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DEPARTMENT OF STATE
AIRGRAM

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NO. :
TO : Department of State
INFO : RIO DE JANEIRO, BRASILIA, BELO HORIZONTE, CURITIBA, PORTO ALEGRE, RECIFE, SALVADOR
FROM : Amcongen SAO PAULO DATE: April 7, 1967
SUBJECT : Weekly Summary No. 14
REF :

HANDLING INDICATOR
DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 11 1967

NOTE: Because of a change in courier schedules the period covered in this Weekly Summary is March 29 to April 6, 1967.

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FORM 4-62 DS-323

In Out

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Clearances:

Action: ARA/BR - NAN - file

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1. Revolution's Anniversary Almost Ignored

The Third Anniversary of the 1964 Revolution passed almost unnoticed in São Paulo. The day was marked by a thanksgiving mass in the Cathedral, a small meeting of leading military and civilian Revolutionaries in the Governor's office, a late evening TV message from Governor SODRE which was heard by virtually no one, private ceremonies in a few Army and Air Force barracks, a manifesto by the Civic Union of Women and a telegram of congratulations from the São Paulo Federation of Industries to the Federal Government. Governor Sodre's address, a lackluster collection of platitudes, pledged continuing Paulista support and fidelity to the Revolution and its programs, lauded the armed forces, damned the Goulart era and credited the Revolutionary regime with every conceivable sort of reform, including even the realization of agrarian reform. For the hardpressed São Paulo laborer March 31 was just another working day. (UNCL)

2. São Paulo State Finances in Precarious Condition

There has been a serious deterioration of the State of São Paulo's 1967 budget position. The new Secretary of State for Finance, Luiz ARROBAS MARTINS, informed the press on March 29 that he foresaw a potential budget deficit for this year of NCr\$868 million, with expenditures at approximately NCr\$3.6 billion and revenues at about NCr\$2.7 billion. Sharply falling revenues in January and February 1967, due apparently to the new circulation tax introduced on January 1, the business recession in São Paulo, and higher state expenditures due to increasing costs, appear to be the principal reasons for the budget problem. When the ex-Secretary of State for Finance in São Paulo, Prof. DELFIM Neto, left office in mid-March to become the Federal Minister of Finance, he had stated that the State's financial position had improved considerably in 1966 since the time last year when he had inherited a chaotic financial situation from the de BARROS regime. Delfim Neto had pointed to the reduction of the 1966 State budget deficit to NCr\$753 million from an anticipated deficit of over NCr\$1 billion. The new Secretary, however, stated that unless effective, drastic, and urgent measures are soon taken, the State financial situation will become increasingly grave. A deficit of the magnitude foreseen without early corrective measures would be of astronomical proportions even for this rich State. To meet the situation, such steps as drastic cuts in State expenditures and improved tax collections, federal help and the sale of State readjustable bonds (for which Federal approval is needed) will have to be taken. Tax increases seem unlikely in view of the current recession and the State will have to judge carefully how much public works can be cut back without a counter-productive effect on the State economy, already suffering from a business recession during the past several months. (UNCL)

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Comment: It is to be wondered whether the new Finance Secretary, Arrobas Martins, without experience in his field, will be able to cope with this serious problem. The explanation given the press by Arrobas Martins as to how the potential 1967 deficit might be reduced and covered seems inadequate and he has thus far failed (at least publicly) to state precisely how the necessary revenues will be raised. Severe cuts in public works spending could reinforce the business downturn. In addition, the State has been a slow payer of its debts to private business and any prolongation of the time now required (3-4 months) in the settlement of its arrears can also be counter-productive to the economy in view of the tight credit situation. (LOU)

3. Fontenelle Sacked

São Paulo's Governor Abreu SODRE finally gave in to irresistible pressures from ARENA, MDB, business and commercial associations, professional groups, virtually all of São Paulo's press, and the São Paulo city government and fired his State Traffic Director, Colonel Americo FONTENELLE. (See ConGen A-278 for details). In so doing, the Governor rid himself of his administration's most serious political and public relations liability. Colonel Fontenelle did not go gracefully; in a parting shot he blamed his dismissal on sabotage by forces which seek to continue their exploitation of the Paulista people. (UNCL)

Comment: Fontenelle had to be removed, not only because he failed to solve the city's traffic mess, a practically insoluble problem given the present pattern of the city's streets, but also because Sodre's dropping popularity and prestige was largely traced to the Governor's stubborn support for the Colonel in the face of almost universal protest. Sodre's standing with the public may show some improvement, now that the major complaint against his administration no longer exists. (LOU)

4. Cerdeira Protests Too Much

On April 4 ARENA State President Arnaldo CERDEIRA released a statement denying current press reports that he had broken with Governor SODRE following a hot meeting at the Governor's palace. According to the press the party and the state administration disagreed about nominations for public service and political patronage for interior municipal politicians. Cerdeira's note claimed that his function is to defend the interests of party members but that he was not seeking to interfere with the Government. On the other hand he commented that relations between the party and the state regime should be better regulated. (UNCL)

Comment: This week the Consulate General had several additional confirmations that Sodre and Cerdeira were indeed locked in a struggle for the control of São Paulo's ARENA (WS 10). As Governor, Sodre holds most of the trumps.

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However, many political groups are reportedly rallying to Cerdeira's support. Ex-PR and ex-PTB ARENA state deputies publicly complained that ARENA is being shoved aside by the Sodre administration. Surprisingly ex-UDN State Deputy Dulce Salles CUNHA BRAGA, a longtime Sodre backer, repeated this view to ConGen officers. The impression continues to grow that Sodre is trying to build his own, personal political machine, based primarily on the ex-UDN and members of the traditional Paulista upper class. (LOU)

5. Security Law Still Denounced

Unhappiness with the National Security Law continues in São Paulo (WS 13). The São Paulo Institute of Lawyers published a critique of the law, attacking Article 48 primarily. Mackenzie and São Paulo University law students published anti-security law manifestoes. ARENA Senator CARVALHO PINTO reiterated his previous criticisms of the law and ARENA Federal Deputy Edmundo MONTEIRO, Director of São Paulo Diarios Associados interests, especially deplored provisions which may negatively affect the press. ARENA State Deputy Antonio Leite CARVALHAES presented a motion calling for the law's revision, singling out Articles 2, 38, 39 and 48 for special attention. MDB Federal Deputy Padre GODINHO, the state's most rabid Lacerdista, said that only the security measures of Genghis Khan were comparable. Janista Federal Deputy PEDROSO HORTA (MDB) condemned the law for permitting subjective interpretations of what security involves, for forbidding accused people from practicing their professions and for allowing military courts to try accused civilians. O Estado and other local papers continued their steady drumfire of criticism. (UNCL)

6. Janio Said to Oppose Frente

Obviously inspired press stories report that ex-President Janio QUADROS is drafting a declaration against formation of a Lacerda-led frente ampla. Allegedly, Janio sees no present reason for the frente's existence, as the new COSTA E SILVA government has promised dialogue with the opposition. Supposedly the ex-President also thinks that Lacerda's only interest is in running for President in 1970 and that his major aims (direct presidential elections and guarantee of individual rights) ignore vital questions of economic development and foreign policy. News reports also insist that Janio wishes to arrive at an understanding with ex-President Juscelino KUBITSCHKEK, excluding Lacerda. Though his secretary denies it (Contel 1210), newspapers claim Janio will contact Kubitschek later this month when he takes his mother to California for medical treatment. (UNCL)

Comment: The frente is not doing well in São Paulo and Janio's frank opposition in an indirectly released manifesto (as he is cassated) would be a great blow to its possibilities. That Janio is prepared to declare against the frente is entirely possible as he seems determined to ingratiate himself with the

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Costa e Silva government. His pro Costa e Silva remarks on his return trip from England (WS 9), his coolness thus far to the frente, and the recent support his henchman Federal Deputy PEDROSA HORTA gave to Vice President ALEIXO's claim to the presidency of Congress are all viewed here as signs that Janio wants a rapprochement with the new President. (LOU)

7. Faria Lima Denies Split with Janio

In widely reprinted comments made in Salvador, Mayor FARIA LIMA denied persistent rumors that he and ex-President Janio QUADROS had parted politically. Faria Lima reiterated his friendship with Janio and decried the suspension of Janio's rights as a political error which sooner or later will be corrected. He also declared that he is opposed to the frente ampla. (UNCL)

Comment: The popular Mayor's declaration of continued association with Janio can have far-reaching political consequences here as the Janistas, firmly united, have considerable force in São Paulo. As Faria Lima has hopes for the São Paulo Governorship in 1970 it would hardly be wise for him to alienate old friends. At present he is interested in maintaining good relations with all sectors: with the new Federal Government, with Governor SODRE, with Senator CARVALHO PINTO, as well as with Janio. Quite a tight-rope act. (LOU)

8. MDB Seeks Ideology

Leftwing ex-PDC State Deputy Chopin TAVARES DE LIMA was unanimously chosen to lead MDB's São Paulo Assembly faction. Tavares de Lima, a fiery Christian socialist ideologue, has long advocated all-out, uncompromising MDB opposition on the federal as well as on the state level. He left no doubt as to his stand declaring that "the ideological position of the MDB bench should be from center to left center where the 53 party parliamentarians can feel perfectly at home". He announced that he is already planning a series of MDB meetings and debates to plot the party's Assembly actions. He also proposed that the opposition consult recognized technical experts for advice on legislative issues. (UNCL)

9. Bankworkers Federation Chooses Democratic Officers

The Bankworkers Federation of the States of São Paulo and Mato Grosso recently elected an unopposed slate of officers headed by incumbent President Miguel Esteves FRANCO, considered pro-U. S. A last-minute attempt by leaders of the large São Paulo city Bankworkers Local Union to organize an opposition slate failed to win sufficient support from the interior locals. (UNCL)

Comment: Bankworkers have traditionally provided the intellectual elite of the labor movement here. Both the Federation and the São Paulo city local were Communist-dominated before the 1964 Revolution and were intervened shortly

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afterwards. Since the 1965 elections the São Paulo city local has been under considerable Communist influence and has shown clear hostility to U.S. policy objectives. However, the Federation will now remain in friendly hands for another two years. (LOU)

10. Costa e Silva's First Press Conference Well Received

President COSTA E SILVA made a hit with the São Paulo press at his first press conference. All papers were gratified by the hospitable, candid atmosphere that prevailed although they expressed hope that he would delve a little deeper into issues at future conferences, particularly foreign affairs. (UNCL)

11. New Communist Weekly

A blatantly Chinese-line tabloid called Amanha (Tomorrow) appeared on São Paulo newstands during the week. It is published by the student organization of the Philosophy Faculty of the University of São Paulo. The first issue carries a strong editorial opposing the agreement between USAID and the Ministry of Education for modernizing Brazil's education system and features "exposing" American utilization of "chemical warfare in Vietnam" and "murdering of Vietnamese children by U.S. napalm". A supplement on "Guerilla Activities in Latin America" justifies them because they are fighting "American economic imperialism and exploitation". Appropriately the masthead and some illustrations are printed in red.

Comment: The paper carries some courtesy advertising and an ad for a book store handling Soviet technical publications. It sells for Cts. 30 (about 11¢) an issue. Sales and ads could not pay newsprint and printing costs. (UNCL)

12. The Golden Calf is Wall Street

Folha de São Paulo is critical of The Wall Street Journal for being critical of the latest Papal encyclical. Quoting the Journal as having called the encyclical "reheated Marxism", Folha calls Wall Street a "golden calf" and the Journal its minister, and prophesies "Tomorrow they will say that the Gospel is Marxist. And what about Jesus? What will they say about Jesus?" Losing complete control, the paper further predicts that "it may very well be that tomorrow the golden calf will send an international force to arrest him (the Pope) under charges of subversion". Nearly all local papers carried the text of the encyclical in full and endorsed it. (UNCL)

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