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ANALYSIS & DISTRIBUTION

FILE

FROM : AmEmbassy RIO DE JANEIRO

DATE: November 23, 1962

SUBJECT: Background Information for Discussions with
Ambassador Gordon, Week of November 26

REF

COPY NO 14 SERIES B

The following is submitted for distribution by S/S to persons who may take part in policy discussions regarding issues to be raised by Ambassador Gordon during his consultation in Washington during the week of November 26.

It should be read in conjunction with recent telegrams from the Embassy which, despite some overlapping, it does not attempt to summarize or repeat.

I. Communist influence in Brazil

A) Current trends and recent information

We are now, we believe, seeing an acceleration of events here brought on, apparently, principally by several factors: our decisive action in imposing the Cuban quarantine, the pressing nature Brazil's financial problems, and the imminence of basic decisions as to the nature of the political system in Brazil. Two different but overlapping tendencies seem to be developing: 1) apparent beginnings of an all-out drive by communist forces and their allies to commit Brazil to a course of development fundamentally inimical to United States interests, and 2) further and more desperate effort by the President and some others to keep us soothed, to get us to support Brazil more effectively and more on their terms, while simultaneously maintaining good relations with the communist forces which would like to upset the applecart entirely.

On the more hopeful side, a third, very recent phenomenon

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DCM - Minister Bond

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By MMK NARA, Date 6/1/99

Additional material has been released as a result of this review.

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may be developing--a semi-official probe (in the person of San Tiago Dantas) to see what the characteristics and benefits would be in a policy of greater cooperation with the United States. It is too early, however, to judge the nature of this effort, which could be merely deceptive in intent, although we are inclined to doubt this.

We shall give a brief review of the over-all picture, as it appears to us, later in this message, but will first mention a few recent or apparently impending events of a disturbing nature which have come to our attention.

First, we have been told by reliable state governor that he has heard a report that Arraes has negotiated a one billion dollar agreement with the Soviet bloc to run over a five-year period under which several of the satellites would provide equipment, machinery and other development assistance to the State of Pernambuco to commence immediately upon Arraes' assumption of governorship. To be carried out, an agreement of this magnitude would, of course, require the cooperation of the GOB. (We have no confirmation of this report).

Second, in a November 13 speech in Recife Francisco de Oliveira, the Acting Superintendent of SUDENE, made what amounted to an open declaration of war on the AFP. As reported by the press, the Oliveira speech, certainly approved by Furtado if not written by him, stated in categorical terms that there should be a "total and systematic refusal of aid offered as a by-product of the cold war", that current AFP aid is aimed at showy, short-range, artificial results, is ideologically motivated and at times constitutes "unbearable pressure in the direction of transforming recipient areas into examples of the virtues of the loaning country's political regime".

Third, Aluisio Alves, Governor of Rio Grande do Norte, was recently able to put sufficient pressure on Goulart to get the latter to write an order to Darcy Ribeiro, the Minister of Education, to permit the AFP agreement on education assistance with the State of Rio Grande do Norte to go into effect. Aluisio Alves was subsequently told by Darcy Ribeiro in categorical terms that this was last such agreement he would approve, that he would regard any further such agreements with the states as "an attempt against the sovereignty of the nation", and that if the U.S. wanted to aid Brazilian education, it should put up fifty billion cruzeiros for his Ministry's general program.

Fourth, in his November 14 press conference at the Planalto Palace in Brasilia, Brizzola called for "clearing away the tangle of agreements" between Brazil and the United States, and made it abundantly clear he regarded rupture normal U.S.-Brazilian relations

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as the decisive first step to a socialist revolution, peaceful or otherwise, in Brazil.

Fifth, as reported in Embtel 976, Goulart is now threatening us with the alternatives of helping Brazil almost entirely on its own terms or of his denouncing us, accelerating Brazil's progress toward socialism, while attempting to rally the rest of Latin America against us.

Even though the process of subverting democratic Brazil from top down, as we will outline below, has already progressed to a dangerous point, we believe that, if resisted now, anti-American and pro-communist forces here may find they have gotten ahead of the game and are over-extended. We cannot read the Communist mind nor do we know what Communist plans for the hemisphere were prior to our calling the Soviet hand through the Cuban quarantine. In any event, it seems to us that we may be seeing beginnings of all-out mobilization of communist assets here somewhat ahead of what would have been a well-thought-out time schedule.

B) Deterioration During Goulart Regime

The increasingly anti-American posture of the Brazilian government dates, of course, from the assumption of the Presidency by Janio Quadros. Goulart's installation as Quadros' successor signaled a further move in the same direction. But with the fall of the Tancredo Neves Cabinet the move sharply accelerated. Now we have leftist enemies or potential enemies in the persons of the Prime and Foreign Minister, the chief economic planner (whose power is rapidly growing), the Education Minister, the Minister of Justice, and an enigma in the person of one of the President's chief advisors, San Tiago Dantas. This subject will be discussed at greater length below.

On the military side there has also been a gradual but accelerating process of displacing pro-U.S. and/or center of the road officers in key positions by ultra-nationalists, leftists, crypto-communists, or controllable opportunists. For example, we now have Suzano in the Navy Ministry and Reinaldo in the Air Ministry (both probably controllable opportunistic leftists). War Minister Kruehl, probably weaker than his predecessor and closely associated with Goulart in the past, is far from the worst person in the world. However, he is being undermined and has been brought close to a point of fatalistic acceptance of his early replacement by someone worse. One leading candidate for the position is rumored to be General Osvaldo Ferreira Alves, now the commander of the First Army, whom many Brazilians consider to be a crypto-communist.

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A very important step in efforts to neutralize the Brazilian Armed Forces as an effective anti-communist force was the replacement of General Kruel as Chief of the President's Military Household by General Albino Silva, who at best is an anti-American, ultra-nationalist, leftist opportunist.

In the labor union field also events have been moving in a sinister direction ever since Goulart assumed the Presidency. The single biggest step in this process was, of course, President Goulart's personal assistance to the Communists in taking over the CNTI in December of 1961. In recent months Communist take-overs of labor unions and federations, sometimes with the use of armed thugs, has increased the speed of the process, while the GOB tacitly aided or ignored Communist occupations of union headquarters by force. The GOB has also actively collaborated with Communist student leaders.

C) Communism and Some Generalized Factors

It is perhaps surprising that organized Communism has not made more headway in Brazil when one considers the external factors of Brazil's recent history, its position inside the U.S. general sphere of influence, the prominence of U.S. business interest (always a good target), the wide range of social, economic, regional, and even (in a basic sense) racial discrimination, as well as the impression which persists from past years that the U.S. is committed to the status quo in Latin America. There appears to have been little recent effective organized resistance to the gradual in-roads of Communism on the part of consciously anti-Communist groups (i.e., economic conservatives, the church, etc.) other than the Brazilian armed forces, which now appear to be in the process of gradual neutralization as an anti-Communist force. As indicated above, a disturbing number of prominent Brazilians have even been willing to cooperate with domestic Communists and, albeit cautiously, with the Soviet bloc, in order to further their concept of their own and Brazil's interests. But their behavior (whether proceeding from conviction or conceived expediency) is not surprising if they assumed, as it seems they did prior to the enunciation of the Alliance for Progress and the recent test of strength with the Soviet Union, that the U.S. viewed Brazil merely as a more-or-less involuntary member of the anti-Communist bloc and locus for important U.S. corporate investments, while they also believed that the U.S. was unable to check the extension of Soviet power even into the Western hemisphere.

In this setting, a limited number of Communists has been able to impart considerable shape to a much wider spectrum of Brazilian

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thinking, exerting disproportionate influence. The danger is, of course, that under such influence Brazilian foreign policy and especially internal policy and resultant conditions may be brought to a point of no return from the United States point of view.

That organized Communism has not made more headway in Brazil--and it has made enough--has been due perhaps primarily to five factors: 1) the closeness to Communism but distinctness from it of a strong Brazilian current of authoritarian syndicalist thinking inherited from the Vargas period; 2) the moderate anti-Communist role that the armed forces have been able to play; 3) the residual strength of conservative political forces and the substantial vitality of the liberal democratic tradition; 4) the surprising progress in per capita income and in widening its internal market that Brazil has been able to make; and 5)

3.7 (1)(6) With respect to Brazil's economic progress, it is true that with a growth rate of close to 7% per annum in GNP over recent years Brazil, whose population growth rate has been 3%+ per annum, has been well in advance of the 2 1/2% per annum growth in per capita income enunciated by the AFP as a goal for Latin America. While the growth of the internal consumers goods market has imparted an element of hope to the minds of many Brazilians, the present stage of the consumers goods market, spreading and distinctly visible in most urban areas at least, but as yet substantially benefiting perhaps only a fifth of the population, is at the same time a factor making for political instability. This instability would, of course, be the greater if as the result of acute internal inflation, a rapidly deteriorating exchange position, and the policies which have given rise to these phenomena, Brazil's gains in per capita income were to be halted or reversed. Unless some progress is made, it is likely that deterioration of economic conditions in Brazil will take place and will be accompanied by increased political demagogy. This would sooner or later be likely to include denunciation of the United States, its companies, the AFP, the IMF, the "capitalist plot" involved in worsening terms of trade, etc. Progress is thus obviously necessary in economic as well as political behavior.

If it were clear that a controlling number of the most influential persons in the present administration were irrevocably committed to communism, that is were crypto-Communists in fact, then one would have to conclude that there was nothing that could be done to reorient the regime. But it is doubtful that the situation is as bad as that.

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3.4 (b)(6)

[REDACTED] There may be others as yet unrecognized, but it is to be doubted that they are so numerous as to make the future actions of the regime predictably pro-Soviet under any and all circumstances.

A certain dangerous degree of cooperation and parallel effort, however, does exist among important Brazilian leftists, both Communist and non-Communist. One enunciation of the doctrine under which such cooperation has been justified is to be found in the preface, written in August of this year, to San Tiago Dantas' recent book Politica Externa Independente: "The contact between the socialist world and the democratic world is beneficial to democracies like Brazil where the regime of political liberties is super-imposed on a social structure based on the economic domination of one class by another, and moreover, on the effective denial of individual liberty. From it, /i.e., the contact/ comes a permanent incentive to social reform with the creation in the heart of the society of mounting pressures which can result in the progressive modification of its structure without rupture in the continuity of the democratic regime." The extent to which this political and commercial rationale for maintaining relations with the USSR and other bloc countries may reflect motivations other than those which it expresses is a matter for speculation. But San Tiago's formula is one to which leftists of several varieties can subscribe.

Over against the undeniable cooperation which exists among leftists must be placed, however, substantial diversity of motives and divergence of interest which tend to pull them apart. The prominent leftists are not all of the same stripe. Darcy Ribeiro and Hermes Lima, both intelligent, we are coming to regard as possible crypto-Communists. What Celso Furtado is is of great importance but, we admit, we do not yet understand him. His motivations are apparently better than those of the others, and he may sincerely believe that Brazil could become a centralized, socialized state still on reasonably good terms with the United States and still really independent of the Soviet bloc. (If he does believe this, it is doubtful that this alternative exists in real life, and its processes, if tried, could push him into Communist arms, if he is not there already.) San Tiago Dantas is especially interesting. Extremely intelligent, he might be expected to follow any clear trend of power, if his past means anything. Some of his present activities indicate that, with Goulart's approval, he may now be exploring the possibilities of a more cooperative variant of GOB policy of which he may hope to become one of the principal instruments and beneficiaries.

Rivalries also exist. The brothers-in-law Goulart and Brizzola

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appear sometimes merely to be covering opposite sides of the street in an effective collaboration but at other times seem to work at cross-purposes. This has been particularly evident lately when Brizzola has preached a doctrine containing a high proportion of violent revolution, while Goulart is, after all, the President of the Republic. Celso Furtado and San Tiago Dantas apparently both want to be Goulart's principal advisor as well as his successor (as does Brizzola). To be noted is Furtado's line, echoed by Goulart in his November 16 talk with Ambassador Gordon, calling Dantas' ideas on project aid "crazy," while Dantas on the following day advised the Ambassador to pay no attention to what Furtado says.

The continuation and development of recent trends would clearly lead Brazil far down the road which Cuba travelled. On the other hand, there may be enough influential people in the Goulart regime sufficiently malleable so that a forceful presentation of the alternatives facing the regime might arrest and reverse the recent trend of events and lead to fruitful U.S.-Brazilian collaboration. Even if this effort did not succeed but on the contrary led to a denunciation of the U.S. for pressure tactics, it might prove to have been a necessary bridge to the policies which the United States would have to follow under those circumstances.

The final section of this paper is devoted to an examination of factors relating to the U.S. bargaining position vis-a-vis Brazil at the present time.

II. U. S. Bargaining Advantage and Possible Use Thereof

A. Several factors may make U. S. bargaining power vis-a-vis Brazil somewhat stronger than in the recent past. These include:

1. The continued deterioration of Brazil's exchange position and its acute need for currency stabilization assistance;
2. The decisiveness of the recent U.S. action with regard to Cuba and the demonstration of the superiority of U.S. military power relative to Soviet military power, at least in the Western Hemisphere;
3. The partial, probably temporary, discrediting (as a result of the Cuban crisis) of Brazil's ever-present, tacitly threatened, alternative to United States assistance, i.e. Soviet-bloc assistance;
4. The relative weakness of the Brazilian Communist Party as displayed in its failure to organize effective demonstrations in connection with the Cuban crisis;

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5. The pending visit of President Kennedy to Brazil which President Goulart evidently wishes to take place.

6. The fact that Goulart has not yet got his full presidential powers back, still has a predominantly conservative congress and has not yet fully eroded the independence of the armed forces, thus is more vulnerable and hence perhaps more malleable than he would be later;

7. The nervousness displayed by Goulart and Hermes Lima about the possibilities of coups against them.

B. On the negative side, partially, but not to our minds wholly, nullifying these assets are the following liabilities affecting the present period:

1. Preoccupation in political circles, particularly those of the President and his immediate entourage, with the issue of return to "presidentialism";

2. A partial lack of appreciation, particularly on the part of the President, of the full gravity and long-range significance of the present economic situation, particularly the exchange situation, of Brazil;

3. The "lame duck" nature of the present cabinet; and

4. The belief that the U.S. is so committed to trying to "save Brazil from communism" that in a pinch, almost no matter what Brazil does in the meantime, it can be counted on to help Brazil out of its economic difficulties. (This confidence is declining).

5. The heightened efforts of pro-Communist forces (mentioned earlier in this message).

C. Among the U.S. most urgent short-range objectives in Brazil are:

1. To get the GOB to draw up a workable stabilization plan;

2. To get the GOB to start executing said stabilization plan;

3. To get the GOB to remove the roadblocks to effective efforts by the AFP in Brazil;

4. To get the GOB to settle the IT&T case on satisfactory terms and to establish a satisfactory pattern for the settlement of the cases of other foreign-owned utilities, and to revise Brazilian profits remittance legislation so as to constitute a lesser obstacle to foreign private investment.

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5. To prevent the further erosion of the Brazilian armed forces as an anti-Communist force owing to the appointment to key positions of leftist-nationalist officers.

6. To reduce the degree of communist influence in the Brazilian labor unions;

7. To prevent Brazil from inserting itself in the Cuban case in a manner detrimental to U. S. interests and prejudicial to Brazil's standing with U.S. congressional and public opinion.

In attempting to decide which of our immediate objectives can be tied to one or more of our assets in an attempt to get something useful done, certain criteria should be borne in mind:

1. The public posing of U.S. demands or conditions for aid would be likely to engage Brazilian nationalist sensitivities in a counter-productive way;

2. The transmission of demands or conditions to President Goulart through his governmental machinery would tend to subject him to earlier and more intense pressure (not to do what we want him to do) from members of his entourage who oppose our interests;

3. Goulart will have to have a strong practical interest in accomplishing the thing (or things) that we want him to do, if our efforts are to be successful. All we can supply is the pressure that could push him into action out of inaction. We cannot push him into an action which he believes to be fundamentally contrary to his interest.

4. Goulart has (or should have) a strong practical interest in stabilization; under certain circumstances he might have such an interest in AFP programs;

5. He will not go counter to the desires of Communist or pro-Communist forces in Brazil for other than a purpose of great importance to him.

D. With specific regard to trying to get AFP efforts unblocked certain factors might also be considered;

1. SUDENE (for reasons of bureaucratic imperialism, Communist penetration, inexperienced and impractical personnel, non-Communist socialist conceptions, etc.) has been becoming an almost total bottleneck, and is, in addition, threatening our ability to deal directly with the states in the NE on "impact" programs;

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2. Much the same thing can be said of the BNDE which has (apparently systematically) been blocking our efforts to use the P.L. 480 wheat fund to aid in AFP efforts here;

3. If SUDENE establishes itself as the unique censor of AFP programs in NE Brazil, as a result of the pressure from Washington on the U.S. Mission to get AFP programs under way there, SUDENE will establish almost intolerable bargaining power vis-a-vis the U.S. mission, being able to block whatever it wants to block, or get whatever it wants to get on its own terms;

4. The governors of several NE states are vehemently opposed to SUDENE's becoming the obligatory intermediary in all AFP programs in their states;

5. The bargaining power of the governors with President Goulart at present is probably higher than usual owing to his need for their support in achieving his personal goals in the post-plebiscite overhaul of the structure of the Federal executive branch of the government;

6. We have not yet used the provisions of the U.S.-Brazilian agreement (under which AFP efforts here operate) regarding assistance to private concerns;

7. We have a strong political interest in pushing some AFP impact programs through on a crash basis in order to create a political base of support for AFP in Brazil; if we could establish such a base we could later use it to get longer range programs unsprung;

8. Moreover, if we had an alternative channel for spending AFP funds here when we ran into SUDENE obstructionism we could hold up on its funds for a while until it saw the light;

9. While the area in which SUDENE operates covers most of the states in which impact programs would be most appropriate, some other such states exist, i.e. Rio de Janeiro;

10. Arraes, if he so chooses, may, as Governor of Pernambuco, be in a position additionally to hamstring important parts of AFP efforts in the NE;

11. We can scarcely expect successfully to carry out new AFP programs on direct agreement with the states where Goulart is opposed to such programs; and

12. If we were to give Goulart what amounted to an informal

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personal veto on new agreements with the states, he might be interested since this would give him a new form of political patronage.

For the Ambassador:

John Keppel

John Keppel
Counselor for
Political Affairs

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