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that the Navy Minister was looking to VADM FARIA LIMA, now "agregado" and a Director of PETROBRAS, as the person whose recommendation he will take with regard to the purchase of ocean escorts.

RO asked why FARIA LIMA would be in such an influential position. Source explained that FARIA LIMA, who was VCEMA (Vice Chief of Naval Operations) to Admiral NUNES as CEMA (CNO), had been Nunes' choice to be the chief of his Navy Ministry Gabinete, but General GEISEL and President MEDICI decided his talents were necessary at PETROBRAS. Source stated that Admiral NUNES believed FARIA LIMA to be the smartest admiral in the Brazilian Navy and the one who had the best understanding of the Brazilian Navy's strength and weaknesses. Also, Admiral NUNES believed FARIA LIMA was best able to envision and project the Navy's future role and requirements. Admiral NUNES' confidence in FARIA LIMA had developed through association in the Navy and earlier close family contacts between the NUNES and FARIA LIMA families in the VILA ISABELA section of Rio de Janeiro.

COMMENT: (C/NFD) It is believed that FARIA LIMA does have considerable influence with the Navy Minister and that he enjoys the confidence of and an outstanding reputation with the Minister. However, it is doubtful that the Minister would look for this vital recommendation outside of his personal staff. Source is probably in no position to make this assessment. NUNES is more likely seeking FARIA LIMA's objective advice to offset possible personal biases on the part of his staff. It is interesting to again note the importance of close family ties in the structuring of the Brazilian hierarchy.

2. FINANCIAL PROBLEM: (U) Source again emphasized that no matter what ship design was decided upon the controlling factor was money. Actual overall cost was much less important than the terms of a low interest rate, grace period of probably three years and a long time of perhaps ten or more years to repay.

3. BRITISH PACKAGE: (C/NFD) Source stated that there was almost no possibility that a British offer would be accepted. Among other considerations, the opportunity for future construction of some units in Brazil was important. The British had no interest in backing construction outside of the U.K.

4. GERMAN PACKAGE: (C/NFD) This offer, the KÖLN class, had been the most interesting to Brazil. RADM (EN) Jose Carlos COELHO DE SOUZA, President of the Brazilian Navy Construction Commission was partial to this ship and the gas-turbine propulsion plant. However, source characterized COELHO DE SOUZA as a "dreamer" and that his German package was not practical for Brazil. It was not a ship for the high seas. Furthermore, on closer inspection it was becoming obvious that Brazil would not be able to afford the cost of the package.

5. THIRD COUNTRY PROBLEMS: (C/NFD) Source commented that spare part support was among the problems which concerned Brazil in making ship purchases in Europe. Brazil had a system and was accustomed to obtain parts from the U.S. and they were confident of our reliability and believed support would continue in the event of some conflict. Whether Brazil could expect such support from England or Germany was open to question.

6. U.S. OCEAN ESCORT: (C/NFD) In response to RO's question concerning acceptability of "BRONSTEIN", source answered that what the Brazilian Navy really wanted was the U.S. "GARCIA" class but they recognized it was beyond their financial means. He offered the opinion that a restructured financial proposal for the BRONSTEIN might be considered.

7. COMMENT: (C/NFD) It is believed that the information about the British and German packages as well as the financing and third country problems is accurate. Undoubtedly Brazil would like to have GARCIA class ships. However, it is believed

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that source was only attempting to spare feelings when he stated that the BRONSTEIN remained a possibility. Again, source is probably in no position to make this assessment.

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7. SOURCE: Personal Contact	14. APPROVING AUTHORITY: <i>Arthur S. Moura</i> ARTHUR S. MOURA, Colonel, GS Acting Defense Attache

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15. SUMMARY: (C/NFD) This IR concerns a conversation with a retired Brazilian Navy officer, allegedly with the authorization of the Navy Minister, about the purchase of new ocean escorts, the role VADM FARIA LIMA will play in the purchase decision, and problems with various foreign offers. It is significant that the British package is not believed acceptable and the present German offer is considered too expensive. The great influence accredited to VADM FARIA LIMA with the Navy Minister is of value.

1. GENERAL; (C/NFD) Over a private lunch on 20 March with Carlos BALTHAZAR de Silveira, retired naval officer and assistant to VADM FARIA LIMA of PETROBRAS, the discussion reported by reference (a) was continued but focusing on the subject of ocean escorts. Source is considered reliable but on occasion he assumes to know more about a subject than his position and associations would probably permit him to know.

2. OCEAN ESCORT DECISION PROCESS: (C/NFD) Source stated that the Admiral NUNES' method of operation in reaching a decision was to have one recommendation - not a set of alternatives - submitted as a result of completed staff work. The Minister would then accept or reject, but most likely accept because he would only entrust a task to a person who enjoyed his confidence. Source then stated

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