



Pol 15 BRAZ  
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ACTION ARA 16

INFO OCT 01, AID 28, IGA 02, PC 04, IO 13, CIAE 00, COM 08, E 15, FRB 02,

INR 07, NSAE 00, RSC 01, TRSY 11, XMB 06, DODE 00, JPM 04, H 02, L 03,

NSC 10, P 04, SP 02, SS 20, USIA 12, NIC 01, RSR 01, /173 W

006022

R 131458Z MAY 69

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 1084

INFO AMEMBASSY RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL RECIFE

CUSCINCSO

C O N F I D E N T I A L BRASILIA 0211

RIO POUCH OTHER BRAZIL POSTS

1. SECGEN CHAMBER OF DEPUTIES, PAULO ALFONSO TOLD EMBOFF THAT FONMIN MAGALHAES PINTO AGAIN IN SERIOUS DIFFICULTIES WITH PRESIDENT AND REST OF GOVERNMENT. PROBLEMS STEM FROM APRIL MEETING BRAZILIAN BANKERS ASSOC IN CURITIBA AT WHICH MAGALHAES PINTO'S NEPHEW AND CLOSE ASSOCIATE JOSE LINS MAGALHAES URGED ADOPTION OF RESOLUTION CRITICAL OF GOVERNMENT. RESOLUTION NOT MADE PUBLIC BECAUSE OF CENSORSHIP. PRESIDENT COSTA E SILVA CONVINCED THAT JOSE LINS NOT ONLY REPRESENTING MAGALHAES PINTO BANKING INTERESTS BUT ALSO SERVING AS POLITICAL MOUTHPIECE.

2. AS RESULT ABOVE, PAULO ALFONSO REPORTS NUMBER OF CABINET CHANGES I OFFING: MAGALHAES PINTO WILL BE REMOVED AS FONMIN; GAMA E SILVA WILL BE SHIFTED FROM JUSTICE MINISTRY TO FOREIGN MINISTRY; ETELVINO LINS, RECENTLY RETIRED JUSTICE OF FEDERAL ACCOUNTING COURT WILL BECOME JUSTICE MINISTER.

3. GAMA E SILVA SAID TO BE RESISTING MOVE BUT PRESIDENT INSISTING, USING ARGUMENT GAMA E SILVA AS FORMER PROFESSOR INTERNATIONAL LAW BEST QUALIFIED FOR JOB. REAL

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REASON IS THAT COSTA E SILVA INCREASINGLY IRRITATED BY GAMA E SILVA'S USE OF KEY MINJUSTICE POSITION TO PUT HARD LINE PRESSURES ON PRESIDENT. PRESIDENT ALSO TRYING TO STRENGTHEN PSD REPRESENTATION IN GOVERNMENT SINCE HE FEELS OVER DEPENDENCE ON UDN POLITICAL SUPPORT

PROVED INADEQUATE IN PAST. ETELVINO LINS IS FORMER GOVERNOR MINAS GERAIS AND CANDIDATE PSD PRESIDENTIAL NOMINATION.

4. ACCORDING ALFONSO, MINJUSTICE INSTRUCTED BY PRESIDENT PREPARE WAY FOR AUGUST REOPENING OF CONGRESS. LAWS EMBODYING POLITICAL REFORMS NOW IN SEMI-FINAL FORM. AT PRESIDENT'S REQUEST THEY WILL BE SUBMITTED TO SELECTED POLITICIANS FOR SUGGESTIONS. BESIDES ACTING ARENA PRESIDENT FILINTO MULLER (BRASILIA 205) COMMENTS SOLICITED FROM CHAMBER PRESIDENT JOSE BONIFACIO, VICE PRESIDENT PEDRO ALEIXO, AMONG OTHERS. PAULO ALFONSO HIMSELF CONSULTED LAST WEEK ON TECHNICAL ASPECTS RELATING TO CONGRESS.

5. PAULO ALFONSO ALSO REPORTED THAT APRIL 29 NSC MEETING CHARACTERIZED BY SQUABBLES BETWEEN PARTICIPANTS (PEDRO ALEIXO VS LYRA TAVARES; TARSO DUTRA VS SNI CHIEF FONTOURA) AS POLITICIANS TRIED TO PROTECT POLITICAL ALLIES FROM MILITARY DESIRE PUNISH THEM. GAMA E SILVA AGAIN TRIED TO INTRODUCE SENATOR KREIGER'S NAME BUT OVERRULED BY PRESIDENT. GEN. MURICI ATTEMPTED USE MEETING TO SETTLE OLD POLITICAL SCORES ARISING FROM EFFORT GET HIMSELF ELECTED GOVERNOR PERNAMBUCO WHILE SERVING AS ARMY COMMANDER IN RECIFE. PRESIDENT, IRRITATED BY PERSONAL FEUDING AND CONTINUED PRESSURE TO CASSATE KREIGER, DECIDED FUTURE CASSATIONS WILL BE PROCESSED BY SYSTEM UNDER WHICH EACH NSC MEMBER SUBMITS VOTE TO PRESIDENT IN WRITING WITH PRESIDENT MAKING FINAL DECISION. THIS PROCEDURE AVOIDS FORMAL MEETINGS AND CHANCE FOR COUNCIL PARTICIPANTS TO GANG UP ON PRESIDENT.

6. COMMENT: EMBASSY BELIEVES ABOVE INFORMATION IS ACCURATE REDLECTION OF WHAT IS BEING DISCUSSED AT HIGH POLITICAL LEVELS. THIS DOES NOT MEAN THAT ALL PLANS AND PROPOSALS UNDER DISCUSSION ACTUALLY MATERIALIZE. TO EXTENT THIS INFORMATION ACCURATE IT IS INDICATIVE OF FACT THAT PRESIDENT INCREASINGLY CONFIDENT OF OWN

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POSITION AND NOW MOVING TO WEAKER SOURCES OF HARD LINE  
PRESSURES ON HIM. KEY QUESTION IS, WILL PRESIDENT BE  
ABLE TO IMPOSE THESE DECISIONS AND RESIST REACTION FROM  
MILITARY AND CIVILIAN ACTIVISTS IF HE DOES.'

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