WHICH HE PLACED ON CIAP. SOMEWHAT INCONCLUSIVE DISCUSSION FOLLOWED OF DIFFERENCES BETWEEN EUROPE AND LA.

4. GOULART THEN TURNED TO FAVORITE THEME OF TERMS OF TRADE AS REAL VILLAIN OF PEACE, MAKING STANDARD GOB COMPARISON OF "LOSSES" SINCE 1954 BECAUSE OF PRICE FALLS COMPARED WITH SMALLER AID RECEIVED. HARRIMAN POINTED TO ABNORMALITY OF 1954 BASE, FACT THAT LONG-TERM TREND NOT CONSISTENTLY AGAINST PRIMARY PRODUCTS, AND CURRENT EXAMPLES VERY HIGH SUGAR PRICES AND RISING COFFEE PRICES. INDICATED US CONCERN RE COMMODITY PRICE FLUCTUATIONS AND OUR EFFORTS TO COOPERATE IN STABILIZING SELECTED COMMODITY MARKETS, AS WELL AS HELPING ENLARGE MARKETS, REMOVE EUROPEAN DISCRIMINATION AND BURDENSOME ECFN 4 1954 1954

PAGE FOUR RUESUA 369 ~~CONFIDENTIAL~~
EXCISE TAXES, AND PROMOTE DIVERSIFICATION EXPORTS OF LDC'S. THIS MADE LITTLE IMPACT ON GOULART, WHO REPEATEDLY REFERRED TO WAY IN WHICH POPULAR MASSES "FEEL THAT THEIR SUBSTANCE IS BEING WASTED AWAY" BY CONSTANTLY DETERIORATING TERMS OF TRADE. THIS IS FELT DEEPLY BY PEOPLE, HE SAID, NOT ONLY IN BRAZIL BUT ALL OVER CONTINENT. PERHAPS OTHER DELEGATES AT SAO PAULO HAD NOT MADE THIS CLEAR TO HARRIMAN, SINCE THEIR GOVERNMENTS TRYING TO CURRY FAVOR WITH USG, BUT "PEOPLE" OF URUGUAY, ARGENTINA, CHILE, ETC. FEEL THIS WAY EVEN IF GOVERNMENTS DONT SHOW IT. AFP, ON OTHER HAND, EVOKES NO POPULAR RESPONSE. USG NOT TO BLAME FOR FALLING COMMODITY MARKETS; IT IS THE TRUSTS AND "ECONOMIC GROUPS" WHO ARE RESPONSIBLE. WHEN HARRIMAN REPLIED THAT IT WAS MUCH MORE A MATTER OF SUPPLY AND DEMAND, AND THAT AFRICAN COFFEE PRODUCTION HAD EXPANDED ENORMOUSLY UNDER BRAZILIAN-HELD HIGH PRICE UMBRELLA, GOULART REPLIED THAT SUPPLY AND DEMAND WAS A

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-3- 1086, NOVEMBER 20, 1 PM, (SECTION ONE OF TWO) FROM RIO DE JANEIRO

CAPITALIST IDEA, AND THIS WAS ONE OF THE THINGS WRONG WITH CAPITALIS.

5. AS TO AFP, GOULART SAID, IT HAD SEEMED TO PROMISE TWO THINGS: DOMESTIC REFORMS WITHIN LA AND LARGE-SCALE OUTSIDE CFN 5

PAGE FIVE RUESUA 369 ~~CONFIDENTIAL~~
AID. IN BRAZIL, DESPITE HIS GOVERNMENT'S VIGOROUS EFFORTS, REFORMS WERE MAKING NO PROGRESS. AT SAME TIME, HOPES FOR LARGE-SCALE OUTSIDE HELP WERE BEING COMPLETELY DISAPPOINTED. THIS IS WHY HE HAD SAID SO LITTLE IN SAO PAULO SPEECH ABOUT AFP AND HAD CONCENTRATED ON TERMS OF TRADE PROBLEM WHICH LA POPULAR MASSES FEEL SO DEEPLY.

6. ANOTHER ERROR IN US THINKING ABOUT BRAZIL, SAID GOULART, WAS EXCESSIVE CONCERN WITH COMMUNISM. THIS WAS REFLECTION OF DISTORTIONS IN RIGHT-WING BRAZILIAN PRESS AND IN AMERICAN PRESS. NEITHER GOB NOR BRAZILIAN PEOPLE WANTED ANYTHING TO DO WITH COMMUNISM, COMMUNIST STRENGTH IN BRAZIL NOT EXCEEDING TWO PERCENT. (SOME LIGHT WAS THROWN ON GOULART'S DEFINITIONS AFTER DINNER, WHEN WE VISITED THE PALACE CHAPEL AND HE REMARKED THAT OSCAR NIEMEYER WAS THOUGHT BY MANY PEOPLE TO BE A COMMUNIST BUT OBVIOUSLY COULD NOT BE ONE SINCE HE HAD DESIGNED BOTH THAT CHAPEL AND THE BRASILIA CATHEDRAL.) GOULART AGREED VIGOROUSLY WITH HARRIMAN COMMENT ON WORLD WIDE COMMUNIST FAILURE IN AGRICULTURAL PRODUCTION.

GP3 GORDON
BT
CFN 6 GP-3

NOTE: ADVANCE COPY TO S/S-O AT 1:10 PM, NOVEMBER 20.
PASSED WHITE HOUSE 1:20 PM, NOVEMBER 20.

~~CONFIDENTIAL~~

INCOMING TELEGRAM

Department of State

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (F)
State NLK-76-182
By NARS, Date 8-6-76

~~CONFIDENTIAL~~

32

Action

013802

1963 NOV 20 PM 1 16

ARA

ESA131

Info

OO RUEHCR
DE RUESUA 369 20/1525Z

SS

O 201459Z ZEA

G

FM AMEMBASSY RIODEJANEIRO

SP

TO SECSTATE WASHDC

CAP

STATE GRNC

AIDA

BT

INR

~~CONFIDENTIAL~~ SETWO OF TWO IMMEDIATE (1036) NOV 20

RMR

1 PM

LIMIT DISTRIBUTION

7. WHAT HE WANTS FOR BRAZIL, SAID GOULART, IS "SOCIAL DEMOCRACY," DEMOCRACY WITH A FAIR DISTRIBUTION OF INCOME AND SOCIAL JUSTICE. HARRIMAN ASKED WHETHER THIS WASNT SUBSTANTIALLY WHAT US HAS. ON THE INTERNAL PLANE, REPLIED GOULART, THIS IS SO. (HE EMPHASIZED "INTERNAL" SEVERAL TIMES, IMPLYING THESIS THAT CLASS WARFARE HAS NOW BECOME EXTERNALIZED.) IT WAS ACHIEVED THROUGH A BROAD DISTRIBUTION OF WEALTH, PROGRESSIVE INCOME TAXATION, HIGH LIVING STANDARD FOR

PAGE TWO RUESUA 369 ~~CONFIDENTIAL~~
WORKERS, ETC. BUT BRAZIL IS FIFTY TO A HUNDRED YEARS BEHIND THE US. BRAZIL WOULD LIKE NOTHING BETTER THAN TO CATCH UP. HARRIMAN COMMENTED ON HOW US ACHIEVED THESE THINGS, BOTH BEFORE AND DURING NEW DEAL, ASKING GOULART WHY HE DID NOT PROMOTE SIMILAR METHODS, INCLUDING PROMOTION MORE EFFICIENT DOMESTIC FREE ENTERPRISE AND GREATER ENCOURAGEMENT FOREIGN PRIVATE INVESTMENT. WHY DID THEY TRY TO PLACE UNDER INEFFICIENT GOVERNMENT OWNERSHIP INDUSTRIES WHICH US, DESPITE MORE ADVANCED TECHNICAL AND ADMINISTRATIVE METHODS, DID NOT FIND IT POSSIBLE TO HANDLE EFFECTIVELY IN PUBLIC HANDS? GOULART SAID THIS WAS NOT A MATTER OF DOGMATISM, AND THAT IDEALLY SUCH SERVICES AS RAILROADS SHOULD BE SELF-SUPPORTING. TO ACHIEVE THIS, HOWEVER, RATES WOULD HAVE TO BE RAISED ENORMOUSLY, AND THEN BRAZILIAN PEOPLE WITH LOW LIVING STANDARDS COULD NOT AFFORD THEM. AS A RESULT IN THIS AND OTHER PUBLIC UTILITY FIELDS, THERE WERE INEVITABLE POLITICAL AND POPULAR PRESSURES TO KEEP RATES BELOW PROFITABLE LEVEL, AND ONLY WAY TO OPERATE WAS THROUGH GOVERNMENT OWNERSHIP AND

~~CONFIDENTIAL~~

REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"

~~CONFIDENTIAL~~

-2- 1086, NOVEMBER 20, 1 PM (SECTION TWO OF TWO) FROM RIO DE JANEIRO

SUBSIDIES. (HE GAVE NO SIGN OF RECOGNIZING THAT SOMEONE HAS TO FINANCE SUBSIDIES.) HARRIMAN ASKED WHETHER MASSIVE OVER-

PAGE THREE RUESUA 369 ~~CONFIDENTIAL~~

EMPLOYMENT WAS NOT ONE OF RAILROAD PROBLEMS, TO WHICH GOULART REPLIED THAT ONLY ONE PERCENT OF THE WORKERS WERE SURPLUS AND THAT HARRIMAN SOUNDED LIKE AN EDITORIAL FROM THE ESTADO DE SAO PAULO. GOULART EMPHASIZED THAT HE WAS NOT ASKING US TAXPAYERS TO FINANCE THESE NATIONALIZATIONS. IF THAT WERE HIS OBJECTIVE, HE SAID, HE WOULD BE WAVING VIGOROUSLY THE BANNER OF THE AFP, WHICH HE IS NOT DOING. WHAT HE WANTED WAS FOR THE BRAZILIAN PEOPLE TO DEVELOP WITH THEIR OWN EFFORTS, BUT THEY HAD TO HAVE JUST PRICES FOR THEIR EXPORTS.

8. SINCE THIS DISCUSSION CLEARLY GETTING NOWHERE AND TIME TO MOVE TO DINNER WAS ALREADY LONG OVERDUE, I ASKED PERMISSION TO SHIFT TOPIC TO BRAZILIAN PRESIDENTIAL SUCCESSION PROSPECTS. GOULART LOOKED AT ME SHARPLY AND SAID SOME AMERICANS WERE WELL INFORMED ON THIS; I REPLIED THAT NO ONE WAS AS WELL INFORMED AS HE. HE THEN SAID PRESIDENTIAL SUCCESSION PICTURE STILL VERY ILL DEFINED. THERE WAS AT THE EXTREME RIGHT THE CLEAR AND OPEN CANDIDACY OF CARLOS LACERDA. IF THE CENTER AND LEFT MADE A COALITION, THEY COULD WIN EASILY, AS ALL BRAZILIAN HISTORY DEMONSTRATED. ADHEMAR DE BARROS, ALTHOUGH PRETENDING TO BE A MAN OF THE CENTER, WAS NOW
CFN 8

PAGE FOUR RUESUA 369 ~~CONFIDENTIAL~~

DISPUTING THE RIGHT WITH LACERDA, EACH OF THEM "OUT-RIGHTING" THE OTHER. ~~IF~~ BY ANY CHANCE COMBINED, THIS WOULD INDEED BE A FORMIDABLE FORCE. ON THE LEFT, THE PICTURE WAS STILL VERY OBSCURE. (SIGNIFICANTLY, GOULART DID NOT VOLUNTEER THE NAME OF KUBITSCHK, BUT DID CONCEDE TO HARRIMAN'S QUESTION THAT JK IS ALSO A STRONG CANDIDATE.) WHEN HARRIMAN ASKED WHO WAS HIS OWN CANDIDATE, GOULART REPLIED THAT HE DID NOT YET KNOW. "I HAVE PICKED MY CANDIDATE FOR 1964 IN THE US, BUT NOT YET FOR 1965 IN BRAZIL."

9. POINTS NOT MENTIONED AT ALL IN CONVERSATION, DESPITE TENDENTIOUS NEWSPAPER STORIES APPEARING TUESDAY, INCLUDED PRESIDENTIAL VISIT, AMFOP, REGULATION OF REMITTANCE OF PROFITS, AND BRAZILIAN DEBTS TO US.

~~CONFIDENTIAL~~

AL

-3- 1086, NOVEMBER 20, 1 PM (SECTION TWO OF TWO) FROM RIO DE JANEIRO

10. COMMENT: TO ME, THE STRIKING FEATURE OF THIS TOTALLY UNPRODUCTIVE CONVERSATION WAS THE ABSENCE OF ANY CONSTRUCTIVE THEMES AND THE CONSISTENT REFLECTION OF BRIZOLA-TYPE CLICHES ALTHOUGH COUCHED IN POLITER LANGUAGE. THE INTERNAL THEME WAS ALL WEALTH DISTRIBUTION, WITH NO WORD ABOUT COUNTERING INFLATION, PROMOTING INVESTMENT, OR SEEKING WEALTH CREATION. THE EXTERNAL THEME WAS ALL EXPLOITATION THROUGH DETERIORATING CFN 1964 1965 9 10

PAGE FIVE RUESUA 369 ~~C O N F I D E N T I A L~~
TERMS OF TRADE AS RESULT PRESSURE FROM FOREIGN ECONOMIC GROUPS. FOR GOULART TO SPEAK IN CLICHES IS NOTHING NEW BUT CHILDISHNESS OF ARGUMENTATION REACHED NEW LOW IN THIS TALK, REFLECTING CONTINUOUS DECLINE IN QUALITY IMMEDIATE PALACE ADVISERS. GOULART ALSO SEEMS TO BELIEVE THAT HE REALLY SPEAKS FOR POPULAR MASSES ALL OVER LATIN AMERICA. COMPARING THIS WITH MEANINGFUL AND INTELLIGENT TALKS WITH ARAUJO CASTRO AND CARVALHO PINTO, I BEGAN WONDERING WHETHER THESE MINISTERS DO NOT FEEL LIKE THOSE OF CHARLES VI OF FRANCE, AND HOPING THAT NEITHER LACERDA NOR ADHEMAR WILL SUFFER THE FATE OF LOUIS OF ORLEANS.

GP-3. GORDON

BT

CFN GP-3

NOTE: ADVANCE COPY TO S/S-O AT 1:20 PM, NOVEMBER 20.

PASSED WHITE HOUSE 1:30 PM, NOVEMBER 20.

~~CONFIDENTIAL~~