

INCOMING TELEGRAM

Department of State

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Rec'd:

August 28, 1962

3:19 p.m.

Action
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FROM: Rio de Janeiro

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TO: Secretary of State

NO: 479, August 28, 8 a.m.

FILE

ACTION DEPARTMENT 479, INFORMATION BRASILIA UNNUMBERED.

I met Sunday afternoon for three hours with Foreign Minister Arinos and Campos in review various problems common interest. Arinos leaves September 14 for New York, and hopes have general review with Secretary. Will stay about two weeks, including Washington dinner to be arranged by Campos September 27.

Following up talks with Moscoso and Kubitschek, Arinos is working on proposal for high level counsel political advisers for AFP. Names discussed included Kubitschek, Lleras Camargo, Ruy Cortinez (Mexico), Galo Plaza, and Bowles. As next step, Arinos is writing Turbay Ayala to sound out Lleras.

Arising from Salvador meeting, we also discussed possible creation parliamentary group to support AFP on lines of European and NATO precedents. Campos will be consulting Department to get details on precedents and will develop memorandum to discuss with Arinos in New York in mid-September.

On domestic Brazilian side AFP, Arinos deeply troubled by revival by Leocadio Antunes of jurisdictional conflict with COCAP and COPLAN which caused so much wasted time and energy from last October to May 1962. Campos expounded background, making clear that COCAP was established as direct result Goulart-Kennedy talks and Neves cabinet had definitely decided issue in favor COCAP. Arinos is supposed to discuss with Brochado this week with view confirming decision. Bolhoes Pedreira rather discouraged and talking again about resignation. Arinos seeking to prevent this. If not preventable, Sette

Camara was

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

Dept. of State NLK-76-76
By: *PHED* NARS, Date *6-15-76*

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-2- 479, August 28, 8 a.m. from Rio de Janeiro

Camara was suggested as possible substitute. He would be entirely acceptable to us.

Campos also reported on IT and T and general public utility problems. He is following up IT and T case with Bank of Brazil today, and working further with Berenhauser group to get AMFORP proposal into stage formal negotiation.

Toward close discussion, Campos raised general balance of payments problem, which he had reviewed Saturday with Octavio Bulhoes. Bulhoes sees gross second-half year deficit of about 300 million covering 110 by swap renewal and perhaps 40 by debt turnover. Says that Moreira Salles very reluctant draw on European 25 in view early repayment obligation and explicit link IMF. GOB seeking dollar advances from IDB under Guãnabara and NE loans, with Bank of Brazil commitment to maintain cruzeiro value for subsequent local currency drawings. Net deficit still something over 100 million. Campos recognizes justice our present unwillingness make general balance of payments loans, but still very hopeful on road loans which would have dollar support byproduct. I explained great difficulty posed for us in contemplating such support when government lacking any definite xqnxjv* policy, President failing veto objectionable articles profits remittance law, exports, oil shale project et cetera. We then discussed at some length general political crisis, Arinos restating his confidence that Chamber will act on Senate amendment profits bill at beginning September 10 meeting, and compromise on constitutional amendment and plebiscite will be adopted. I left clear impression that until at least mid-September general financial discussions with us would be unprofitable. During my absence (#) however, Korp and Howe will be reviewing all aspects of situation, including extent indirect dollar support likely emerge from our projects with states and SUDENE and with private sector.

GORDON

LM:HC

*As received. Correction to follow.

(#) Omission. Correction to follow.

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