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USAID/BRAZIL

MEMORANDUM OF CONVERSATION

DATE OF MEETING: 1/24/69

PARTICIPANTS: AMBASSADOR ROBERTO CAMPOS
WILLIAM A. ELLIS, DOM, USAID/BRAZIL

COPIES TO : MINISTER BELTON, CHARGÉ D'AFFAIRES
COL. A. S. MOURA, USARMA
F. CARLUCCI, POL
R. GAHAGEN, POL
J. MOWINCKEL, USIS
H. KLEINE, DDOM

J. KUBISCH, COUNTRY DIRECTOR, AID/W < —

I CALLED ON DR. CAMPOS IN HIS OFFICE TO GET HIS IMPRESSIONS OF THE POLITICAL AND ECONOMIC SITUATION AND THEIR IMPLICATIONS FOR US ASSISTANCE. I WAS A LITTLE SURPRISED THAT HE APPARENTLY HAD NOT PONDERED THIS QUESTION MORE THAN HIS REMARKS INDICATED.

CAMPOS WAS AWARE OF THE REPORTED RESIGNATION OF ALBUQUERQUE LIMA. HE SAID HE WAS NOT SURE THAT THIS WAS A MOVE FOR THE GOOD SINCE HE THOUGHT ALBUQUERQUE LIMA WAS PROBABLY THE MOST COMPETENT ADMINISTRATOR IN THE GOVERNMENT, WHICH HE ADMITTED WAS DAMNING BY FAINT PRAISE. HE SAID THAT HE HAD RECENTLY SAT NEXT TO ALBUQUERQUE LIMA AT A DINNER AND WAS IMPRESSED BY HIS INTELLIGENCE AND CONCERN FOR NATIONAL PROBLEMS. HE SAID HE THOUGHT THE GOVERNMENT WAS WRONG TO REDUCE THE STATES' AND MUNICÍPIOS' SHARE OF THE FUNDO DA PARTICIPAÇÃO. AFTER AN ADJUSTMENT PERIOD, THE FUNDS WERE BEING WELL USED. HE DID NOT THINK THE CHANGE IN POLICY WOULD HELP DELFIM TO REDUCE THE DEFICIT SINCE ONCE IT WAS KNOWN THAT THE FUNDS WERE AVAILABLE THERE WOULD BE PLENTY OF PEOPLE TO GOBBLE THEM UP. CAMPOS HAS A LOW OPINION OF ANDREAZZI AND THINKS THAT AL JUSTIFIED IN ATTACKING HIM FOR BAD PLANNING AND ADMINISTRATION.

AS FAR AS THE ECONOMIC REACTION IS CONCERNED, CAMPOS SAID THAT THE BUSINESS COMMUNITY IS TORN BETWEEN EUPHORIA OVER THE CONTINUING ECONOMIC BOOM AND UNEASINESS OVER POLITICAL DEVELOPMENTS. PLANNED INVESTMENTS WERE GOING AHEAD BUT THERE WAS A DEFINITE SLOW-DOWN IN NEW INVESTMENT DECISIONS. HE SAW NO SIGNS OF A RUN ON THE CURRENCY OR OTHER INDICATIONS OF SERIOUS CONCERN, BUT CONCEDED THAT IT COULD HAPPEN IF THE POLITICAL SITUATION DID NOT CLARIFY FAIRLY SOON.

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AS FAR AS AID IS CONCERNED, HE DOES NOT THINK WE HAVE ANY LEVERAGE ON THE POLITICAL SITUATION. HE ASKED, "WHERE ELSE HAVE YOU USED AID IN A SIMILAR SITUATION WITH GOOD RESULTS?" HE BELIEVES THAT WE COULD DO A GREAT DEAL OF HARM BOTH POLITICALLY AND ECONOMICALLY BY MALADROITLY HANDLING OUR AID. HE RECOMMENDED GOING AHEAD WITH OUTSTANDING AID ACTIONS AS SOON AS POSSIBLE.

The entire conversation at Langhorne revolved around the status of the 1950 program and its relationship to current political developments. DeLoe said they had talked to scores of people who are carefully watching the US reaction and who believe that we can have a considerable influence in the present situation. He was well informed on the status of the 1950 program.

His argument was as follows: There are two main blocs in the Army - one headed by Lyra Tavares which is loyal to Costa e Silva and one headed by Albuquerque Lima which is composed largely of young officers. The latter group is highly nationalistic, extreme in its economic views and may have little regard for political freedom. Many are extreme "Nazis". Al and his friends are very two-faced with Americans, saying one thing to their face and another behind their back.

DeLoe believed that Lyra Tavares is the most important man in the Army and the man on whom we should place our bets. He said that Lyra had slowly and patiently been reconsolidating his position. Many losses at the level of significant personnel changes have been made. Several important and high ranking officers have been removed. The President would accept Albuquerque Lima as a replacement. DeLoe thought that Lyra could be used to lead out the unconsolidated elements. By the end of March, DeLoe thinks that the situation will be under control. When this occurs, Lyra Tavares and

DRAFTING OFFICER:DOM:WAELLIS:RM:1/27/69

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