

CONFIDENTIAL

EMBOFFICE  
Brasilia

Memorandum of Conversation

July 29, 1966

P. O.	
Econ	
Pol	
Admin	
Cons.	
Usis	
PS	
M	
CF	

**Subject:** Presidential Candidate Costa e Silva

**Place:** Museum of Modern Art Restaurant, Rio de Janeiro

**Participants:** Sr. Nestor Jost, Director of the Department of Agricultural and Industrial Credit (CREAI), Bank of Brazil.  
DCM - Philip Raine

**Copies to:**

ARA/BR - 2	AMB	MINECON
INR/RAR - 2	DCM - 2	ECON
	POL	São Paulo
	POL/R	<u>Brasilia</u>
	DATT	Recife
	USIS	

RECEIVED  
6  
AMERICAN EMBASSY  
BRASILIA, BRAZIL

(Minister Bond in São Paulo received information to the effect that Mr. Jost is stated to become Marshal Costa e Silva's "principal economic advisor." It was principally to check out this information that I asked Mr. Jost to lunch. He is an ex-Federal Deputy from the state of Rio Grande do Sul whom I first met some six or seven years ago, before he was given a job in the Bank of Brazil five years ago. It was obvious from the number of diners at the Museum who came over to greet him, including prominent public figures such as the Governor of Paraíba, João Agripino; Senator Barreto; deputies and others that Jost is very much "in".)

Pol-14

On the subject of the ARENA presidential candidate, Jost said that as was obvious to everyone, Costa e Silva has no formal preparations for the job of president but that he has been spending a great deal of time doing homework in preparation for his new responsibilities. Jost said that Costa e Silva is daily being "briefed" by several experts on various subjects of importance in Brazilian national life. He says that Costa e Silva is fully aware that Brazil cannot prosper under an inflationary policy; that the government's economic and monetary policies are good but are being poorly implemented. Proof of this, if any is needed, he said, is the fact that the Central Bank constantly changes its resolutions when it becomes evident that some of its policies put into practice do not work out as anticipated. In response to my question he said without equivocation that Campos will not stay on as Minister of Planning.

DCM:PRaine:am  
8/2/66

CONFIDENTIAL

DECLASSIFIED  
Authority NNDS3155

CONFIDENTIAL

2

Brazil's future will depend, Jost admits, on Costa e Silva's advisors and collaborators in the next administration. I jokingly asked whether he was going to be the next Minister of Planning at which he laughed but said nothing to indicate how close his collaboration might be. In general, Jost is optimistic about the way things are moving economically in Brazil although he says that the credit situation is perhaps as bad now as it has ever been and the government, including his own agency, is under heavy pressure from businessmen and industrialists who are endangered by the lack of credit. The Northeast, in his view, needs special attention. What is needed is help to the small businessman to supplement governmental efforts which have concentrated in the large industry sector, the net result of which may be to give southern industrialists control of the northeast economy, a not especially desirable objective. His own agency tries to stimulate the establishment of smaller factories and businesses along the lines of development in Rio Grande do Sul. Jost sees this as a far more stabilizing and solid method of growth than that now being pushed by federal agencies.

Returning to the subject of Costa e Silva, Jost went on to say that the Marshal has an excellent way with people. He can be strong and "hardline" to achieve what he wants, but he also knows when to let up. He is trying to make friends and to reach understandings with people who will be important to the success of his administration, even with some who have attacked him in the past. He said that the ex-War Minister is not necessarily sympathetic to the Social Democratic Party (PSD)

Jost said that he had no doubt but that President Castello Branco would have preferred General Cordeiro de Farias to Costa e Silva as his successor but that the latter swept up the candidacy with the support of important moderate elements (as well as "hardline") within the Army and Castello Branco could not change the situation without running a real risk of losing control of the government. He has therefore accepted the candidacy and is trying to shape Costa e Silva to his own views. He believes that the President is now really resigned to Costa e Silva, although he did express some lingering doubts as to the meaning of the "hardline" being pursued by the President which is in his view unnecessarily stirring up the country. As examples, he spoke of the student meeting then going on in Belo Horizonte which he thought was being handled very ineptly when it would have been easy to arrange a student meeting led by democratic pro-revolution students, putting the UNE affair in its proper perspective. He mentioned with some concern also the situation in the Northeast and the

CONFIDENTIAL

DECLASSIFIED  
Authority NNDS3155

"stupidity" of the military in suppressing the bishops' manifest calling attention to deteriorating conditions in the area.

Costa e Silva according to Jost, is fully aware of the government's "failure" in the important fields of relations with labor and students as well as economic development in backward areas. He is trying to create an image of sympathy for the objectives of the students as well as for the aspirations of labor. Every place he goes he tries to meet with some students and some laborers.

Comment:

It was apparent that Jost has a good deal of confidence in the ex-War Minister and that he knows a good deal about his plans and activities. He said that he has known him well for a number of years and sees him frequently. While he gave no indication that he would have a role in the next administration if Costa e Silva takes office, it would seem a distinct possibility.