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1. PRES CASTELLO BRANCO IN MAJOR SPEACH ON LABOR POLICY GEB 28 BEFORE MINAS GERAIS LEGISLATIVE ASSEMBLY ATTEMPTED ANSWER CRITICS IN PRESS AND LABOR SECTORS OF GOB ECONOMIC AND FINANCIAL POLICIES, AND ANNOUNCED VARIOUS MEASURES DESIGNED ATTRACT LABOR SUPPORT.

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2. PRESIDENT REPLIED TO SPECIFIC CRITICISMS THAT:

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A) ECONOMIC AND FINANCIAL POLICIES DEMAND MORE OF LABOR THAN OTHER SECTORS. HE SAID THAT REFORMS WILL OBPIGE RICH TO PAY TAXES; THAT SPECULATIVE AND SUBSIDIZED CREDIT HAVE BEEN ELIMINATED, AND THAT NO ONE GAINS RICHES BY AVOIDING OR RETARDING PAYMENTS TO SOCIAL SECURITY INSTITUTIONS.

B) WAGES HAVE BEEN FROZEN. HE ASSERTED THAT LAW 4725 (A-70, 7/25/65) MAINTAINS AVERAGE BUYING POWER OF WAGES AND PARTICIPATION OF WORKERS IN NATIONAL INCOME, AND THAT HE HAD RECOMMENDED INCREASES IN MINIMUM WAGES BEGINNING IN MARCH. "WHERE THEN DOES REVOLUTION FREEZE WAGES?"

C) REVOLUTION HAD NEGLECTED EMPLOYMENT PROBLEMS. HE ACCUSED "FALSE FRIENDS" OF LABOR OF DEMANDING MORE WAGES THAN ECONOMY COULD PRODUCE, CONTRIBUTING TO INFLATION WHICH STOPPED DEVELOPMENT AND THEREFORE CREATION OF JOBS; THAT THESE SAME FALSE FRIENDS HAD ARTIFICIALLY PRODUCED MORE JOBS THAN WERE ECONOMICAL IN PORTS, RIVER TRANSPORT RAILROADS AND PUBLIC SERVICES, THEREBY

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CONTRIBUTING TO REDUCED PRODUCTIVITY AND INCREASED COSTS,
DIVERTING RESOURCES BETTER APPLIED TO INVESTMENTS IN

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INFRASTRUCTURAL BASE FOR DEVELOPMENT WHICH WOULD PRODUCE MORE JOBS.

3. PRESIDENT ALSO ANNOUNCED NUMBER OF PROPOSALS DESIGNED TO
IMPROVE LOT OF WORKER:

A) ON JOB SECURITY (ESTABILIDADE), ACQUIRED BY WORKER AFTER
TEN YEARS SERVICE FOR ONE EMPLOYER, PRES SAID GOB WOULD NEVER
THINK OF ELIMINATING WORKERS' CONQUESTS WHICH IMPROVE STANDARD
OF LIVING WITHIN CONTEXT ECONOMIC AND SOCIAL GROWTH. "BUT
EXPERIENCE REVEALS ESTABILIDADE TO BE LESS CONQUEST AND MORE
ILLUSION." HE INVITED LABOR GROUPS TO CONTRIBUTE PROPOSALS FOR
SUBSTITUTE SYSTEM WHICH IS SOCIALLY JUST, ECONOMICALLY VIABLE
AND REPRESENTS REAL GUARANTEE FOR WORKER.

B) ON SOCIAL SECURITY, PRES SAID BY GOB EFFORTS, INSTITUTES
HAVE REACQUIRED ECONOMIC STABILITY AND, THROUGH REFORM OF SYSTEM
AND MECHANICS OF SOCIAL SECURITY, GOVERNMENT HOPES TO REALIZE
THAT WHICH WAS PROMISED AND NOT FULFILLED: TO GIVE
ASSISTANCE TO WORKERS.

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C) ON "DEMOCRATIZATION OF OPPORTUNITY" IN EDUCATION, HOUSING
AND LAND, PRES INVITED UNION ORGANIZATIONS "TO THINK OF NEW AND
ENDURING CONQUESTS - EDUCATION AND PRIVATE HOMES - INSTEAD OF
SIMPLE SALARY DEMANDS." HE REVIEWED PLANS TO GIVE SCHOLARSHIPS
TO WORKERS' CHILDREN, AND STATED HE HAD ORDERED HOUSING BANK
FORMULATE NEW PROGRAM TO ACCELERATE WORKER ACCESS TO PRIVATE
HOUSES. "BANK WILL ACTIVATE CONSTRUCTION OF FAMILY HOUSING UNITS
WHICH WILL BE DISTRIBUTED THROUGH PLAN APPROVED AND FINANCED BY
UNION WORKERS. BANK WILL CHANNEL CONSIDERABLE PART OF ITS
RESOURCES, AND THOSE OBTAINED THROUGH FINANCING, FOR THIS SYSTEM."
(SEE FOLLOWING PARAGRAPH.) OF LAND REFORM, PRES SAID "PROGRESSIVE
TAX ON UNPRODUCTIVE LAND WILL SHORTLY FORCE THE PARCELING OF
UNUSED FIELDS, TO BENEFIT OF THOSE WHO WANT TO CULTIVATE LAND.

4. OF IMMEDIATE IMPORT TO USG WAS CASTELLO BRANCO'S ANNOUNCEMENT
THAT "IN FEW DAYS, PROCESSING WILL BE CONCLUDED ON DLRS 23
MILLION LOAN FROM NORTH AMERICAN UNIONS TO BRAZILIAN UNIONS,
WHICH WILL PERMIT CONSTRUCTION EIGHT THOUSAND HOUSING UNITS IN
VARIOUS OLAZILIAN CITIES, WITH HEAVY CONCENTRATIONS OF WORKERS."
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5. COMMENT: A) PRESIDENT HAS INTERPRETED USAID ASSURANCES THAT FINAL APPROVAL OF AIFLD HOUSING GUARANTEE PROJECT IMMINENT TO MEAN "ANFEW DAYS." THEREFORE, TO AVOID ADVERSE BRAZILIAN REACTION TO FURTHER DELAYS FINAL APPROVAL ANNOUNCEMENT NEEDED SOONEST.

B) SPEECH UNDOUBTEDLY LARGELY PRODUCT MINPLAN ROBERTO CAMPOS. IN RECENT MEETING WITH LABATT AND DOL'S N. THOMPSON POWERS, CAMPS OFFERED IDENTICAL ARGUMENTS.

C) INITIAL LABOR REACTION TO SPEECH UNIFORMLY UNFAVORABLE. INTERPRETED AS RATIONALIZATION OF UNPOPULAR CAMPOS POLICIES, AND A STATEMENT OF INTENT TO REMOVE MORE WORKERS' RIGHTS, PARTICULARLY JOB SECURITY, NATIONAL LABOR CONFEDERATIONS SCHEDULING MEETINGS DEVELOP FORMAL REACTIONS AND PLAN REQUEST GOB ACTION AS LABOR GRIEVANCES. MORE ON LABOR REACTION FOLLOWS.
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