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Brazil

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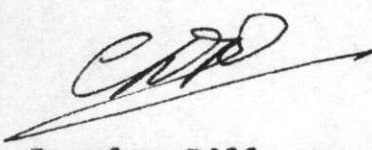
October 29, 1962.

MEMORANDUM FOR: The Honorable Edwin M. Martin,
Assistant Secretary of State
for Inter-American Affairs.

I regret to say that during the conference at Mexico City the Brazilian representative, Celso Furtado, Minister for Planning, on a number of occasions exhibited a distinctly unfriendly attitude toward the United States, particularly in connection with the Cuban crisis. I am afraid we will have to bear this in mind in our further dealings with him.

I am attaching a memorandum of a conversation I had with him on Monday evening, October 22, about an hour after the President had made his television address to the nation. The first two pages are routine but I draw your attention to the third page. I am also attaching a memorandum from Henry Costanzo, noting two other incidents indicating Mr. Furtado's attitude.

I am sending a copy of this memorandum with the attachments directly to Linc Gordon as well as to Ralph Dungan.


Douglas Dillon

cc: Lincoln Gordon
Ralph Dungan ✓

Ralph;
Should the President go to Brazil, he should be aware of this. Furtado was most offensive in his attitude throughout. These memos actually understate the situation.

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October 29, 1962

MEMORANDUM OF CONVERSATION

Participants: Brazil: Celso Furtado, Minister without
Portfolio, for Planning
Henrique Valle, Ministry of
Foreign Affairs

U.S. Secretary Dillon
Mr. Costanzo

Time and Place: October 22, 1962; Hotel Maria Isabel,
Mexico City

Subject: Brazilian Planning and Related Matters

Distribution: Treasury: Mr. Bullitt
Mr. Willis
Executive Secretariat (2)

State: Mr. Martin
Executive Secretariat (2)

AID: Mr. Moscoso

Eximbank: Mr. Linder

AmEmbassy Rio de Janeiro: Ambassador Gordon

MINISTER FURTADO explained in some detail to Secretary Dillon the work he is now beginning to develop a rational and comprehensive development/stabilization program. In the past, according to the Minister, stabilization plans were drawn up without reference to the overriding need for development and social justice, and consequently proved unrealistic and with no real possibility of successful implementation. Future efforts will be directed toward setting up realistic goals fully coordinated with one another. The Minister in charge of planning, at the Cabinet level, MINISTER FURTADO said that he would be able to utilize in full the services of all government departments, agencies, and enterprises and to direct a comprehensive effort. Plans in the first instance would be developed by the agencies which would have the responsibility

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for their implementation. The Ministry of Finance and SUMOC would be key agencies in the planning effort and MINISTER FURTADO said that he would have the authority to see that fiscal, credit, and exchange policies are consistent with the overall plan and development objectives. The overall plan would include the private sector and measures of public policy designed to induce private participation in development along desirable lines.

MINISTER FURTADO said that given the overriding need to maintain the momentum of development -- he mentioned a growth rate of 7 percent -- it would not be possible to accomplish financial stabilization very quickly. He said that he had in mind reducing the rate of inflation by 50 percent in each of the next two years. Thus the rate of inflation would be reduced from 60 percent in 1962 to 30 percent in 1963 and 15 percent in 1964. As a part of the program, new tax measures to raise CR\$200 billion were now being readied for presentation to Congress. These would be followed early next year by a thorough reform of the tax system so as to eliminate the regressive bias of the present structure. The problem of railroad fares and other charges by government enterprises could not be separated from the general tax structure and could only be solved as part of an overall fiscal reform.

MINISTER FURTADO mentioned the balance of payments problem which, he said, arises largely because of the structure of Brazil's external debt. Most of the latter was acquired as short-term compensatory financing, and there was urgent need for debt consolidation and rescheduling. He mentioned no estimates of external aid required in connection with his plan. MINISTER FURTADO did, however, say that he had discussed with Ambassador Gordon the desirability of discussions and, if possible, agreement on U.S. aid in advance of the forthcoming Presidential visit.

SECRETARY DILLON said that he was pleased to hear of renewed efforts toward stabilization and wished the Minister well in his attack on the inflationary problem. THE SECRETARY said he would mention only two aspects of the Brazilian situation which had given rise to some concern. First, there had been an inability in the past to match plans and performance.

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Measures which were vital to stabilization had been planned before, but necessary action had often failed to come forward. He hoped that there was now a real willingness to take action and that the Congress would approve the proposed tax increase and other necessary measures. Secondly, private capital would have to play a large role in financing Brazil's development if the goals were to be reached. Discussion and recent passage of legislation on remittance of profits by foreign investors had made a very unfavorable impression, and the flow of capital to Brazil had almost come to a halt. THE SECRETARY said that he hoped the improved bill on this subject now before Congress would be acted on soon.

MINISTER FURTADO then said that he had heard Secretary Dillon was to return at once to Washington. He said that this would be unfortunate for the IA-ECOSOC conference and asked whether the Secretary could not reconsider and stay for the length of the meeting.

SECRETARY DILLON explained in some detail the nature of the Cuban crisis, the extreme gravity of the situation, and the fact that he had been ordered to return to Washington by the President. THE SECRETARY noted that this was his sixth Inter-American conference, and the first which he had been forced to leave early. He stressed that the work of the IA-ECOSOC at the present meeting remained important as the real long-term answer to the present crisis, and that its work should proceed as planned.

MINISTER FURTADO then suggested that, if the Secretary really had to leave because of the gravity of the situation, the conference might as well be concluded at once. SECRETARY DILLON showed considerable annoyance at this suggestion, and, after pointing out the extent of the work that had gone into the conference and the fact that a high-level U.S. delegation under Mr. Moscoso would remain, said that if Brazil were not really interested in the Alliance for Progress, Minister Furtado could of course leave the conference.

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AMBASSADOR VALLE intervened to say that he and the Minister recognized the importance of the conference and had hoped that the Secretary could stay longer in order to prevent any loss of interest or failure of the meeting through a general departure of Ministers.

Henry J. Costanzo
Henry J. Costanzo

Approve: _____



Approve as amended: _____

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October 29, 1962

MEMORANDUM TO THE SECRETARY:

From: Henry J. Costanzo *hjc*

Subject: Minister Furtado's Behavior at IA-ECOSOC

I did not get a chance to tell you before your departure from Mexico that Minister Celso Furtado notably abstained during the very warm applause after your speech of October 23 on the Cuban crisis and the Alliance for Progress.

Minister Furtado also failed to applaud during what, in my view, was one of the highlights of the conference. On Wednesday afternoon, October 24, Jorge Sol interrupted the Plenary to make a special announcement about a telephone discussion he had just had with Mr. Mora. When Sol said that Russian ships were being diverted, there was a spontaneous and general burst of applause. Many delegates came forward to shake hands with members of the U. S. Delegation. Mr. Furtado remained in his seat and made no move to applaud.

The above is based on my own personal observations, subsequently confirmed by several members of the U. S. delegation who also made a point of observing Furtado's reactions.

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	
Surname	Costanzo					
Initials	<i>hjc</i>					