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POLITICAL

1. Carvalho Pinto has the bug.

Finance Minister CARVALHO PINTO has continued to use a very optimistic tone before São Paulo audiences. In addition to praising the GOULART Government as a whole (Weekly Summary of August 16), he has expressed pleasure at his own progress in straightening out the Brazilian economy. During a recent speech in Campinas, he reportedly said that "good results are already coming" from his policies and that "within a short time, our finances will be in order" (quotes possibly not textual).

This apparently unfounded optimism has convinced many old São Paulo friends, press and private, that Goulart has given Carvalho Pinto the mosca azul ("presidential bug"). The speculation by local politicians and newspapers is that the ex-Governor is being groomed as a "third force" candidate to oppose Juscelino KUBITSCHER and Carlos LACERDA. The rest of the story has it Carvalho Pinto's running mate in 1965 would be extreme-leftist Pernambuco Governor Miguel ARRAIS.
(UNCLASSIFIED)

Comment: The Consulate General does not doubt that Carvalho Pinto would like to run or that he would consider Arrais as a running mate. Many Paulistas, however, still warn that Goulart is very possibly building him up for a fall -- perhaps intending to use his candidacy as a tool for bargaining with Kubitschek. (LIMITED OFFICIAL USE)

2. Members of State Government under attack.

Alvaro ASSUMPTÃO, Chief of the São Paulo Governor's Casa Civil, quit his job without notice or explanation and flew off to his home in Rio de Janeiro. The Chief of the "Civil Household" has almost the equivalent of State Cabinet rank and is the official in closest daily contact with the Governor. Politicians opposed to Adhemar gave two stories to explain his ungraceful exit. One was that Paulista members of Adhemar's PSP, resentful of the confidence placed in "outsider" Assumpção, had made life unbearable for him. The other story -- repeated in the form of an accusation in the Legislative Assembly -- was that the Chief of the Casa Civil had made off with a "caixinha" ("campaign fund" made up of highly informal "contributions") that had been in his care. This reportedly happened with a different official

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in one of Adhemar's previous Governments. The Consulate General, however, has not heard reliable evidence to support either story. Assumpção's replacement is Artur AUDRÁ, a São Paulo member of the PSP.

Meanwhile, the case of Education Secretary BALEEIRO (previous Weekly Summaries) continues to make the State Government uncomfortable, though one would suspect that the public is tiring of it by now. State Secretary of Security Aldevio BARBOSA is also under fire, having been summoned before the Legislative Assembly to explain the increase in gambling (Weekly Summary of August 9). Some Administration parties in the Legislative Assembly continue rebellious. All this does not add up to a "crisis," as opposition politicians would like to have the public believe, but it does add up to an annoying headache for the Governor. (LIMITED OFFICIAL USE)

Comment: The significant result of these troubles is that they are making it difficult for Adhemar to acquire an image as an efficient and honest administrator -- something he badly needs for the 1965 presidential elections. (LIMITED OFFICIAL USE)

3. State PTB wants to join Adhemar.

The PTB bench in the São Paulo Legislative Assembly appears to have definite intentions of joining forces with the State Government. Party colleagues have suggested the nomination of State Deputy Costabile ROMANO for Adhemar de Barros' Labor Secretary. Adhemar, welcoming the chance for more support in the Assembly, has already removed PRP stalwart Damiano GULLO from the Labor Secretariat and given him a job in the Bank of São Paulo. (UNCLASSIFIED)

Comment: The PTB politicians close to the grass roots would like the advantages of participation in the State Government both for themselves and for party members running in the October Municipal elections. Adhemar could be a big help to them. But PTB leaders interested in national politics, as usual, see it differently: it would be embarrassing to have members of João Goulart's party supporting enemy Adhemar de Barros. Goulart normally does not see eye-to-eye with São Paulo PTB leaders, but this time he has reason to pitch in and help them keep the independent State Deputies in line. He can probably succeed, though the bolt has gone far enough that it could conceivably become serious. (LIMITED OFFICIAL USE)

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4. Newspaper accuses left-wing Church movement of Communist infiltration.

In a lead editorial, Estado de S. Paulo has accused the left-wing São Paulo Church movement of being influenced by actual Communist elements infiltrated in the clergy. (No names were given and no proof offered.) Estado has also been giving headlines and intensive coverage to the new Pope's statements against Catholic cooperation with Communists (Airgram 47 of August 16). Most of the rest of the local press continues chary of the issue. (UNCLASSIFIED)

Comment: The Consulate General has no evidence of actual Communist infiltration in the São Paulo Catholic clergy. As often reported, however, some elements in the local Church have usually cooperated with Communist initiatives, apparently regardless of their merits. Physical infiltration may be a possibility. If so, concrete evidence would be of great importance. (LIMITED OFFICIAL USE)

5. Quadros urges reforms, rejects extremism.

In a press interview -- the first in a long time -- ex-President Jânio QUADROS attacked both rightist and leftist extremes but preached the urgent necessity of "reforms," which he defined only in the broadest terms. He opined that the existing, "imported," Brazilian "political-juridical" structure was obsolete, endangering democracy. He said that the Government was doing the nation more harm than good, but he blamed the "structural inconsistency" rather than the political leaders. (UNCLASSIFIED)

Comment: This may be some progress; at least Jânio criticized leftist extremism. His suggestion for a pragmatic approach to reforms, while encouraging, was immediately contradicted by his usual fuzzy definitions. (LIMITED OFFICIAL USE)

6. Communists retain control of four important unions.

In recent elections the Communists retained control of four important local unions: the textile workers and bank workers in São Paulo City, the chemical-pharmaceutical workers in industrial Cubatão, and the metal workers in the interior city of Limeira. Communist incumbent slates won by wide margins over opposition slates in all four contests. (UNCLASSIFIED)

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Comment: The Consulate General has not heard of any Federal or State Government interference in any of these elections. In none of the four unions mentioned did the Communists face a serious challenge. The São Paulo textile workers election, where a total of about 8,000 votes were cast in a local union which bargains for an estimated 100,000 workers, provides a significant commentary on the present state of the Brazilian labor movement. (UNCLASSIFIED)

7. Labor Ministry recognizes state federation of agricultural workers.

The Ministry of Labor on August 17 extended official recognition to the São Paulo State Federation of Agricultural Workers, which is oriented by the moderate wing of the Catholic Church. Recognition had been pending for almost two years. The new federation has 22 recognized local unions of agricultural workers and some 70 local associations awaiting recognition, all Church-oriented. There are in São Paulo State 15 recognized Communist-led local unions of agricultural workers, with an estimated 40 Communist local associations as yet unrecognized. The recognized Communist unions have the right to affiliate with the new federation. (UNCLASSIFIED)

Comment: José ROTTA, federation president and a director of the anti-Communist Democratic Union Movement (MSD), apparently obtained the long-sought federation recognition by recently cooperating more closely with Federal Government labor authorities. However, the danger remains that the Labor Ministry will recognize sufficient Communist local unions to give them a majority and therefore control of the federation. Even if this does not happen, it would seem that generally conservative Rotta will have to adopt a more militant stance in favor of improved working and living conditions for rural workers if he is to maintain his leadership. (LIMITED OFFICIAL USE)

PSYCHOLOGICAL

1. Press puzzled by President Kennedy's "peaceful revolution."

The conservative São Paulo press did not generally give much attention to President Kennedy's August 2 statement in favor of a peaceful Latin American revolution. The reaction seemed to be one of discomfort. Leading Folha de S. Paulo did

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endorse the American President's words, but not until the Brazilian President was seen as distorting them. Folha warned that Kennedy's sincere advocacy of reforms should not be confused with Goulart's agitation for political purposes. In various newspapers, there was a sprinkling of worried comments about Goulart's supposed intent to distort Kennedy's example in this and other ways. (UNCLASSIFIED)

Comment: This was an interesting commentary on two things: First, the lack of awareness of the reformist nature of the Alliance for Progress. Conservative and liberal sectors alike still often picture the U.S., unfortunately, as a defender of the status quo. Second, the genuine lack of confidence in President Goulart. Even sincere reformists are inclined to think that the Brazilian President has distorted their cause, setting it back severely. UDN politicians now believe that Goulart is going to use Kennedy's candidacy in 1964 as an argument for allowing a second term in Brazil. (LIMITED OFFICIAL USE)

2. Aliança anniversary passes quietly.

The São Paulo press did not have much that was favorable to say about the Alliance for Progress on its second anniversary. The best comments came from Estado de S. Paulo, which believed that the Alliance had made a good if not dramatically successful try. Folha, friendly to the U.S., entitled an editorial "Melancholy Anniversary" but held that the Brazilian Government was more at fault than the Americans for the Alliance's weak progress. Leftist/nationalist Ultima Hora concentrated on Education Minister Paulo de Tarso SANTOS' criticisms, using the headline "'Alliance' flops in Brazil." (UNCLASSIFIED)

3. Estado boosts Illia.

Conservative Estado de S. Paulo on August 16 gave a front-page interview to Argentine President-elect ILLIA. The article was followed later in the week by glowing editorials. Estado found Illia a shining hope for Argentina and an "authentic 'Americanist' in the broadest sense." He was quoted as intending to act responsibly toward the American oil-drilling contractors, as being favorable to foreign capital investments, and as opposing land expropriation for agrarian reform. (UNCLASSIFIED)

for Daniel M. Braddock sc

Daniel M. Braddock
Minister Consul General

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