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HANDLING INDICATOR

TO : DEPARTMENT OF STATE

INFO : Amembassy RIO DE JANEIRO, Amembassy AmConsul SALVADOR

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MANAUS-1 CURITIBA-1 SAO PAULO-1

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A. Cabo Strike Ends

1. The month-long strike of rural workers in the Pernambuco municipality of Cabo (suburban Recife) ended last week when employers promised to meet union demands for payment of the minimum wage of Cr\$54,000 monthly. The dispute began on December 13 after several weeks of negotiations failed to produce a settlement. The number of strikers involved fluctuated widely, ranging from less than 200 to just under 2000.

2. While the precise terms of the agreement have not yet been made public, credit for the settlement is being given to National Labor Department director, Dr. Jorge Mafra who came to Recife specifically to end the strike. Arriving here January 5, Mafra told newsmen that he would put into effect a "secret, inter-ministerial plan" which was described in the

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In Out

Drafted by: GGHilliker/WPKelly/RMount:lfw

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press as the definitive answer to the labor problems of the sugar industry. The plan, as later explained, establishes a working group composed of GERAN, the Sugar and Alcohol Institute (IAA), the Brazilian Institute for Agrarian Reform (IBRA), the Institute for Agrarian Development (INDA), the Labor Delegate and representatives from labor and management.

3. What Mafra had in mind became evident on January 9 when the strike officially halted after employers agreed that back wages would be paid in installments stretched out over a one to two month period. This settlement was welcomed by somewhat skeptical union leaders but the big news was that, under the Mafra plan, the 8,000 hectare Usina Maria da Mercedes was targeted for immediate government intervention. Administration of the usina was to be taken over by the IAA and a "pilot land reform program" to be established by IBRA. Mafra spelled out this policy in more detail, saying that when an usina shuts down its operations, it is prima facie evidence that its management is incapable of administering the property, thus government intervention should follow. Similar action was threatened against employers who refuse to pay the minimum wage.

4. By week's end, Mafra had returned to Rio leaving behind a host of unanswered questions. Disgruntled (but minority) stockholders of Usina Mercedes announced that they were appealing to the courts to prevent the liquidation of their property, sugar producers pondered the ambiguity of Mafra's assurances that intervention would not be compulsory and tried to square it with his prima facie guideline, and relieved but still skeptical union leaders adopted a wait and see attitude, thinking the settlement too good to be true. To further complicate matters, IBRA denied any involvement in Usina Mercedes.

5. COMMENT. While the Cabo strike was almost certainly a manifestation of legitimate labor protest, it was both encouraged and exploited by certain sugar producers. Their motive was to focus government attention upon the problems of the sugar industry in hope of obtaining an increase in the price of sugar. The possibility for agitation and violence always exists in peasant protests, but police recorded no disturbances during the four week dispute.

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6. With the Cabo strike "settled", the larger problem of the 120,000 man Rural Workers Federation (to which the Cabo union does not belong) remains. The Federation has been urging the government to act on the minimum wage issue for several months and its president, Euclides Nascimento, believes his recent trip to Rio was instrumental in bringing Mafra to Recife. Mafra strongly implied that the Cabo settlement would set a precedent, threatening producers with intervention whenever they fail to meet their obligations to their workers. If true, then the Mafra plan is a significant labor victory. So far, Federation leaders are too wary to call it that.

B. Ceara Drought - Act I

7. Drought, a perennial problem in the Ceara interior, returned to the news last week with the announcement that 500 (some stories say 1000) hungry and unemployed men have "invaded" the town of Iracema in the Jaguaribe River Valley. "Invasions" of this type occur every year in towns throughout the drought polygon as the parched earth stops producing and crops wither away. This year, the cries of alarm are starting unusually early. The rule of thumb is that a drought year can't be determined until after St. Joseph's day, March 19.

8. Despite the rule, complaints have started and are growing. DNOCS district chief, Edilson Freitas Queiroz informed SUDENE last week that the invaders of Iracema were threatening to disrupt payment of DNOCS employees. At the same time, Iracema's mayor was in Fortaleza asking state authorities for police reinforcements to deal with the potential problems caused by the presence of hungry and unemployed men in his city. And in the Ceara State Assembly, deputy Joao Frederico (ARENA, ex-UDN) publicly attacked SUDENE for its alleged failure to act. Frederico wants SUDENE to open more "work fronts" to provide jobs for all who need them - an almost impossible task.

9. COMMENT. Joao Goncalves, former SUDENE superintendent and now Minister of Coordination has termed the drought alarm as premature. He said that it was not drought but hunger that troubles Ceara. Goncalves should know. In addition to his SUDENE experience, he was born and raised in Ceara.

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C. Municipal Elections in Paraiba

10. Elections for mayor, vice mayor and city councilmen in 76 Paraiba municipalities have been set for August 20 according to a recent announcement of the Regional Electoral Tribunal. In Joao Pessoa, the state capital, only city councilmen will be elected as the mayors of capital cities are now appointed by the state governors.

D. Military Changes

11. A series of transfers were announced last week, thus completing the almost total command change in the Northeast during the past 4 months. Coming and going were:

12. Brigadier General Afonso Parreiras Horta who assumed command of FAB's Second Air Zone on January 11 replacing Major General Manuel Jose Vinhaes who has been assigned to Rio as Air Force Inspector General. With Vinhaes goes his present chief of staff, Colonel Marco Cesar Leal Coqueiro who will become his chief of cabinet. The new chief of staff for the 2nd Air Zone is Colonel Estenio Alvarenga.

13. In Joao Pessoa, General Vinitius Nazareth Notare has taken over command of the 1st Engineering Group and the 10th Military Region command in Fortaleza is going to General Dilarmano Gomes Monteiro who replaces General Itibere Gouveia de Amaral. General Itibere is regarded as a hard line officer and the alleged author of an attack against Dom Helder Camara last July.

E. Reuniao do Recife

14. The Banco Nacional do Norte celebrated its 25th anniversary last week with a 3-day symposium on the economic prospects for the new year. Billed as the Reuniao do Recife the conference was addressed by experts such as: General Macedo Soares e Silva, President of the National Confederation of Industries; Professor Mario Henrique Simonsen of the Getulio Vargas Foundation and SUDENE Superintendent, Rubens Costa.

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15. Speaking on the role of business in national development, General Macedo asserted that the governments of all developing countries should focus their efforts toward establishing "poles of development" (an approach already followed by SUDENE). This involves the creation of so-called "generating enterprises" whose very presence in a region would stimulate further private investment. For Brazil, the General said, the fundamental economic objective of both the public and private sectors should be to increase agricultural productivity and efficiency. This would result in the obvious advantage of more and better quality food but additionally the increased spendable income would create a vast market for Brazil's industrial output. And, he reminded his listeners, the majority of Brazilians still live in undeveloped rural areas. As for the Costa e Silva government, General Macedo said that one of the great tasks facing the new president would be the need for administrative reform in the public service. He estimates that increased efficiency could result in savings of Cr\$500-600 billion; money that would be better used for reinvestment in private enterprise.

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16. SUDENE Superintendent, Rubens Costa, made a spirited defense of Article 34/18 and described how, in the latter part of 1966, he had convinced the Federal government of the importance of 34/18 funds to Northeastern development and obtained a commitment for exclusive use of those funds in the region. Costa explained the Article 34/18 mechanism in detail and announced that, as of December 31, 1966, some Cr\$471 million in Article 34/18 tax monies had been deposited. He estimated that, by the end of 1969, total investment in the Northeast generated by 34/18 funds would by conservative estimate reach Cr\$800 billion, solely due to deposits already made and usable within three years.

17. Professor Simonsen spoke on the financial market and business equilibrium. Some of the points of his detailed presentation were: rising Federal investments and declining government operating expenses, static commercial bank credit since 1951 and government dominance of control of investment capital presently available.

18. Federal investments, said Simonsen, have been steadily increasing in terms of percentage of Gross National Product. In 1964, Federal investment totaled 6.6% of GNP, a figure which rose to 7.7% in 1965 and reached 8.8% last year. Based upon

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a GNP for 1967 estimated at Cr\$60 trillion, Federal investment should level off at 8.3%. While Federal investments have been rising, the Federal government's operating expenditures (expressed as % of GNP) have been declining in the post-Revolution period. Whereas 14.7% of GNP was spent in 1964, the 1967 figure is projected at under 12%.

19. Since 1951, according to Simonsen's figures, the true value of commercial bank loans in the private sector has remained static. Yet during this same period, GNP (adjusted for inflation) has more than doubled. This is, he said, a direct product of Brazil's inflationary spiral during this period, as the anti-inflationary measures most often adopted by the government were in the form of credit restrictions in the private sector.

20. Simonsen pointed out that the private sector, in the last decade, has declined from a position of contributing two-thirds of total investment to a present situation in which it contributes only one-third. The proportionate rise in governmental (Federal, State and local) investment is seen by Simonsen as economically unhealthy and as one of the serious problems facing the Brazilian government in 1967.

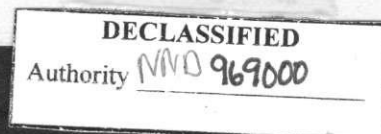
F. The Recife Press

21. Recife's newspapers are continuing their efforts to enlist support in opposition to the proposed new press law. The latest public figure to get into the act was the often controversial Dom Helder Camara, Archbishop of Olinda and Recife, who called for the Congress to amend the law as submitted. He said, "I hope from the depth of my heart that the deputies will have the intelligence and foresightedness to, at least, introduce the necessary amendments to guarantee the liberty of the press which is vital to Brazil".

22. COMMENT. By implication, Dom Helder called for stronger action against the proposed press law. This was his first recorded public comment in the Northeast on the issue.

23. Criticism of the national government is coming in stronger doses from the Recife press with the press law bearing the brunt, followed by the new constitution, rising

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prices and the efforts of the South to "encroach" on the benefits of Article 34/18 funds destined for the Northeast. Editorial cartoons depicting dissatisfaction with the increase in prices of meat, stamps and the cost of living are becoming more frequent. Increasing prominence is also being given to MDB criticisms of the new constitution although editorial comment has been meager.

24. COMMENT. In all cases, the criticism is being directed at issues rather than individuals. And even though the tone is stinging, it is far milder than the typical biting style of the Recife press.

25. Much of the international news coverage in the press, radio and TV in recent weeks has been devoted to the turmoil in Mainland China. Relying almost exclusively on Agence France Press (AFP) reports, the news has been given prominent position. It has crowded most of the Viet Nam news off the international pages, giving other issues very short shrift.

G. Only In The Northeast

26. In the Northeast, where vaqueiros have babies, where the world's fattest woman gains weight on a diet, could it happen--a horse was born with the features of a human. In Rainha Isabel, a small town on the Pernambuco-Alagoas border, a horse with deformed features was born on January 2, and died several days later. When the news reached Recife, the Jornal do Comercio bought the photographs and immediately tagged the creature with the title of a "horse with the face of a human".

27. With the attendant publicity, the state authorities sought the remains to study which set off a rash of speculation from the superstitious residents of the area who believe it was an "evil omen" and a "punishment from the sky".

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