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C O N F I D E N T I A L C-200 DEI 65 FOR DIAAQ SGD LYNCH
1.(C) AT WAR MINISTER'S HOME 8 DEC: GENERAL COSTA E SILVA TOLD ARMA HE WOULD SEND LETTER EXPRESSING INTEREST IN ACQUIRING M-41-S; SAID BRITISH OFFERING DEAL TO SELL SALADIN AND SARACEN ARMORED CARS WITH RIGHTS TO MANUFACTURE THESE VEHICLES IN BRAZIL. HE WOULD WANT THESE VEHICLES IN ADDITION TO M-41'S. FELT BRAZIL HAD CAPABILITY TO BUILD WHEELED ARMORED VEHICLES, BUT NO TRACKED VEHICLES. SAID, HOWEVER, THAT UNIT COST OF BRITISH VEHICLES HIGH, AND SOME OF MONEY HE HAD INTENDED TO SPEND MIGHT BE BETTER USED TO BUILD TROOP HOUSING. FRENCH HAD RECENTLY RUSHED IN WITH OFFER TO SELL SUCH VEHICLES AT BETTER PRICE THAN BRITISH. FRENCH GOVT WAS ABLE TO SUBSIDIZE MANUFACTURER SO AS TO MAKE PRICE COMPETITIVE. FRENCH OFFER, HOWEVER, DID NOT INCLUDE DEAL TO MANUFACTURE VEHICLES IN BRAZIL UNDER LICENSE. MINISTER COMME TED DE GAULLE WANTED TO SPREAD HIS INFLUENCE IN HEMISPHERE. MINISTER STILL APPEARED MORE INTERESTED IN BRITISH OFFER THAN FRENCH, ALTHOUGH HE COMPLAINED SPECIAL TIMES OF HIGH UNIT COST IN PROPOSED BRITISH DEAL.
2.(C) I MENTIONED THAT M-113 HAD PROVED HIGHLY SATISFACTORY IN COMBAT IN VIETNAM AND THAT BRITISH COMMONWEALTH COUNTRIES WERE BUYING THESE VEHICLES RATHER THAN BRITISH VEHICLES AS WAS USUALLY CASE. HE APPEARED INTERESTED;

COMMENT (C): MINISTER APPEARS TO HAVE COOLED SOMEWHAT ON BRITISH DEAL AND SAID HIS BOARD OF FIVE MEMBERS HAD NOT YET SUBMITTED RECOMMENDATIONS TO HIM ON WHAT ARMORED VEHICLES HE SHOULD BUY WITH MONEY MADE AVAILABLE BY ARMY FUND.

NEW SUBJECT:

(C) SOURCE ON WAR MINISTERS PERSONAL STAFF TOLD ARMA LYNCH THAT COL. BOAVENTURA CAVALCANTI WOULD NOT BE TRANSFERRED TO MATO GROSSO AS HAD BEEN REPORTED IN PRESS. HE SAID THAT WAR MINISTER, IN FACT, HAD TOLD CAVALCANTI THAT HE COULD CHOOSE HIS NEW ASSIGNMENT AFTER TAKING 30 DAYS LEAVE. SOURCE BELIEVES THAT HARDLINE COL. MARTINELLI WILL SOON RETIRE.

GP-4

BT

ACT: DIA-15

INFO: ASD/ISA-9 STATE-1 CIA-4 FILE-1 (30)KMH/AB

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