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ACTION ARA-14

INFO OCT-01 USIE-00 CIAE-00 DODE-00 PM-06 H-02 INR-06 L-03
NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-14 INRE-00 E-11
AID-20 NIC-01 COM-08 TRSE-00 AGR-20 SSO-00 CCO-00

NSCE-00 RSR-01 /122 W

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O R 192030Z NOV 71
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 2726
INFO AMCONSUL RECIFE
AMCONSUL RIO DE JANEIRO
AMCONSUL SALVADOR

C O N F I D E N T I A L BRASILIA 1711

SUBJ: IMPENDING RESIGNATION OF PARANA GOVERNOR

1. SUMMARY. DEVELOPING POLITICAL CRISIS IN STATE OF PARANA HAS NOW COME TO HEAD AND WILL SHORTLY RESULT IN RESIGNATION OF GOVERNOR HAROLDO LEON PERES. VICE-GOVERNOR PEDRO VIRIATO PARIGOT DE SOUZA WILL SUCCEED AT LEAST FOR INTERIM PERIOD AND POSSIBLY FOR REMAINDER OF TERM. PRINCIPAL CHARGE AGAINST PERES IS CORRUPTION. END SUMMARY.

2. GOVERNOR PERES LEFT BRASILIA YESTERDAY (NOVEMBER 18) INTENDING TO SUBMIT HIS RESIGNATION TO LEGISLATIVE ASSEMBLY NEXT TUESDAY, IF NOT SOONER, ACCORDING TO INFORMATION GIVEN TO DATT BY GOVERNOR'S TWIN SISTER AND BROTHER-IN-LAW AND CONFIRMED IN CURITIBA BY USIS SOURCES.

3. PERES' EIGHT MONTH ADMINISTRATION HAS BEEN MARKED BY CONTROVERSY ON NUMBER OF POINTS: (A) HIS SUCCESSFUL ATTEMPT TO RAILROAD THROUGH LEGISLATIVE ASSEMBLY CHANGE IN STATE CONSTITUTION GIVING GREATER POWER TO EXECUTIVE BRANCH WHICH WAS CHALLENGED BY OPPOSITION ON PROCEDURAL GROUNDS IN FEDERAL COURTS; (B) ATTEMPT TO OBTAIN CARTE BLANCHE TO INCUR HUGE FOREIGN DEBT FOR STATE'S DEVELOPMENT; (C) HIS VERY BITTER DISPUTE WITH PREDECESSOR

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PAULO PIMENTEL (ARENA). PERES' BITTER PUBLIC CONFLICT WITH PIMENTEL HAS CAUSED DEEP CONCERN AND DISPLEASURE TO NATIONAL LEADERSHIP AND PERES WAS HELD PRIMARILY RESPONSIBLE FOR PROLONGING IT PRIOR TO A GOB IMPOSED TRUCE (SEE SAO PAULO A-69).

4. WHILE THESE CONTROVERSIES HAD SERIOUSLY UNDERMINED PERES' STANDING WITH THE NATIONAL LEADERSHIP THEY ARE NOT MAIN CAUSE OF HIS CURRENT DIFFICULTIES. IMMEDIATE ISSUE IS CORRUPTION AND THIS IS WHAT HAS BROUGHT ON HIS IMPENDING RESIGNATION. FOR ALL HIS OTHER FAULTS, PERES HAD HITHERTO BEEN CONSIDERED AN EXEMPLAR OF REVOLUTIONARY IDEALS OF AUSTERITY AND HONESTY, BUT ACCOUNTS OF GRAFT IN HIS ADMINISTRATION BECAME TOO NUMEROUS TO BE IGNORED.

5. BRASILIA SOURCES REPORT HE WAS INVOLVED IN CORRUPTION IN FINANCING FOR WESTERN EXTENSION OF RAILROAD IN STATE OF PARANA. FINANCING FOR THIS RAILROAD APPARENTLY HAD BEEN WORKED OUT BY PREVIOUS (PIMENTEL) GOVERNMENT. PERES ARBITRARILY CANCELLED THIS ARRANGEMENT AND SET ABOUT TO WORK OUT NEW AGREEMENTS. CONVINCING EVIDENCE WAS APPARENTLY SUBMITTED TO LOCAL MILITARY AUTHORITIES SHOWING THAT BOTH PERES AND HIS BROTHER HAD SOUGHT KICK BACKS IN THESE NEW ARRANGEMENTS. THIS INFORMATION WAS BROUGHT TO ATTENTION OF PRESIDENT MEDICI WHO WAS REPORTED THEN TO HAVE LOST ALL CONFIDENCE IN PERES. HE COMMUNICATED LACK OF CONFIDENCE TO THE GOVERNOR DURING RECENT BRASILIA VISIT LEAVING PERES WITH LITTLE ALTERNATIVE BUT TO RESIGN. BESIDES ABOVE, OTHER STORIES ARE CIRCULATING IN CURITIBA LINKING PERES TO COFFEE LAND PURCHASES CONSIDERABLY BEYOND HIS MEANS.

6. HENCE, PERES' IMMINENT DOWNFALL IS NOW BEING CONFIRMED BY MANY SOURCES. SPECULATION IS LARGELY FOCUSING ON SUCCESSION. VICE-GOVERNOR PEDRO PARIGOT WILL TAKE OVER AT LEAST FOR INTERIM PERIOD AND POSSIBLY LONGER. HE WAS HEAD OF PARANA STATE OWNED POWER COMPANY FOR NUMBER OF YEARS AND HIS CANDIDACY FOR VICE GOVERNORSHIP IN 1970 WAS SUPPORTED BY ALL MAJOR FACTIONS OF ARENA, AND REPORTEDLY APPROVED PERSONALLY BY MEDICI. HE WOULD APPEAR BE ABLE TO COMPLETE REMAINDER OF PERES' TERM, BUT REPORTS FROM CURITIBA INDICATE HE MAY SERVE ONLY UNTIL ANOTHER CANDIDATE IS SELECTED BY MEDICI AND ELECTED BY ASSEMBLY.

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COMMENT: THIS IS FIRST FALL OF ONE OF PRESIDENT MEDICI'S PERSONALLY SELECTED STATE GOVERNORS. PERES HAS BEEN A DISAPPOINTMENT TO THE PRESIDENT FROM THE BEGINNING. HE HAD BEEN WARNED, BOTH PERSONALLY BY MEDICI AND INDIRECTLY BY A SERIES OF EMISSARIES FROM THE PRESIDENCY. HIS REPLACEMENT AT THIS STAGE SHOWS THAT MEDICI'S PATIENCE EVEN WITH HIS OWN APPOINTEES IS NOT UNLIMITED. IT WILL SERVE AS AN IMPRESSIVE WARNING TO GOVERNORS OF OTHER STATES TO REFRAIN FROM ALLOWING POLITICAL DISPUTES OR CORRUPTION TO INTERFERE WITH THE JOB OF ADMINISTRATION OF STATE WHICH PRESIDENT CONSIDERS FIRST PRIORITY.

7. THIS CABLE COORDINATED WITH CONSUL SAO PAULO.

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