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MINAS GERAIS:

1. New Constitution Promulgated

The Legislative Assembly meeting in extraordinary session on May 13 adopted and promulgated the new Constitution for Minas Gerais.

While all 82 members of the Assembly signed the document in its final form, the MDB under the leadership of Deputy Raul Decio de Belem MIGUEL in a public statement released to the press prior to the meeting registered his party's general opposition to the new Constitution terming it a document containing limitations on its own capacity to legislate and as being antidemocratic.

Of the 233 amendments proposed by Assembly members to the draft Constitution, the great majority were of a minor nature and in some cases were approved. Only one amendment of substance was accepted and incorporated into the new Constitution. This was on the subject of public security and it set forth the names of the State organizations concerned with public security designating them as the Military Police, Corps of Firemen, Civil Police and Civil Guards and defined their respective duties, areas of jurisdiction and lines of command. This amendment was thought necessary to prevent the Civil Guards from being absorbed into the Military Police, a move recently attempted by that organization which had to be settled by Governor Pinheiro upon appeal by the Commander and ranking officers of the Civil Guards.

The new Constitution, among other things, now obliges the State to apply 20 per cent of its tributary income to the support of education; obliges municipalities to institute social security systems for their employees; creates a State Employees Council where representative employee leaders will serve on the Council; obliges the State to maintain the patrimony of designated historical towns; and changes to December 31 the date Mayors are to assume office.

Availing himself of the opportunity provided by the solemn occasion, Deputy José Raimundo Soares da SILVA (MDB) supplied the jarring note in an unscheduled speech when he surprised and embarrassed all present, except his party cohorts who loudly applauded him, when he arose and scathingly criticized the new Federal Constitution "as distorting the institutions of the Brazilian people, the federation, the sovereignty of the legislative bodies, as limiting the powers of the executive and its own democracy." He terminated his speech by asking for "an immediate revision of the new State Constitution as it was wrongly based on the imperfect and deficient Federal Constitution." The President of the Assembly, ARENA members, high ranking military officers and other notables present were aghast at Silva's performance.

Comment: Actually there was very little interparty disagreement over the form and substance of the new Constitution during the discussions, debates and voting on the draft Constitution and proposed amendments. From time to time during the discussions MDB members thought it necessary or perhaps politic to oppose certain

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measures on principle and substitute some of their own for the purpose of gaining some supposed political advantage with the public, but discussions rarely became acrimonious.

ARENA members, despite minor bickering and Silva's final surprise outburst, were in control of the proceedings from the time the draft Constitution was received by the Assembly and were able to beat down all objectionable amendments proposed by the MDB and maneuver it successfully through the Assembly.

The Executive, Judiciary and Legislative Assembly seem pleased with the results of their efforts, MDB excepted, and claim the State has a Constitution which they regard as an enlightened and practical document. (LIMITED OFFICIAL USE)

2. Kubitschek's Future in Brazil

The Consul recently had a conversation with State Deputy Aníbal Teixeira de SOUZA (ex-PRP/MDB), close personal friend, biographer and confidant of ex-President KUBITSCHKEK, on the subject of Kubitschek's return to Brazil and his plans for the future. (BHZ A-36, May 11, 1967, Item 4).

Teixeira de Souza, in response to questioning, explained that Kubitschek's return to Brazil came about at his own request and as a result of understandings reached by his friends in President Costa e Silva's Government who interceded in his behalf with President Costa e Silva. He stated that it was Foreign Minister Magalhães Pinto who made the strongest plea for his return and who acted as his principal sponsor and guarantor.

Kubitschek, in accordance with the terms of the understandings, to which he agreed to honor, shall abstain from making any pronouncements involving the internal politics of Brazil and shall not participate in any political movements in Brazil. These understandings, of course, preclude Kubitschek from associating himself with or supporting the "Frente Ampla." In this connection Teixeira de Souza explained that Kubitschek's reason for being a party to the "Frente Ampla" was to oppose Castello Branco and his dictatorial policies at the time he was President. But now that Costa e Silva is President there is no need for him to continue his association with the "Frente Ampla" or Carlos LACERDA, and considers that President Costa e Silva is deserving of his full confidence and support.

Kubitschek intends to buy a cattle ranch in Betim, near Belo Horizonte, land which now forms a part of a ranching property belonging to Mayor Souza LIMA of Belo Horizonte.

Kubitschek plans to reside in Rio de Janeiro where he will operate various businesses in which he has interests, including the continuance of his partnership with architect Oscar NEIMEYER. Teixeira de Souza stated that by residing in Rio de Janeiro Kubitschek will be better able to avoid relations with his former Minas Gerais political cohorts and to fend off their attempts to involve him in political activities.

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Kubitschek hopes to return periodically to the United States to fulfill speaking engagements.

Comment: Kubitschek, facing up to the political realities as they exist in Brazil today and wishing to return to Brazil, was evidently willing to agree to political silence and inactivity as the price to pay for his return. Kubitschek in all likelihood will hold to his agreement, at least for as long as Costa e Silva retains the presidency. Then too, President Costa e Silva to ensure Kubitschek's compliance holds in reserve the threat of activating the charges against him as contained in no less than four IPM's. (CONFIDENTIAL)

3. Minister of Labor Visits Belo Horizonte

Minister of Labor, Jarbas PASSARINHO, visited Belo Horizonte on May 21 for the purpose of inaugurating Industry Week sponsored by the Federation of Industries of the State of Minas Gerais (FIEMG).

Prior to Passarinho's visit labor leaders had prepared a document for presentation to Passarinho in which they asked for an increase in the family-wage levels and a revision of the National Housing Plan, especially the monetary correction aspect of the problem.

Passarinho spoke at the Workers' Club in Betim before an audience of union members, representing several unions in the area, and representatives of industrial and commercial federations at which time he presented President Costa e Silva's policy toward laborers and labor affairs.

In his speech Passarinho stated that since he had become the Minister of Labor he had been aware of the effects of "neo-Fascist" attacks and described neo-Fascists as "those who accuse others of being Communists simply because they oppose their privileged status." He added "This is the attitude of a group that wants to suppress those who recognize the need for social justice in Brazil." And, "those who are against the Government's labor policy are nothing but Fascists." Passarinho advised that "pelegos" (opportunists and influence peddlers holding positions in labor organizations for their own personal gain) "must be thrown out of labor union positions in the same manner in which I threw them out of the Ministry."

Referring to the present policy of police clearance, a Political Police Statement needed before workers can be candidates for labor union positions, he labeled the practice as "anti-democratic" and called for its abolishment. Finally, he spoke about the monopolistic hold private insurance companies have on the workers accident and life insurance withholding program and said that he is in favor of the Government assuming this responsibility. He added that

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President Costa e Silva is coming around to accepting the idea.

Passarinho's speech was enthusiastically received by those in attendance. As a result of their exuberance Minas Gerais labor leaders announced they would form a "Frente Unica" to support Passarinho's administration against pressure groups interested in changing his policy and to uphold the idea of union freedom and the obedience of labor laws. They made it clear, however, their support is being given to the position of the Ministry of Labor and not to Passarinho personally as a politician.

Comment: Passarinho by the sympathetic and understanding attitude he displayed toward workers, labor unions and their problems and his announced labor policies which generally coincide with their own ideas has gained for him the support of workers and labor leaders alike. The idea of the "Frente Unica" is growing and other unions have since indentified themselves with the movement. While some of Passarinho's ideas may run somewhat counter to hard-line military thinking his popularity with the labor element in Minas Gerais is on the ascendancy.
(LIMITED OFFICIAL USE)

4. SUDENE and Minas Gerais:

Minas Gerais' relations with SUDENE suffered a set-back on May 11 when President Costa e Silva vetoed a project of law which would have expanded the Polígono das Sêcas area of SUDENE to include an additional 76 municipalities of Minas Gerais. A few days afterwards, May 16 to 18, Governor Isreal Pinheiro attended a meeting in Recife of the SUDENE Deliberative Council to ask expanded aid for Minas Gerais and closer working relations with the Northeast within SUDENE.

COMMENT: Although Costa e Silva advanced several economic arguments for his action, his move is universally interpreted here as a rebuff to the state ARENA party and Governor Pinheiro. Similarly, the Governor's trip to Recife is seen as an attempt to minimize the political and public relations effect of the veto and to recoup his political losses. Although it was announced following his return that the Governor had achieved much for the State through his participation, the facts of the situation must be stretched thinly to support such a finding. (LIMITED OFFICIAL USE)

5. Minas Gerais Financial Crisis

The Government of Minas Gerais is reportedly experiencing a severe financial "crisis" at present. The most publicized manifestation of the situation has been the inability of the State to pay its employees, particularly primary school teachers. Some of the latter are on strike demanding their unpaid wages, said to be as much as seven months in arrears, and a general strike has been threatened if the Government does not regularize the situation. Other State activities, such as agricultural research at the Rural University of Minas Gerais

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at Viçosa, have had to be curtailed. The situation has opened the Government to much criticism from opposition elements who are demanding a full explanation of the State's financial position. Although by June 1 the State was able to announce that it was going to recommence paying State employees in Belo Horizonte through the month of April, as yet the three major moves worked out by the Government to alleviate the situation have not been effective. These moves are:

- 1) A postponing for two years of interest payments to the Federal Government on a loan of NCr\$ 15 millions.
- 2) A new loan from the Bank of Brazil for NCr\$ 20 millions.
- 3) The beginning of issuance on May 15 of NCr\$ 30 millions in State Treasury Letters.

Comment: The "crisis" actually has been developing for many months and apparently is not much worse at present than previously. However, the abundant publicity surrounding the non-payment of the State's primary school teachers has provided critics with an excellent weapon to use against the increasingly unpopular Governor. The reasons for Minas Gerais' penurious situation are not clear, but in Belo Horizonte the "crisis" is being widely attributed to the Governor's supposed loss of influence and prestige with the Federal Government.
(LIMITED OFFICIAL USE)

6. Costa e Silva and Stroessner Meet

President Costa e Silva received President STROESSNER of Paraguay on May 3, opening day of the annual cattle show at Uberaba, Minas Gerais. President Stroessner had gone to Uberaba for the stated purpose of buying breeding cattle.

President Stroessner stressed the informal nature of his one-day visit and formalities were held to a minimum. In a speech delivered by President Stroessner at a dinner given in his honor he deftly included a reminder of the need to increase the interchange of trade and commerce between Brazil and Paraguay and pointedly spoke of how such interchange would be benefited by completion of the Curitiba-Asunción highway. During the day, while walking through the exposition grounds with President Stroessner, President Costa e Silva became annoyed and personally interfered when President Stroessner's bodyguards pushed and shoved Brazilian television cameramen and their equipment to one side. The incident quickly passed. This was the only sour note of the meeting. (LIMITED OFFICIAL USE)

7. Transfers and Visits

a) General Dióscoro Gonçalves VALLE, Commander of the Belo Horizonte Army Garrison (ID/4), has been transferred to Porto Alegre, Rio Grande do Sul to

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command the Third Military Region. On May 12 General Oscar Jansen BARROSO, who came here from Pouso Alegre, Minas Gerais, assumed command of ID/4. General Valle departed Belo Horizonte for Porto Alegre on May 18. Our Consulate at Porto Alegre has been furnished information about General Valle.

b) Prince AKIHITO and his wife Princess MICHIKO of Japan while on their tour of Brazil briefly visited Ipatinga, Minas Gerais on May 24. Ipatinga is the site of the USIMINAS steel mill in which Japanese interests have approximately a 22 per cent share of the ownership. The couple was greeted by Governor Pinheiro and wife, the President of USIMINAS and other company officials, local authorities, Japanese and others. After almost two hours in Ipatinga, which included a walking tour of the plant, the couple departed for São Paulo.

c) The Ambassador of Argentina to Brazil, Mário AMADEO, accompanied by Raul PERAZZO, Secretary of the Embassy, made an official five-day visit to Belo Horizonte and Minas Gerais May 30 through June 2. (UNCLASSIFIED)

ESPÍRITO SANTO

8. New Constitution Proclaimed

On May 13 in extraordinary session the Legislative Assembly of Espírito Santo gave its final reading of the new Constitution and all 43 Assembly members approved it. The new Constitution was promulgated on May 15 in solemn session in the presence of Governor Dias LOPES, members of the Assembly, high ranking military officers, and other prominent citizens.

ARENA members experienced considerable difficulty with their MDB counterparts in the discussions and debates which preceded final approval. A small group in the 13-member MDB bloc acted more in the role of obstructionists rather than oppositionists and by their tactics attempted to impede all action on the draft Constitution instead of offering constructive proposals. Of the 120 amendments proposed, the MDB party was responsible for the great majority of them including many amendments they knew would be completely unacceptable to ARENA members. Only minor amendments were permitted by the ARENA majority to be incorporated into the final draft of the new Constitution.

Comment: Assembly members, working under pressure in order to complete their work before the May 15 deadline, convened several night sessions. These sessions were particularly stormy with many a bitter word exchanged between ARENA and MDB members.

ARENA is proud of its accomplishment and the consensus is that Espírito Santo now has a Constitution representative of and responsive to the needs of its people. (LIMITED OFFICIAL USE)

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PSYCHOLOGICAL

9. Anti-Americanism

During the month of May there was a reappearance of anti-Americanism among university and secondary students. Most commentators felt that this was due to the elections for the central student councils. The Popular Action (AP) student group campaigned on the basis of opposition to the Brazilian Government while the Independent Group (Grupo Independente) adopted the old theme of anti-Americanism. The latter group, which won the elections, cited examples of birth control activities by American missionaries in Amazonas and the accord between the Ministry of Education and USAID. Belo Horizonte newspapers commented on the birth control rumors in the Northeast, but they let the issue die when ESTADO DE MINAS, the leading daily, hit at the falseness of the accusations. ESTADO DE MINAS also defended the MEC/USAID agreement, pointing out the benefits of such an accord. The other dailies remained noncommittal, publishing news articles about student agitation but doing nothing to clarify the contents of the agreement. (UNCLASSIFIED)

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