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AIRGRAM

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TO : DEPARTMENT OF STATE

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FROM : Amconsulate, BELO HORIZONTE

DATE: February 23, 1966

SUBJECT : Biweekly Summary No. 3 (February 10, -23, 1966)

REF :

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I. Ex-UDN's Declare for ARENA

(1) Twenty-three ex-UDN Deputies of the Minas Gerais Legislative Assembly signed and deposited a document with the National Directory of ARENA declaring their entry into ARENA. (Refer to Belo Horizonte's A-59, February 16, 1966.)

(2) Trouble has now arisen over the method to be used in the selection of the ARENA Directorate at the state level, especially in view of the statement reputed to have been made by Jorge Vargas (ex-UDN), immediate past President of the Legislative Assembly, who said "We enter ARENA to preserve the principles of the March Revolution and not to support Governor Israel Pinheiro." This caused consternation in the ranks of the ex-PSD's and brought forth immediate protests as they, along with Governor Pinheiro, had long since declared their adhesion to ARENA and of course their support for Pinheiro.

(3) To confuse and complicate matters further, a small group of ex-UDN's led by Helio Garcia (ex-UDN), the former Majority Leader of the Legislative Assembly and devoted follower of ex-Governor Magalhaes Pinto, together with dissident elements from ex-PTB, ex-PR and ex-PSP

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groups - who are now mostly all ARENA's and MODEBRA's - has formed a bloc numbering some 30 Deputies who are dedicated to the support of Magalhaes Pinto, and who have declared their intention to reserve judgment on any legislative proposals sponsored by Pinheiro. At this point they are not sure where this course will lead them as the ex-Governor has not revealed his plans for future political alignment.

(4) Comment: Governor Pinheiro is caught in the middle of this tangled web and is trying to placate all factions in an effort to bring order out of chaos. His efforts would obtain more success if it were not for the shadow of Magalhaes Pinto hovering over his shoulder. As it stands now, until Magalhaes Pinto reveals his decision, dissident ex-UDN's and others of like mind will continue in opposition to Pinheiro.

(5) Rumor has it that President Castello Branco has offered Magalhaes Pinto the leadership of ARENA in Minas Gerais and that Pinheiro has acquiesced to this arrangement. Castello Branco is due to arrive in Belo Horizonte on February 27 to receive the title of Honorary Citizen of Minas Gerais. Magalhaes Pinto is expected to return here about the same time. This would be the most likely time for this rumor to be confirmed or denied.

II. IDB Discusses Loan for Belo Horizonte Water System

(1) A six-man delegation for the Interamerican Development Bank (IDB) arrived in Belo Horizonte on February 15 to discuss the possibility of a loan for the construction of a water distribution system for Belo Horizonte. The delegation which was led by Rodolfo KORENJAT of IDB spent several days reviewing plans for the new system and going over final details for the loan request. The original request for 2.5 million dollars was made by the city administration in 1962 to IDB, but various political and economic factors have delayed a decision on the loan request until now. Under current plans, the loan request has been increased to 4 million dollars. Although the IDB delegation did not commit itself on the status of the request, it appears that their recommendation will be favorable. (UNCLASSIFIED)

(2) Comment: The new distribution system for Belo Horizonte will complement a nearly-completed, Federally-financed project which is designed to bring water from the Rio das Velhas to Belo Horizonte to supply its needs. If the loan request is granted, it will be a feather in the cap of Mayor Oswaldo PIERUCETTI, who has succeeded where two previous mayors have failed. (UNCLASSIFIED)

III. Insurance Workers Strike for Higher Wages

(1) Insurance workers in Belo Horizonte and other major cities in the state went on strike on February 10 in a dispute over wages. The strike came after a long period of negotiations in which the two sides failed to reach agreement on a new wage contract. The Insurance Workers Union had originally demanded an 85 per cent increase, which was reduced to 40 per cent after mediation by the Regional Labor

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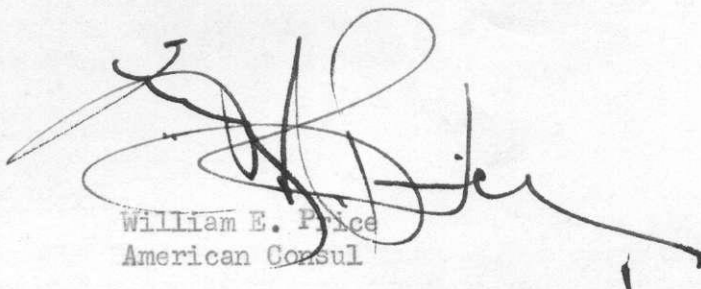
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Tribunal, while the employers had refused to budge from their original offer of 18 per cent.

(2) After the talks had broken down, the Insurance Workers Union called for a strike vote. The vote to strike was almost unanimous although only 300 of the approximately 1500 union members attended the strike meeting. The first day of the strike, February 10, saw only 800 of the 1500 union members not reporting for work, and some companies continued to function normally. As the strike has lengthened, however, more workers have joined the strikers, until at present, about one thousand insurance workers are off the job.

(3) Thus far, the strike has been conducted in an orderly manner and no incidents have occurred. The Regional Labor Court has scheduled another hearing for February 25 in an attempt to impose a solution in the case. (UNCLASSIFIED)



William E. Price
American Consul

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