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OMANKey Economic Indicators

Millions of Omani Rials Unless Otherwise Stated

	1986	1987	1988
<u>Income, Production, Employment</u>			
Real GDP	N/A	N/A	N/A
Nominal GDP	2,800.4	3,010.8	3,100
Real GDP Growth Rate	N/A	N/A	N/A
Nominal GDP Growth Rate (pct)	-19.0	7.5	2.0
GDP by Sector			
Agriculture and Fisheries	95.8	105.4	115
Mining and Petroleum	1,072.4	1,413.0	1,200
Manufacturing	103.1	111.5	121
Construction	220.8	137.0	150
Trade Hotels and Restaurants	383.2	330.1	330
Transportation	103.4	97.7	95
Banking and Insurance	98.6	91.3	90
Real Estate	187.7	175.6	160
Government	495.8	509.0	520
Labor Force (est)(000s)	467	397	395
Native	199	207	215
Expatriate	268	190	180

Money and Prices

Money Supply (M1)	310.3	334.4	335
Commercial Interest Rate (pct)	8.5	8.5	8.5
Savings Rate (pct)			
(national savings/GDP)	18.9	28.0	25.0
Investment Rate (pct)(gross fixed capital formation/GDP)	32.1	18.7	30.0
CPI (est) (pct change)	2	-4	2
Wholesale Price Index	N/A	N/A	N/A
Exchange Rate (US\$/Rial)	2.6	2.6	2.6

Balance of Payments and Trade

Total Exports (fob)	1,093.0	1,463.0	1,300.0
Total to U.S.	16.4	88.4	38.0
Total Imports (cif)	980.0	756.0	800.0
Total from U.S.	61.4	65.9	50.0
Aid from U.S. (\$ millions)	19.6	15.0	13.0
Aid from Others (est)(\$ mil)	120	120	120
External Public Debt (\$ bil)	2.5	3.0	2.7
Debt Service Paid (\$ mil)	454	680.0	700
Gold and Forex Reserves (\$ mil)	4,336	4,796	4,300
Balance of Payments			
Trade Balance	113	696	450
	-383	227	-30

UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: DONALD A JOHNSTON
 DATE/CASE ID: 03 NOV 2004 200402207

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Brady Debt/Debt Service Reduction Approach

o On March 10, Treasury Secretary Brady put forward a number of ideas to strengthen the international debt strategy.

o In particular, he supported an increased emphasis on voluntary reduction of debt and debt service, new investment and the repatriation of flight capital, while recognizing the continued importance of appropriate economic policies in debtor countries and the need for new money.

o Discussions on these ideas have been held with the international financial institutions, debtor and other creditor countries and the banking community.

o Recently, both the World Bank and the IMF endorsed the Brady initiatives and outlined the guidelines under which these institutions would utilize their resources in support of debt and debt service reduction.

o The IMF has agreed to set aside around 25 percent of a member's borrowing under an adjustment program on a case-by-case basis to support principal reduction operations, such as debt exchanges or buybacks.

o The Fund will provide additional resources of up to 40 percent of a member's quota for interest reduction, where it is needed in addition to principal reduction.

o The World Bank will set aside for principal reduction around 25 percent of a country's adjustment lending program over a 3-year period, or around 10 percent of its overall lending program where significant adjustments are unnecessary.

o The World Bank will also make available additional resources for interest reduction of up to 15 percent (or more in some cases) of the overall 3-year lending program, so long as these additional resources do not exceed \$6 billion over the next 3 years.

o The IMF Board recently approved new adjustment programs for Costa Rica, Philippines and Mexico, incorporating specific elements of Brady's proposals.

o The Paris Club recently negotiated generous reschedulings with the Philippines, Costa Rica and Mexico. These candidates have everything in place for debt reduction except for bank agreements. Venezuela should soon be ready with everything except a bank deal.

o A bank deal in Mexico's case appears crucial to further progress in the debt strategy; a deal appears closer after June

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BRIEFING PAPER

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Our main **economic objectives** at the Summit are:

- to reaffirm strong support for the international economic coordination process;
- to call on G-7 countries to resume progress towards the reduction of external imbalances;
- to agree to tackle structural reforms, which have been a high G-7 priority;
- to commit the Seven to complete the Uruguay Round by the end of 1990;
- to obtain an endorsement of the strengthened debt strategy;
- to break new ground in environment, raising political consciousness, agreeing to improve research, and articulating economically-sound action strategies.

Our **political objectives** are:

- to highlight human rights and other Western values, and to encourage lasting reforms in Eastern Europe.
- to reach agreement among the Seven on the significance and likely course of political and economic reform in Eastern Europe and how best to advance and shape reform to our advantage.
- to express forceful condemnation of the brutal suppression of the democracy movement in China;
- to reaffirm Western cooperation against terrorism, with a focus on safety of travelers and state-sponsored terrorism;
- to improve international cooperation against narcotics trafficking, including joint action on demand reduction, money laundering, and production control;
- to agree to halt chemical weapons proliferation; and
- to support dialogue in the Middle East, with a call for free and fair democratic elections in the West Bank and Gaza, leading to negotiation among the parties to the conflict.

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FACTS ON THE RETURN OF THE MARIEL EXCLUDABLES

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-- In accordance with the Mariel agreement, the U.S. Government is now ready to begin the return of the 2,746 individuals who were determined to be excludable from the U.S. because they have committed serious crimes either in the U.S. or Cuba, or because they are mental patients. This program will save considerable sums of the taxpayer's money and will remove individuals who have posed severe risks for law and order in the communities where they resided.

-- The first Mariel excludables will be returned to Cuba on February 21 at approximately 3:30 p.m. At the present time, it is anticipated that 23 individuals will be sent back on the first flight. All are being held in the Atlanta Federal Penitentiary and have committed serious crimes in either Cuba or the U.S. In subsequent flights, we will continue to return excludables being held in federal, state and local prisons, as well as a small number of mental patients.

-- Our objective is to return the 2,746 excludables in an orderly and timely manner. The agreement stipulates that we may return 100 individuals each month. If that figure is not reached, we may send more individuals in succeeding months, but we may not send back more than 150 individuals in any one month. Cuba is obliged by the agreement to take all of these persons back, no matter how much time is required.

-- The agreement requires that the U.S. Government furnish the Cuban Government with criminal and judicial documentation for all those who have committed serious crimes in the United States 30 days in advance of their return. It also requires us to furnish medical records, if they are available. Plane manifests must be transmitted to the Cuban Government 10 days in advance. The Immigration and Naturalization Service and the Department of State are working together to transmit this information to the Cuban Government on a regular basis.

-- The Cuban Government requested that all flights carrying the Mariel excludables land in Havana. The U.S. Government will transport the excludables to Cuba. Officials from the Immigration and Naturalization Service and the Bureau of Prisons will be on all flights to ensure security and safety.

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: NORMAN M BOUTON
DATE/CASE ID: 08 AUG 2006 200404716

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 COME-00 EB-08 LAB-04 SIL-01 AID-05 IGA-02
TRSE-00 OMB-01 /082 W
-----040611 181912Z /43

R 181700Z NOV 77
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 8102
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 SAO PAULO 2931

E.O. 11652: GDS
TAGS: ELAB, BR
SUBJ: UNIONS ASK FOR RIGHT TO HOLD NATIONAL MEETING EMBRACING
ALL LABOR

REF: A. SAO PAULO 2455 B. BRASILIA 9067

SUMMARY: A SAO PAULO LABOR LEADER, AT THE NOVEMBER 7 "PROJECT
BRASILIA" MEETING ARRANGED BY THE LABOR MINISTRY TO PRESENT LABOR
LEADERS TO THE PRESIDENT, SURPRISED GEISEL AND LABOR MINISTER
ARNALDO PRIETO BY REQUESTING PERMISSION FOR LABOR TO HOLD A NATIONAL
MEETING TO DISCUSS ISSUES OF CONCERN, SIMILAR TO THE ONE EMPLOYERS
JUST CONCLUDED IN RIO. THE REQUEST POINTED UP THE DIFFERENT
TREATMENT THAT LABOR AND MANAGEMENT FROM THE GOVERNMENT AND WAS
ANOTHER DEMONSTRATION OF THE INCREASING OUTSPOKENNESS OF UNIONS.
THE MEETING MAY BE PERMITTED, BUT ITS TIMING AND CONTENT ARE AT
ISSUE. A SEPARATE EXAMPLE OF GREATER UNION MILITANCY WAS REFLECTED
IN THE HOTLY DEBATED LABOR COURT CASE THAT THE OSASCO METALWORKERS
UNION BROUGHT, SUING FOR A MAKEUP WAGE INCREASE OF 25 PERCENT,
DUE TO UNDERSTATEMENT OF GOVERNMENT COST OF LIVING FIGURES IN
1973 (REFTEL A). THE UNION LOST THE CASE, BUT THE COURT DID JUDGE
THAT IT WAS COMPETENT TO CONSIDER SUCH CASES, WHICH THE UNION TOOK
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AS A SMALL VICTORY IN ITS LONG BATTLE TO ACHIEVE FREE COLLECTIVE
BARGAINING. MEANWHILE, THE SAO BERNARDO AND OTHER METALWORKERS
UNIONS THAT HAD PRESSED THE ISSUE OF A MAKEUP INCREASE IN THE FIRST
PLACE, ACHIEVED AN EARLY ADVANCE OF 10 PERCENT ON THEIR NEXT WAGE

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INCREASE AS A RESULT OF DIRECT TALKS WITH EMPLOYERS, MOSTLY AUTOMOBILE COMPANIES. MORE IMPORTANT, SINCE LATE AUGUST, WHEN THE CAMPAIGN FOR A MAKE-UP INCREASE BEGAN, THE UNION MOVEMENT HAS GAINED A GREAT MEASURE OF ACCEPTABILITY FROM GOVERNMENT AND EMPLOYERS, INSURING THAT LABOR'S CONCERNS WILL BE CONSIDERED IN THE CURRENT MOVEMENT TOWARD LIBERALIZATION IN THE COUNTRY. LABOR HAS BEEN TIMIDLY INTRODUCED INTO THE GOVERNMENT "DIALOG" OF SENATE PRESIDENT PETRANIO PORTELLA AND THESE ARE THE BEGINNING MOVES TOWARD CREATING A LABOR PARTY. OVER THE LONGER RUN, SAO PAULO LABOR SECRETARY, JORGE MALULY, AND POLITICAL SCIENTIST, FRANCISCO EFFORT, STATED SEPARATELY THAT LABOR IS DEVELOPING THE POTENTIAL TO BECOME A MAJOR ACTOR IN CONSIDERATION OF POLITICAL AND ECONOMIC POLICIES. END SUMMARY.

1. PRESIDENT GEISEL APPEARED TO BE SOMEWHAT TAKEN ABACK BY THE SUGGESTION OF HUGO PERES, VICE PRESIDENT OF THE SAO PAULO FEDERATION OF WORKERS IN URBAN INDUSTRIES, AT THE NOVEMBER 7 "PROJECT BRASILIA" MEETING, WHEN PERES, IN ADDITION TO THANKING THE PRESIDENT FOR THE OPPORTUNITY TO MEET WITH HIM IN BRASILIA, MADE REFERENCE TO LABOR'S UNHAPPINESS IN SAO PAULO AND REQUESTED PERMISSION TO HOLD A NATIONAL LABOR MEETING, SIMILAR TO THE NATIONAL CONFERENCE OF THE PRODUCTIVE CLASSES (CONCLAP), RECENTLY CONCLUDED IN RIO. THE REQUEST CONTRASTED THE GOVERNMENT'S MORE LIBERAL TREATMENT OF EMPLOYERS WITH ITS PATERNALISTIC APPROACH TO LABOR. LABOR MINISTER ARNALDO PRIETO, AFTER A DAY'S REFLECTION, TOLD THE UNION GROUP THAT THE GOVERNMENT HAD NO OBJECTION TO THE MEETING, AS LONG AS IT MET TWO CONDITIONS: IT WAS ORGANIZED THROUGH THE NATIONAL CONFEDERATIONS OF LABOR AND DID NOT TRY TO BECOME A PERMANENT NATIONAL LABOR CONFEDERATIONS, ELECTED AS A RESULT OF A SERIES ON

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INDIRECT ELECTIONS, ARE ALL LOYAL TO THE GOVERNMENT. ARY CAMPISTA, PRESIDENT OF THE NATIONAL CONFEDERATION OF INDUSTRIAL WORKERS, THE LARGEST CONFEDERATION, WHO HAS BEEN A LABOR LEADER SUPPORTING EVERY GOVERNMENT SINCE GETULIO VARGAS, ADOPTED THE NATIONAL MEETING IDEA ENTHUSIASTICALLY, STATING THAT HE WAS HONORED WITH THE LABOR MINISTER'S SUGGESTION. PERES, AUGUSTO LOPES, SECRETARY-GENERAL OF THE SAO PAULO FEDERATION OF CHEMICAL WORKERS, AND OTHER LABOR LEADERS REACTED, STATING THAT THE NATIONAL MEETING COULD ALSO BE ORGANIZED FROM THE GROUND UP, SO AS TO REFLECT THE UNIONS' DESIRES FOR CHANGES IN POLICIES TO IMPROVE INCOME DISTRIBUTION, PROVIDE FOR COLLECTIVE BARGAINING AND LIBERALIZATION OF THE RIGHT TO STRIKE. LABOR LEADERS HAVE AGREED WITH THE SECOND CONDITION. BRAZIL'S EXPERIENCE WITH A NATIONAL LABOR ORGANIZATION BEFORE 1964, THE CGT, HAS LEFT MILITARY AND BUSINESS LEADERS WARY OF LABOR ORGANIZATIONS THAT COULD EASILY

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BECOME POLITICAL ENTITIES. AS OF MID NOVEMBER, FERES AND OTHERS WERE PUSHING FOR A NATIONAL LABOR MEETING BEFORE THE END OF THE YEAR, BUT THE GOVERNMENT AND CONFEDERATION PRESIDENTS WERE INDICATING THAT THE MEETING WOULD TAKE MORE TIME TO PREPARE.

2. ONE DENOUEMENT OF THE SAO PAULO UNIONS' EFFORTS TO RECOUP WAGES THEY ALLEGE THAT THEY LOST DUE TO GOVERNMENT UNDERSTATEMENT OF THE COST OF LIVING IN 1973 OCCURRED NOVEMBER 9. THE OSASCO METALWORKERS UNION, DISSATISFIED WITH THE 41 PERCENT WAGE INCREASE GRANTED BY THEIR EMPLOYERS, TOOK THE RESULT TO THE DISTRICT LABOR COURT FOR RESOLUTION DEMANDING AN ADDITIONAL 25 PERCENT. IN A HOTLY CONTESTED DECISION, THE COURT DECIDED THAT PT WAS COMPETENT TO CONSIDER REQUESTS FOR MAKE-UP SALARY INCREASES RESULTING FROM GOVERNMENT-DECREED COLLECTIVE WAGE AGREEMENTS (DISSIDIOS). HOWEVER, THE COURT ALSO DECIDED THAT THE OSASCO UNION'S REQUEST WAS NOT VIABLE JURIDICALLY, SINCE THE COLLECTIVE WAGE AGREEMENTS ARE DECREED BY THE PRESIDENT AND HIS DECISIONS CAN ONLY BE CHALLENGED LEGALLY BY THE SUPREME COURT. SINCE THE GOVERNMENT HAD ALREADY DECREED THAT THE MINIMUM WAGE INCREASE FOR NOVEMBER WOULD BE 40 PERCENT, THE COURT REASONED THAT THE PRESIDENT'S DECISION HAD ALREADY BEEN TAKEN AND IT WOULD NOT ENTER INTO THE MERIT OF THE

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REQUEST. IT IS A MEASURE OF THE UNIONS' MILITANCY THAT LAST YEAR, WHEN THE SAOPAULO METALWORKERS OBTAINED 1 PERCENT FROM THE EMPLOYERS OVER THE GOVERNMENT-DECREED MINIMUM, IT WAS CONSIDERED AN IMPORTANT SYMBOLIC VICTORY. THIS YEAR, THE UNIONS' TAKE THE ADDITIONAL 1 PERCENT AS AN EXPECTED OFFER FROM EMPLOYERS AND HAVE TURNED IT INTO A BASE POSITION FOR NEGOTIATIONS. THE OSCASCO METALWORKERS LAWYER, STATE DEPUTY ALMIR PAZZIANOTO (THE LAWYER WHO OBTAINED THE BREAKTHROUGH 1 PERCENT LAST YEAR), STATED THAT HE EXPECTED TO LOSE THE CASE BUT CONSIDERED IT A SMALL VICTORY THAT THE COURT DECIDED IT WAS COMPETENT TO REVIEW COLLECTIVE WAGE INCREASE DECREES. PAZZIANOTO'S APPROACH, AS EXPLAINED TO CONGEN OFFICERS, IS TO BUILD UP A BODY OF LEGAL PRECEDENTS THAT WILL MAKE IT EASIER TO ACHIEVE DIRECT COLLECTIVE BARGAINING BETWEEN UNIONS AND EMPLOYERS.

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 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
 USIA-06 COME-00 EB-08 LAB-04 SIL-01 AID-05 IGA-02
 TRSE-00 OMB-01 /082 W
 -----040886 181911Z /42

R 181700Z NOV 77
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 8103
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 2 OF 2 SAO PAULO 2931

3. THE SAO BERNARDO METALWORKERS AND OTHER UNIONS THAT HAD DEMANDED A 34 PERCENT MAKEUP INCREASE, MEANWHILE, THROUGH TALKS WITH REPRESENTATIVES OF THE AUTOMOBILE MANUFACTURERS AND THE AUTO PARTS SYNDICATE, OBTAINED LATE SEPTEMBER A TOKEN 10 PERCENT ADVANCE ON THEIR NEXT SALARY INCREASE EARLIER THAN THEY WOULD NORMALLY RECEIVE IT. THE ADVANTAGE WAS SO THIN THAT IT PROMPTED DISCUSSION ABOUT WHETHER ANYTHING HAD BEEN ACHIEVED AT ALL. SAO BERNARDO METALWORKERS PRESIDENT, LUIS IGNACIO DA SILVA, TH CURRENT STAR OF THE MILITANT DEMOCRATIC FACTION OF THE LABOR MOVEMENT, FELT THAT HE HAD ACHIEVED IN ADVANCE IN A GREATER WILLINGNESS OF EMPLOYERS TO TALK WITH UNIONS ABOUT THEIR DEMANDS. IGNACIO DA SILVA, AS WELL AS OTHER LABOR LEADERS AND LAWYERS THAT CONGEN OFFICERS HAVE TALKED WITH, EXPLAIN THAT ACHIEVING ADVANTAGES A THIN SLICE AT A TIME IS THE BEST THEY CAN HOPE FOR WHEN THE CURRENT LABOR LEGISLATION BENEFITS EMPLOYERS SO ONE-SIDEDLY. THE SAO BERNARDO METALWORKERS NOW FEEL THEY HAVE GONE AS FAR AS THEY CAN IN OBTAINING A MAKE UP WAGE INCREASE THROUGH DIRECT TALKS WITH EMPLOYERS. THEY ARE NOW DECIDING WHAT NEXT STEPS -- A CLASS ACTION SUIT, RETURN TO LABOR COURTS -- THEY WILL TAKE.

4. SINCE THE UNION CAMPAIGN FOR A MAKE-UPWAGE INCREASE BEGAN LATE AUGUST, UNIONS HAVE MADE URPRISING POLITICAL GAINS. THEIR
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POSITIONS HAVE BECOME KNOWN TO THE GOVERNMENT, THROUGH DIRECT CONTACTS AND INCREASED PRESS ATTENTION. THE GOVERNMENT OPPOSED WORKERS' DOCUMENT OF RIO GRANDE DO SUL WAS ESPECIALLY IMPORTANT IN THIS REGARD (REFTEL B). THEY HAVE STIMULATED SYMPATHETIC CONSIDERATION OF THEIR VIEWS FROM LEADING BUSINESSMEN, SUCH AS JOSE

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MINDLIN, CLAUDIO BARDELLA AND LUIS ROBERTO VIDIGAL SOENO, WHO NOW STATE PUBLICLY THAT THEY REALIZE THAT LIBERALIZATION IN BRAZIL MEANS GREATER INDEPENDENCE FOR LABOR UNIONS. SEVERAL IDEAS BASIC TO AN INDEPENDENT UNION MOVEMENT ARE BEGINNING TO BE DEBATED SERIOUSLY AND PUBLICLY. THE WATERSHED ISSUE IS WHETHER UNIONS SHOULD BE ALLOWED TO DEAL DIRECTLY WITH EMPLOYERS ON WAGE INCREASES, BENEFITS AND WORKING CONDITIONS. SINCE THE TIME OF VARGAS, THE STATE HAS SET ITSELF UP AS THE INTERMEDIARY BETWEEN LABOR AND MANAGEMENT, SEEING THAT "FAIR" DECISIONS ARE REACHED THAT ALSO SERVE THE INTERESTS

OF THE GOVERNMENT'S ECONOMIC POLICY. DISCUSSION ABOUT COLLECTIVE BARGAINING IS NOW COMMONPLACE, BUT PUBLIC DEBATE ABOUT LIBERALIZING THE RIGHT TO STRIKE (PERMITTED NOW ONLY WHEN EMPLOYERS FALL BEHIND IN PAYING WAGES) IS JUST BEGINNING. ANOTHER BASIC ISSUE UNDER DEBATE IS THE UNIONS' DEGREE OF DEPENDENCE ON THE STATE. UNDER CURRENT LEGISLATION, THE STATE AUTOMATICALLY COLLECTS THE EQUIVALENT OF ONE DAY'S PAY PER YEAR FROM EACH WORKER FOR THE UNIONS, THEN THEORETICALLY PASSES THAT MONEY ON TO THE UNIONS. IT REFUSES TO ALLOW THE UNIONS TO COLLECT "DUES" DIRECTLY. GOVERNMENT INFLUENCE IS A HIDDEN OBJECTIVE OF THE LABOR MINISTRY'S INTERFERENCE IN THE PROCESS. UNION FUNDS HAVE BEEN CHANNELLED INTO SOCIAL WELFARE ACTIVITIES FOR WORKERS, SUCH AS VACATION COLONIES, AND MEDICAL ASSISTANCE, RATHER THAN STRIKE FUNDS AND LEGAL ASSISTANCE. SOME UNION LEADERS WOULD LIKE TO CUT THE GOVERNMENT UMBILICAL CORD, BUT SMALLER UNION S HAVE EXPRESSED THE FEAR THAT THEY WOULD NOT BE ABLE TO SURVIVE WITHOUT GOVERNMENT ASSISTANCE.

5. THE EMERGENCE OF POLITICIANS COURTING LABOR IS A SIGN THAT
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LABOR IS EXPECTED TO PLAY AN INCREASING AND PERMANENT ROLE ON THE BRAZILIAN SCENE. THE SAO PAULO STATE SECRETARY OF LABOR, JORGE MALULI, HAS BEEN HOLDING MEETINGS WITH LABOR LEADERS TO TALK ABOUT THEIR CONCERNS. HE HAS MADE SEVERAL PUBLIC STATEMENTS SUPPORTING THE CREATION OF A LABOR PARTY, AS WELL AS NODDING IN THE DIRECTION OF COLLECTIVE BARGAINING AND THE RIGHT TO STRIKE. AT LUNCH ON NOVEMBER 4, A CONGEN OFFICER WITNESSED MALULI BUTT-HOLE COL. OSCAR PAIVA, CHIEF OF THE NATIONAL INTELLIGENCE SERVICE IN SAO PAULO, TO CONVINCE PAIVA THAT THE CURRENT LABOR LEADERS WERE DEMOCRATIC AND RESPONSIBLE AND SHOULD BE ALLOWED TO CONTINUE THEIR EFFORTS OR PCB OPERATIVES WOULD GAIN THE ASCENDENCY. IN A SEPARATE MEETING, MALULI TOLD A CONGEN OFFICER THAT HE BELIEVED THAT ORGANIZED LABOR WAS IN BRAZIL TO STAY AS A FACT OF POLITICAL AND ECONOMIC LIFE. OTHER OBSERVERS, HOWEVER, HAVE POINTED OUT THAT MALULI IS PERSONALLY AMBITIOUS AND WOULD LIKE TO DEVELOP LABOR IN SAO PAULO AS HIS POLITICAL BASE. LABOR LEADERS ARE ALSO BEING COURTED FROM THE LEFT.

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UNIVERSITY OF SAO PAULO POLITICAL SCIENTIST, FRANCISCO WEFFORT, IS WORKING WITH THE SAO BERNARDO METALWORKERS AND SEVERAL OTHER SAO APULO UNIONS ON IDEAS FOR CREATING A LABOR PARTY INDEPENDENT OF GOVERNMENT TIES AND STAFFED WITH LABOR LEADERS TURNED POLITICIANS. HE ALSO BELIEVES THAT LABOR HAS EVOLVED FROM WHAT IT WAS UNDER VARGAS AND IS NOW A PERMANENT FACTOR ON THE NATIONAL SCENCE. FINALLY, SENATE PRESIDENT PETRONIO PORTELLA HAS ALSO FOUND IT POLITIC TO APPEAR TO CONSULT LABOR LEADERS ABOUT INSTITUTIONAL MODIFICATIONS THROUGH A PRO FORMA MEETING WITH THE GOVERNMENT-SUPPORTING PRESIDENTS OF THE NATIONAL CONFEDERATIONS.

6. COMMENT: LABOR STILL HAS A LONG WAY TO GO BEFORE IT CAN BE AN INDEPENDENT AND POWERFUL POLITICAL FORCE IN BRAZIL. (FOR EXAMPLE, LABOR LEADERS SAY THAT THE GOVERNMENT IS PREPARING A REFORM OF THE CONSOLIDATED LABOR LAWS, BUT THEY HAVE NOT BEEN ASKED FOR THEIR OPINIONS ABOUT THE CHANGES.) THE ASSETIVENESS OF LABOR, ON THE ONE HAND, HOWEVER, AND THE SKILL OF LABOR LEADERS IN DIRECTING UNION ENERGIES INTO STRICTLY LABOR RELATED MATTERS, ON THE OTHER, IS MAKING THEM INTO A FORCE WHICH HAS EARNED THE RESPECT OF EMPLOYERS AND THE GOVERNMENT. UNION LEADERS, IN
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REPEATED INTERVIEWS, HAVE STATED THAT, TO THEM, LIBERALIZATION MEANS THE ABILITY TO HVE GREATEER AFFECT ON THE SALARIES AND WORK-ING CONDITIONS OF THEIR MEMBERS. PRIVATELY, THESE SAME LEADERS WILL ADMIT THAT ORGANIZED LABOR MIGHT EVENTUALLY PLAY A POLITICAL ROLE, BUT ASSERT THAT THEIR FIRST PRIORITY IS TO GAIN THEIR INDEPENDENCE AND BUILD UP THE LABOR MOVEMENT.

7. EMBASSY AND LABATT CONCUR.
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ACTION ARA-15

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COME-00 EB-08 LAB-04 STR-09 SIL-01 OC-06 CCO-00
AID-07 PC-01 HA-05 /110 W
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P 311900Z MAR 80
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC PRIORITY 0295
INFO AMEMBASSY BRASILIA PRIORITY
AMCONSUL RIO DE JANEIRO PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 SAO PAULO 0915

EO 12065: NA
TAGS: ELAB, PINT, BR
SUBJ: SAO PAULO ON VERGE OF MAJOR METALLURGICAL STRIKE

REF: SAO PAULO 0829

1. SUMMARY: LAST MINUTE NEGOTIATIONS MARCH 31 ARE ATTEMPTING TO AVERT A STRIKE IN SUPPORT OF WAGE DEMANDS BY UNIONS REPRESENTING MORE THAN 400,000 METALWORKERS IN SAO PAULO STATE. THE SITUATION IS COMPLICATED BY A SPLIT AMONG THE UNIONS INTO TWO NEGOTIATING GROUPS, ONE ENCOMPASSING PRINCIPALLY SAO PAULO'S MAJOR INDUSTRIAL SUBURBS AND REPRESENTED BY LUIZ INACIO DA SILVA ("LULA") AND THE OTHER GROUP ENCOMPASSING SOME 20-ODD SMALLER UNIONS IN THE INTERIOR OF THE STATE REPRESENTED BY THE STATE METALWORKERS FEDERATION. THE GOB HAS SENT CLEAR SIGNALS THAT IT INTENDS TO INTERVENE IN THE EVENT OF A STRIKE AND REPLACE THOSE LEADERS RESPONSIBLE (READ LULA). LULA'S EMERGENCE AS THE FOUNDER OF THE WORKERS PARTY (PT) DURING 1979 HAS ISOLATED HIM FROM SOME PAST SUPPORTERS, BOTH IN THE POLITICAL AND LABOR SECTORS, BUT HIS POSSIBLE REMOVAL MIGHT PROVIDE A STRONG POPULAR REAC-

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TION. END SUMMARY.

2. LULA'S UNION VOTES FOR STRIKE: ON MARCH 30, SOME 50,000 WORKERS IN THE INDUSTRIAL SUBURB OF SAO BERNARDO

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: DAVID W COX
DATE/CASE ID: 17 JAN 2008 200503114

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APPROVED BY ACCLAMATION A CALL TO COMMENCE A STRIKE ON APRIL 1. THE STRIKE DECISION WAS THE RESULT OF THE FAILURE OF NEGOTIATIONS TO RESOLVE THE DEADLOCK BETWEEN THE UNION'S DEMANDS FOR A 15 PERCENT "PRODUCTIVITY" INCREASE AS COMPARED TO THE MANAGEMENT ASSOCIATIONS' OFFER OF 5 PERCENT. (UNDER THE GOVERNMENT'S NEW WAGE POLICY, THE PRODUCTIVITY INCREASE WOULD BE IN ADDITION TO AN ADJUSTMENT FOR THE LAST SIX MONTHS' COST OF LIVING INCREASE, IN THIS CASE 39.9 PERCENT.)

3. STRIKE SUPPORT VARIES IN THE "ABC" INDUSTRIAL SUBURBS: IN THE OTHER TWO MAJOR SAO PAULO INDUSTRIAL SUBURBS, SANTO ANDRE AND SAO CAETANO, THERE WAS LESS SUPPORT FOR A POSSIBLE STRIKE. IN AN ASSEMBLY ATTENDED BY SOME 1,000 WORKERS (OUT OF 60,000 IN THE SECTOR) IN SANTO ANDRE, THE DECISION TO STRIKE WAS APPROVED BY A SLIM MAJORITY AND IN SPITE OF THE WARNINGS OF UNION PRESIDENT BENEDITO MARCILO. THE SAO CAETANO UNION'S ASSEMBLY WAS SO POORLY ATTENDED THAT THE STRIKE VOTE WAS POSTPONED UNTIL THE EVENING OF MARCH 31. THE SEVERAL SMALLER UNIONS FROM THE INTERIOR OF THE STATE WHICH HAVE ELECTED TO NEGOTIATE JOINTLY WITH THE "ABC" UNIONS ALSO POSTPONED THEIR DECISION UNTIL MARCH 31. LAST MINUTE NEGOTIATING MEETINGS ARE SCHEDULED FOR THE AFTERNOON OF MARCH 31 IN AN EFFORT TO FIND AN ACCEPTABLE SETTLEMENT BOTH FOR THE "ABC" UNIONS AS WELL AS FOR THE 28 SMALLER UNIONS REPRESENTED BY THE SAO PAULO STATE METALWORKERS FEDERATION.

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4. COMMENT: THE SITUATION IS CONFUSED WITH MULTIPLE AND DIVERGENT INTERESTS AT PLAY. IT IS CLEAR, HOWEVER, THAT THE GOB IS FACING POSSIBLY A MAJOR CONFRONTATION WITH A MINIMUM OF ROOM TO MANEUVER. THE GOVERNMENT HAS MADE IT CLEAR IN BOTH PUBLIC AND PRIVATE STATEMENTS THAT IT INTENDS TO INTERVENE IN UNIONS WHICH STRIKE AND TO REPLACE THOSE UNION LEADERS DEEMED RESPONSIBLE. THE REGIONAL LABOR DELEGATE TOLD THE VISITING DEPARTMENT OF STATE ARA LABOR ADVISOR ON MARCH 28 THAT IF A STRIKE OCCURS, THE RESPONSIBLE LEADERS WILL BE REPLACED (THOUGH NOT ARRESTED) AND NOT BE ALLOWED TO RESUME THEIR UNION OFFICES IN THE FUTURE.

--- WHILE LULA RETAINS A HIGH DEGREE OF LEADERSHIP WITH THE SAO BERNARDO WORKERS, AS EVIDENT FROM THE

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TURNOUT AT THE GENERAL ASSEMBLY MARCH 30, HE IS MUCH MORE ISOLATED THAT HE WAS WHEN HE LED THE 1978 AND 1979 METALWORKER STRIKES. SUPPORT FROM LEADING POLITICAL OPPOSITION FIGURES IS MILD AND INDIRECT, IN CONTRAST TO THE PREVIOUS YEARS, WITHOUT DOUBT THE RESULT OF LULA'S DECISION TO FORM HIS OWN POLITICAL FOLLOWING THROUGH THE "WORKERS PARTY, BUT ALSO BECAUSE OTHER PARTIES ARE COMPETING FOR FOLLOWERS. THIS WOULD ALSO ACCOUNT FOR THE LESSENERED SUPPORT FROM THE SANTO ANDRE AND SAO CAETANO UNIONS, NEITHER OF WHOSE LEADERS ARE PT SUPPORTERS.

--- AMONG THE VARIOUS FACTORS AT PLAY IN THE SITUATION AS SEEN FROM SAO PAULO ARE THE FOLLOWING:

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ACTION ARA-15

INFO OCT-01 ADS-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
COME-00 EB-08 LAB-04 STR-09 SIL-01 OC-06 CCO-00
AID-07 PC-01 HA-05 /110 W
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P 311900Z MAR 80
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC PRIORITY 0296
INFO AMEMBASSY BRASILIA PRIORITY
AMCONSUL RIO DE JANEIRO

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A) THE GOVERNMENT'S ANTI-INFLATION POLICY, DEFENDED BY DELFIM NETO, HAS GIVEN HARD-LINE MILITARY OFFICERS SCOPE FOR ENDORSING A CRACKDOWN ON WHAT THEY SEE AS GROWING LABOR ASSERTIVENESS. THIS HARDER ATTITUDE ON THE PART OF THE GOVERNMENT HAS ALSO BELIEVED TO HAVE ENCOURAGED, ON THE PART OF AT LEAST SOME MANAGEMENT REPRESENTATIVES, A FIRMER NEGOTIATING POSITION IN THE EXPECTATION OF A STRIKE AND SUBSEQUENT GOB INTERVEN-

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TION. WHILE SOME BUSINESSES STILL SEE LULA AS AN ESSENTIALLY MODERATE LABOR LEADER WITH WHOM THEY CAN WORK, OTHERS ARE CONCERNED AT HIS NEW POLITICAL ROLE IN SUPPORT OF THE PT AND OTHER THE TONE OF THE POLITICAL DECLARATIONS WHICH THE PT HAS ENDORSED.

B) IN ADDITION TO HAVING ISOLATED HIMSELF FROM SECTORS IN THE POLITICAL OPPOSITION, THE BUSINESS COMMUNITY, AND EVEN THE GOVERNMENT WHERE HE HAD IN THE PAST ACCEPTANCE OR SUPPORT, LULA HAS INCREASINGLY CUT HIS TIES WITH THE LEADERS OF THE SAO PAULO STATE METAL-WORKERS FEDERATION AND HAS IMPLIED HIS INTENTION TO "TAKE OVER" THE FEDERATION. FEDERATION PRESIDENT ARGUE DOS SANTOS IS LIMITED OFFICIAL USE

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AN ASTUTE LABOR POLITICIAN AND WOULD NOT BE UNHAPPY TO SEE LULA REPLACED OR HIS INFLUENCE DIMINISHED AND MAY BE EXPECTED TO HELP SUCH AN OCCURRENCE ALONG.

C) THE REAL PROFIT SITUATION OF THE METALLURGICAL SECTOR INDUSTRIES IS AN IMPORTANT NEW INGREDIENT. LAST YEAR THESE FIRMS RELATIVELY WERE FLUSH, BUT MANY ARE UNDER PRICE CONTROLS AND DELFIM HAS DRAGGED HIS FEET ON APPROVAL OF PRICE INCREASES AS PART OF THE ANTI-FINFLATION PROGRAM. NOW A NUMBER ARE CLOSE IN CERTAIN OPERATIONS TO FAILING TO COVER MARGINAL COSTS, THE RATE OF SMALL BUSINESS FAILURES IS UP, MONEY COSTS ARE STILL HIGH, AND THE MOOD IS NOT EITHER RELAXED OR GENEROUS RESPECTING POSSIBLE WAGE SETTLEMENTS.

--- IF THE PRESENT MOST LIKELY SCENARIO HOLDS, THE CURRENT NEGOTIATIONS WILL FAIL, A PARTIAL STRIKE WILL OCCUR, THE SAO BARNARDO UNION WILL BE INTERVENED, AND LULA WILL BE REMOVED FROM ITS PRESIDENCY. SUCH AN EVENT CAN BE EXPECTED TO GENERATE WORKER REACTION, ADDITIONAL PUBLIC AND WORKERS SUPPORT FOR THE STRIKE, AND POSSIBLE VIOLENT CONFRONTATIONS. THE GOB IS FACING A DIFFICULT AND CRITICAL PERIOD WHICH WILL DETERMINE THE FUTURE TREND OF LABOR/MANAGEMENT RELATIONS. THE MAJOR ENCOURAGING FACTOR AT THIS POINT IS THAT OVER THE PAST TWO YEARS THE GOB HAS REPEATEDLY DEMONSTRATED A SURPRISINGLY DEFT TOUCH IN FACILITATING SOLUTIONS TO LABOR DISPUTES AND DEFUSING VOLATILE STRIKE SITUATIONS.

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LABOR SITUATION IN THEIR RESPECTIVE COUNTRIES. ALSO
ATTENDING THE ENCOUNTER. ACCORDING TO DETAILED ACCOUNTS
APPEARING IN THE BRAZILIAN PRESS, WERE JACOB BITAR, JOSE
ALVARO MOISES AND FRANCISCO WEFORT, ALL OF LULA'S WORKERS
PARTY (PT), PLUS ANNA WALENTYNOWICZ, TADEUSZ MAZOWIECKI,
KAROL MODEZELEWSKI AND OTHERS OF WALESA'S GROUP AND TWO
ITALIAN TRANSLATORS.

3. SPIRITED EXCHANGE: ACCORDING TO PRESS ACCOUNTS, WALESA
STATED THAT "IT IS VERY IMPORTANT THAT WORKERS ALWAYS
MAINTAIN THEIR CAPACITY TO STRUGGLE...THE STRUGGLE OF THE
POLISH WORKING CLASS IS THE SAME AS IN THE REST OF THE WORLD,
TO DEFEND HUMAN DIGNITY AND SOCIAL JUSTICE." IN RESPONSE LULA
BRIEFLY REVIEWED THE HISTORY OF THE UNION MOVEMENT IN BRAZIL,
AND ESPECIALLY IN SAO PAULO INDUSTRIAL SUBURBS, WHERE HE
LED SEVERAL HUNDRED THOUSAND METALWORKERS IN THREE STRIKES
SINCE 1978.

--- WALESA OFFERED LULA SOME PRACTICAL ADVICE ON HOW TO RUN
A WORKERS MOVEMENT. "WHEN ONE UNDERTAKES A WORKERS MOVEMENT
IT IS IMPORTANT TO LAY AHOLD OF ONE OR TWO FUNDAMENTAL
DEMANDS. IN OUR CASE WE INSISTED UPON WINNING THE RIGHT
TO STRIKE AND THE RIGHT TO AN AUTONOMOUS UNION, WHICH
BECAME THE CHARACTERISTIC MARKS OF OUR MOVEMENT."

--- WALESA REAFFIRMED THAT "SOLIDARITY" IS A UNION AND
NOT A POLITICAL PARTY. "WE DON'T PLAN TO MAKE POLITICAL
POLICY." LULA, PRESIDENT OF THE WORKERS PARTY, RESPONDED
THAT "THIS IS A POINT OF DIVERGENCE BETWEEN US."
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HE THEN EXPLAINED THAT IN BRAZIL THE UNIONS ARE INCORPORATED
INTO THE LEGAL STRUCTURE OF THE STATE AND BECAUSE THE UNIONS
ARE TIED TO THE GOVERNMENT "OURS IS A POLITICAL FIGHT."
WALESA, WHILE ACCEPTING THE LEGITIMACY OF THE "FORM OF
STRUGGLE DEVELOPED IN BRAZIL," WARNED THAT "YOU MUST BE WARY
OF THE DANGER OF THE UNIONS BECOMING DEPENDENT ON POLITICAL
PARTIES."

--- WALESA AND LULA PROMISED TO ESTABLISH PERMANENT CONTACTS
BETWEEN THEIR TWO MOVEMENTS. WALESA EXPRESSED SPECIAL INTEREST
IN KEEPING INFORMED ABOUT LULA'S UPCOMING TRIAL UNDER BRAZIL'S
NATIONAL SECURITY LAW. LULA PRESENTED WALESA WITH A BOOK OF
HIS INTERVIEWS AND SPEECHES WHICH HE SAID WAS PUBLISHED TO RAISE
MONEY FOR HIS UNION'S STRIKE FUND. WALESA COMMENTED, "GOOD
IDEA, I'M GOING TO HAVE ONE MADE TOO."

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4. COMMENT: LULA'S MEETING WITH WALESIA MAKES LULA'S OVERSEAS FORAY A SUCCESS. HE GAINS WIDE RECOGNITION AND MEDIA ATTENTION JUST BEFORE THE BRAZILIAN GOVERNMENT IS TO PUT HIM ON TRIAL FOR HIS ROLE IN PROLONGING THE 1980 METAL-WORKERS STRIKE. BY HAVING HIMSELF PUBLICLY IDENTIFIED WITH WALESIA, LULA PUTS THE BRAZILIAN GOVERNMENT IN THE POSITION OF HAVING ITS CONDUCT OF LULA'S TRIAL COMPARED TO THE POLISH GOVERNMENT'S TREATMENT OF WALESIA. THE INTERVIEW IS ALSO INDICATIVE OF THE EFFORT THAT LULA'S CHURCH CONTACTS ARE MAKING ON HIS BEHALF.
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ACTION ARA-16

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 PA-01 ICAE-00 SP-02 SPRS-02 /069 W
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R 302116Z JUN 82
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5099
INFO AMCONSUL RIO DE JANEIRO POUCH
AMCONSUL SAO PAULO POUCH
AMCONSUL RECIFE POUCH
AMCONSUL SALVADOR POUCH
AMCONSUL PORTO ALEGRE POUCH

C O N F I D E N T I A L SECTION 01 OF 05 BRASILIA 05422

E.O. 12065: GDS 6/30/88 (MCFARLAND, GEORGE A.) OR-P
TAGS: PINT, PINR, BR
SUBJECT: THE POLITICS OF PIAUI IN ELECTION YEAR 1982

REF: BRASILIA 4353

1. (C - ENTIRE TEXT)

2. SUMMARY: THE ELECTION CAMPAIGN IN THE NORTHEASTERN
STATE OF PIAUI IS GETTING UNDERWAY. WHILE THE CAMPAIGN
HAS CERTAIN UNIQUE FEATURES, MOST NOTABLY THE UNWILLING-
NESS OF THE OPPOSITION TO RUN AGAINST THE RECORD OF THE
FEDERAL GOVERNMENT, IT ALSO REFLECTS ELEMENTS WHICH
PROBABLY EXIST THROUGHOUT THE NORTHEAST. IN PIAUI, AS
ELSEWHERE, THE OPPOSITION WILL HAVE TO OVERCOME THE "LINKED
VOTE" DEVICE (VOTO VINCULADO) INTRODUCED BY THE GOVERNMENT
AS WELL AS OTHER ADVANTAGES ENJOYED BY THE PDS AS THE IN-
CUMBENT PARTY. BUT IN PIAUI, AT ANY RATE, THE PMDB HAS A
CHARISMATIC GUBERNATORIAL CANDIDATE AND MIGHT BENEFIT
FROM THE DISCONTENT WHICH EXISTS IN ELEMENTS OF THE
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POPULATION WHOSE SOCIAL AND ECONOMIC PROBLEMS HAVE GONE
UNATTENDED. ALTHOUGH NO GUARANTEES CAN BE WRITTEN THIS
EARLY IN THE CAMPAIGN, THE PDS SEEMS LIKELY TO RETAIN ITS
GRIP ON PIAUI IN THE NOVEMBER ELECTION. END SUMMARY.

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: DAVID W COX
DATE/CASE ID: 18 JAN 2008 200503114

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3. ELECTION DAY IS STILL FIVE MONTHS AWAY AND THE SLATES OF CANDIDATES HAVE NOT YET BEEN FINALIZED. BUT "ELECTION" IS IN THE AIR IN PIAUI. MULTICOLELECTORAL GRAFFITI ADORNS A NUMBER OF THE FORMERLY WHITE CEMENT WALLS, PRIMARILY IN THE BACK STREETS OF THE STATE CAPITAL. AUTOMOBILES ADVERTISE CANDIDATES' NAMES, WHICH ARE PAINTED ON THEIR DOORS AND WINDOWS AND EVEN ON PENNANTS HANGING FROM THEIR RADIO ANTENNAS. AND THE PEOPLE OF TERESINA, EVEN THE HUMBLEST, SEEM TO KNOW ALREADY THAT AN ELECTION IS COMING, AND THEY ARE PLEASED ABOUT IT. THE GUBERNATORIAL CANDIDATES, WHO LIVE IN BRASILIA, RETURN TO THE PIAUI HUSTINGS ALMOST EVERY WEEKEND AND THEIR SUPPORTERS AND TICKET MATES MEET CONSTANTLY IN TERESINA TO PLOT STRATEGY, TO RECRUIT/SELECT CANDIDATES FOR LESSER POSITIONS, AND TO PLAN VOTER REGISTRATION DRIVES. THE CAMPAIGN, AT LEAST IN PIAUI, HAS BEGUN. AT THIS STAGE, BOTH SIDES ARE GENUINELY CONFIDENT, WHICH MAY WELL MAKE FOR AN INTERESTING CONTEST. BUT, GIVEN WHO IS RUNNING AND WHAT THEY STAND FOR, IT PROBABLY MAKES LITTLE DIFFERENCE EITHER FOR THE PEOPLE OF PIAUI OR FOR THE NATIONAL POLITICAL BALANCE WHICH SIDE EMERGES VICTORIOUS.

4. WHAT MAKES THE PMDB DIFFERENT IN PIAUI IS THAT IT SEEMS TO OPPOSE THE FEDERAL GOVERNMENT AND THE PDS ONLY AT THE STATE LEVEL. PMDB GUBERNATORIAL CANDIDATE, SENATOR ALBERTO SILVA, HAS REPORTEDLY PUT OUT THE WORD THAT PRESIDENT FIGUEIREDO AND HIS GOVERNMENT ARE NOT TO BE CRITICIZED PUBLICLY. SILVA'S RATIONALE REPORTEDLY IS THAT CONFIDENTIAL

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HE WILL NEED THE HELP OF THE FEDERAL GOVERNMENT TO GOVERN PIAUI EFFECTIVELY AND HE DOES NOT WISH TO CREATE NEEDLESS ANTAGONISMS AT THE FEDERAL LEVEL. IT IS ALSO TRUE, HOWEVER, THAT SILVA CONSIDERS HIMSELF A PERSONAL FRIEND OF MINISTER/CHIEF OF THE PRESIDENT'S CIVIL HOUSEHOLD LEITAO DE ABREU. LEITAO APPARENTLY HAD A MAJOR ROLE IN NAMING HIM GOVERNOR OF PIAUI (1971-75), DURING THE MEDICI GOVERNMENT. AT THAT TIME SILVA ALSO DEVELOPED A GOOD RELATIONSHIP WITH GENERAL JOAO FIGUEIREDO. SILVA HASR ENGAGED IN CONTROVERSY AT THE NATIONAL LEVEL. ACCORDING TO PIAUI POLITICIANS, HE JOINED THE OPPOSITION PP IN 1978 ONLY BECAUSE OF A PERSONAL FEUD WITH THE PORTELA FAMILY (PETRONIO AND LUCIDIO), WHICH HAS DOMINATED PIAUI POLITICS SINCE 1975, AND WHICH DENIED HIM A PLACE ON THE PDS TICKET FOR THE 1978 ELECTIONS.

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BEYOND SILVA, THE MAJORITY OF OTHER CANDIDATES ON THE PMDB SLATE ARE ALSO FORMER MEMBERS OF THE OLD PRO-GOVERNMENT PARTY, WHO SUBSEQUENTLY JOINED PP LOOKING FOR SPACE TO BREATHE POLITICALLY. FOR EXAMPLE, THE TWO PMDB INCUMBENT DEPUTIES (PIERROT MACHOT AND CARLOS AUGUSTO DE OLIVEIRA) AS WELL AS THE TWO MOST LIKELY TO BE ADDED TO AN AUGMENTED PMDB DELEGATION IN THE FEDERAL CHAMBER (HERACLITO FORTES AND WALL FERRAZ), WERE ALSO MEMBERS OF ARENA. IN TERMS OF DIRECTIONS AND PROGRAMMATICS, VICTORY FOR THIS GROUP WOULD CHANGE DISCERNABLY LITTLE IN PIAUI AND LITTLE IN THE APPROACH OF ITS CONGRESSIONAL REPRESENTATIVES AT THE NATIONAL LEVEL.

5. PARTY HOPPING HAS BECOME COMMONPLACE IN PIAUI OVER THE PAST FEW MONTHS, MOST OF IT APPARENTLY FROM THE PMDB TO THE PDS. THE REASONS ARE DIVERSE, BUT THEY ADD UP TO A POLITICAL ENVIRONMENT IN WHICH IDEOLOGY HAS ALMOST NO IMPORTANCE. A LAWYER WITH SUPPOSEDLY IMPORTANT POLI-

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R 302116Z JUN 82
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5100
INFO AMCONSUL RIO DE JANEIRO POUCH
AMCONSUL SAO PAULO POUCH
AMCONSUL RECIFE POUCH

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AMCONSUL SALVADOR POUCH

AMCONSUL PORTO ALEGRE POUCH

C O N F I D E N T I A L SECTION 02 OF 05 BRASILIA 05422

TICAL STRENGTH IN SOUTHERN PIAUI TOLD THE REPORTING OFFICER THAT HE HAD SWITCHED BECAUSE HE HATED SILVA. ANOTHER, CELSO BARROS, WHO IN A PREVIOUS PERIOD WAS AN MDB VICE LEADER IN THE FEDERAL CHAMBER, ADMITTED THAT HE JOINED THE PDS TO SAVE HIS POLITICAL CAREER. BARROS THOUGHT HE HAD LITTLE CHANCE OF PLACING AMONG THE TOP THREE PMDB CANDIDATES FOR FEDERAL DEPUTY, THE NUMBER HE PREDICTED WOULD BE ELECTED IN NOVEMBER, OUT OF A TOTAL OF NINE. BUT HE BELIEVED HE COULD MAKE IT AMONG THE TOP SIX PDS CANDIDATES. THE PDS SIMPLY LURED HIM BY OFFERING A PLACE ON THE TICKET. ASKED IF JUMPING PARTIES CAUSED HIM ANY PROBLEMS OF CONSCIENCE, BARROS RESPONDED THAT IT DID. BUT HE SAID THAT EVERY POLITICIAN HAD TO COMPROMISE. ONE OF THE PDS SENATE CANDIDATES, JOSE LOBAO, WAS ALSO UNTIL RECENTLY A MEMBER OF THE PMDB. HE JUSTIFIED HIS SWITCH ON THE GROUNDS THAT HE WANTED TO HELP HIS FRIEND HUGO NAPOLEAO (PDS CANDIDATE) WIN THE GOVERNORSHIP. OTHERS, WITH A LESS CHARITABLE VIEW OF LOBAO'S MOTIVES, SAY HE DID IT BECAUSE THE PDS OFFERED HIM A PLACE ON ITS SUBLEGENDA FOR THE SENATE SEAT. THE BOTTOM LINE ON THESE

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PARTY CHANGES IN PIAUI IS THAT IT MAKES LITTLE DIFFERENCE TO THE CANDIDATES WHICH PARTY LABEL GETS THEM INTO OFFICE. LOBAO PUT IT, THE PMDB IN SUBLEGENDA FOR THE PDS. BUT THE LACK OF IDEOLOGICAL MOTIVATION IN THE CONFLICT WILL NOT DETRACT FROM THE EFFORT WHICH WILL BE MADE BY BOTH SIDES TO WIN. AT STAKE ARE PERSONAL CAREERS AND CONTROL OF A STATE BUREAUCRACY WITH CONSIDERABLE POSSIBILITIES FOR PATRONAGE AND ENRICHMENT OVER THE NEXT FOUR YEARS.

6. THE TWO MAJOR PARTIES ARE APPROACHING THE ELECTION FULLY AWARE OF THEIR RESPECTIVE POLITICAL STRENGTHS AND WEAKNESSES. THERE IS REMARKABLE UNANIMITY ABOUT WHAT THESE ARE.

A. PDS STRENGTHS:

-- INCUMBENCY: THE PDS DOMINATES THE STATE AT THE PRESENT TIME. IT HOLDS THE STATE HOUSE AND 19 OF 24 SEATS IN THE STATE CHAMBER OF DEPUTIES. THE MAYORS IN

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110 OUT OF 115 MUNICIPALITIES, AND 950 CITY COUNCILMEN (VEREADORES) STATEWIDE, ARE FROM THE PDS. THE INCUMBENTS ARE IN A POSITION TO ASSIST AND DO FAVORS FOR VOTERS. THE OPPOSITION CAN ONLY PROMISE. THE PDS BELIEVES THAT A SIGNIFICANT PORTION OF THE STATE'S VOTERS, PARTICULARLY THOSE IN THE RURAL AREAS, WILL VOTE FOR THE LOCAL OFFICIAL THEY KNOW AND AS A CONSEQUENCE OF THE LINKED VOTING SYSTEM THEY WILL THUS SUPPORT THE ENTIRE PDS SLATE. THIS, OF COURSE, IS EXACTLY THE EFFECT THE SYSTEM WAS INTENDED BY ITS FRAMERS TO ACHIEVE. THE OTHER GREAT ADVANTAGE OF INCUMBENCY IS THE ABILITY TO ORCHESTRATE PUBLIC INVESTMENTS AND CEREMONIES IN THE STATE OVER THE NEXT FEW MONTHS TO UNDERScore PDS ACHIEVE-
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MENTS. THE CHIEF OF PROTOCOL TOLD THE REPORTING OFFICER THAT HE IS HARD AT WORK PREPARING A HEAVY SCHEDULE OF PUBLIC EVENTS FOR THE INCUMBENT GOVERNOR, AND THAT NAPOLEAO WOULD PARTICIPATE IN MANY OF THEM. THE PDS IS ALREADY PUBLICIZING THE CONSTRUCTION BY THE PORTELA GOVERNMENT OF 10,000 HOUSING UNITS. ON JUNE 22 A TELEVISION NEWS ITEM SHOWED PORTELA CALLING THE UNITED STATES FROM A MUNICIPALITY IN THE INTERIOR OF THE STATE. THE ITEM PROCEEDED TO NOTE THAT DURING PORTELA'S TERM, TELEPHONE SERVICE HAD BEEN INTRODUCED IN ALL OF PIAUI'S URBAN CENTERS. NAPOLEAO POINTED OUT TO THE REPORTING OFFICER THAT ALL OF PIAUI'S URBAN AREAS NOW HAVE ELECTRICITY AND THAT A MAJOR PRIORITY BETWEEN NOW AND NOVEMBER WOULD BE TO COMPLETE THE TASK OF PROVIDING SANITATION SYSTEMS FOR EACH OF THESE AREAS. HE NOTED WITH A SMILE THAT HE PLANNED TO BE THERE WHEN THE LAST OF THESE IS SWITCHED ON.

-- MONEY AND ORGANIZATION:

THE INCUMBENTS HAVE A GREAT FINANCIAL ADVANTAGE. ALL STATE EMPLOYEES ABOVE A CERTAIN LEVEL NOW PAY AN "OPTIONAL THREE PERCENT OF THE BONUS COMPONENT OF THEIR SALARIES (GRATIFICACOES) TO THE PDS CAMPAIGN CHEST, WHICH IS EXPECTED TO YIELD 50 MILLION CRUZEIROS BY NOVEMBER 15. IN ADDITION, THE OPPOSITION IS CONVINCED THAT MONEY IS BEING SKIMMED OFF MAJOR STATE CONSTRUCTION PROJECTS TO BENEFIT THE PDS CAMPAIGN. PMDB STATE ASSEMBLY LEADER DANTOS ALLEGED TO THE REPORTING OFFICER THAT THE PORTELA GOVERNMENT HAD BOUGHT A PIECE OF MISERABLE REAL ESTATE EARLIER THIS YEAR FOR AN EXORBITANT PRICE, AND HAD THEN SUPPOSEDLY SPENT A BILLION CRUZEIROS TO PREPARE THE LAND

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FOR A LARGE HOUSING PROJECT. ACCORDING TO DANLOS, AN

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R 302116Z JUN 82
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5101
INFO AMCONSUL RIO DE JANEIRO POUCH
AMCONSUL SAO PAULO POUCH
AMCONSUL RECIFE POUCH
AMCONSUL SALVADOR POUCH
AMCONSUL PORTO ALEGRE POUCH

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QUIVALENT PIECE OF LAND REQUIRING NO PARTICULAR PRE-
PARATION WAS AVAILABLE ONE KILOMETER FROM THE SELECTED
SITE, BUT THE GOVERNMENT BOUGHT THE POOR LAND ON
PURPOSE TO CREATE AN OPPORTUNITY TO SKIM A LARGE AMOUNT
OF MONEY FROM THE WORK REQUIRED. WHATEVER THE PDS'
SOURCES, THE PARTY WILL ALMOST CERTAINLY HAVE ENOUGH
MONEY TO RUN A REASONABLE CAMPAIGN IN BOTH MODERN AND
TRADITIONAL TERMS. GUBERNATORIAL CANDIDATE NAPOLEAO TOLD
THE REPORTING OFFICER THAT HE EXPECTED TO SPEND A GOOD
DEAL OF HIS OWN MONEY ON THE CAMPAIGN, BUT THAT, IN THE
END, LACK OF MONEY WOULD NOT HANDICAP HIS EFFORTS. HE

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MENTIONED THE POSSIBILITY OF CONTRACTING A MAJOR NATIONAL ADVERTISING FIRM (NORTON) TO HELP DEVELOP HIS IMAGE. BY CONTRAST, THE PMDB CANDIDATES ARE ALREADY COMPLAINING ABOUT THEIR RELATIVE LACK OF MONEY. MONEY IS PARTICULARLY IMPORTANT IN THE CAMPAIGN IN THE RURAL AREAS. FOR EXAMPLE EVERY VOTER NEEDS A VOTER IDENTIFICATION CARD WITH A PHOTOGRAPH. TO GET THE CARD HE/SHE FIRST NEEDS A PROPER IDENTITY DOCUMENT. IT COSTS MONEY TO GET PHYSICALLY TO THE RURAL VOTER, TAKE AND DEVELOP THE PHOTOGRAPHS AND REPLACE

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MISSING IDENTITY DOCUMENTS. THESE EXPENSES ARE TRADITIONALLY BORNE BY THE POLITICAL PARTY INTERESTED IN THE CITIZEN'S. THE PIAUI PDS ESTIMATES THAT IT WILL COST AN AVERAGE OF 1000 CRUZEIROS TO REGISTER EACH RURAL VOTER. BEYOND THAT ARE THE TRANSPORT SERVICES AND FOOD PROVIDED TO THE VOTERS ON ELECTION DAY. THE GOVERNMENT WILL REPORTEDLY PICK UP ABOUT 10 PERCENT OF THAT BILL, BUT THE REST COMES FROM THE INTERESTED POLITICAL PARTY. THE PDS, WHICH APPARENTLY HAS MONEY, SHOULD BE ABLE TO USE IT TO ADVANTAGE.

-- THE PDS SEEMS FAR BETTER ORGANIZED. IT HAS A LARGE HEADQUARTERS IN TERESINA WITH A FEW FULL-TIME WORKERS AND MANY VOLUNTEERS. PDS POLITICIANS FROM EX-GOVERNOR VELLOSO DOWN CLAIMED TO THE REPORTING OFFICER TO BE PROFESSIONALS. BY CONTRAST THEY DESCRIBED PMDB CANDIDATE SILVA AS A POOR ORGANIZER AND QUESTIONED HIS ABILITY TO PUT TOGETHER THE POLITICAL MACHINERY NECESSARY TO WIN. THE PDS IS COUNTING ON ORGANIZATIONAL STRENGTHS AS WELL AS MONEY TO GET TO THE RURAL VOTER.

-- MEDIA CONTROL:

THE MEDIA IN PIAUI, INCLUDING THREE NEWSPAPERS, FOUR RADIO STATIONS AND A TV STATION (GLOBO), REPORTEDLY FAVORS HUGO NAPOLEAO'S CANDIDACY. THE TV STATION IS OWNED BY A MEMBER OF NAPOLEAO'S FAMILY. ON JUNE 21 THE PAPERS WERE FULL OF REPORTS OF NAPOLEAO'S ACTIVITIES IN PIAUI OVER THE WEEKEND. SILVA, WHO WAS ALSO IN THE STATE, WAS NOT MENTIONED IN THE PRESS ON THAT DAY. COMPLAINING ABOUT THE BIAS OF THE MEDIA, PMDB LEADER DANTOS SAID HE HAD BROUGHT "CONVINCING PROOF" CONCERNING THE HOUSING PROJECT SCANDAL NOTED ABOVE TO ALL THE LOCAL NEWSPAPERS. NONE WOULD TOUCH IT. HE WAS OBLIGED TO HAVE HIS

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ALLEGATIONS PRINTED AS A PAMPHLET AT HIS OWN EXPENSE.
AND AS A PAID FOR POLITICAL PAMPHLET THE ACCUSATIONS
HAD LIMITED CIRCULATION AND EFFECT.

-- HUGO NAPOLEAO:

NAPOLEAO IS A YOUNG, HANDSOME, AND ARTICULATE CANDIDATE.
HE IS GENERALLY ADMIRERD IN PIAUI. EVEN PMDB POLITICIANS
CONSIDER HIM BRIGHT AND SINCERE. ALTHOUGH BORN IN THE
UNSTATES AND EDUCATED IN RIO DE JANEIRO, HE HAS
ALWAYS BEEN DEEPLY INTERESTED IN PIAUI AND HAS EVEN
WRITTEN A BOOK ON PIAUI'S HISTORY. THE PDS IS HOPING
THAT THE MORE TIME HE SPENDS ON THE HUSTINGS, AND THE
GREATER HIS TV EXPOSURE. THE GREATER WILL BE THE PDS
VOTE TOTAL. THE PARTY EXPECTS NAPOLEAO TO BE PARTICU-
LARLY STRONG WITH WOMEN AND WITH FIRST-TIME VOTERS IN
GENERAL.

B. PMDB STRENGTHS:

-- ALBERTO SILVA:

THE PMDB IS PLACING GREAT EMPHASIS ON THE GUBERNATORIAL
CANDIDACY OF ALBERT SILVA. SILVA IS EXTREMELY WELL
REGARDED BY THE PEOPLE OF PIAUI, AS EVEN NAPOLEAO ADMITS.
MOST PIAUIENSES CONSIDER SILVA'S FIRST TERM AS GOVERNOR
(1971-75) AN ENORMOUS SUCCESS, ALTHOUGH PDS CRITICS SAY
HE WAS LONG ON IMAGE AND SHORT ON REAL ACHIEVEMENTS. SILVA
APPARENTLY IS A FINE ORATOR WITH A TOUCH OF CHARISMA BY
PIAUI STANDARDS. IN TERESINA HE IS ADMIRERD AT ALL
SOCIAL LEVELS. PORTERS IN THE HOTEL, TAXI DRIVERS AND A
DOCTOR, NONE OF WHOM IS ASSOCIATED WITH POLITICS, TOLD
THE REPORTING OFFICER THAT NO MATTER WHAT THE PDS

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 5102

INFO AMCONSUL RIO DE JANEIRO POUCH

AMCONSUL SAO PAULO POUCH

AMCONSUL RECIFE POUCH

AMCONSUL SALVOR POUCH

AMCONSUL PORTO ALEGRE POUCH

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R NAPOLEAO DID, SILVA WOULD WIN IN TERESINA, WHICH HAS
 A FIFTH OF THE STATE'S POPULATION AND A FOURTH
 OF ITS PROBABLE VOTERS. PMDB COUNCILMAN SOARES DE ALBU-
 QUERQUE PREDICTED SILVA WOULD GET 80 PERCENT OF THE
 VOTE IN TERESINA AND WOULD SWEEP THE STATE'S SECOND
 LARGEST CITY, PARNAIBA, FROM WHICH HE COMES. AN
 ENGINEER, SILVA CONCENTRATED ON MAJOR PROJECTS DURING
 HIS FIRST TERM. PLAQUES BEARING HIS NAME NOW APPEAR ON
 TERESINA'S FOOTBALL STADIUM, THE NICEST HOTEL IN
 TOWN, AND A MATERNITY HOSPITAL. THE PMDB IS COUNTING ON
 SILVA'S EXCELLENT IMAGE TO LURE VOTERS AWAY FROM THEIR
 FAVORITE LOCAL OFFICIALS. BUT FAILING THIS THEY HAVE
 A FALL-BACK PITCH. TO THOSE VOTERS WHO CANNOT BE SEPARATED
 POLITICALLY FROM THEIR FAVORITE MAYOR OR CITY COUNCILMAN,
 BUT WHO ALSO LIKE SILVA, THE PMDB IS RECOMMENDING THAT THEY
 VOTE FOR THE LOCAL OFFICIAL OF THEIR CHOICE BUT LEAVE
 BLANK THE GUBERNATORIAL SPOT ON THEIR BALLOTS. THEY
 BELIEVE THAT THIS MANEUVER, WHICH IS BEING TERMED "SHRIMP
 VOTE" (VOTO CAMARAO), COULD PERMIT SILVA TO WIN THE
 GOVERNORSHIP EVEN IF THE PMDB LOSES THE MAJORITY OF VOTES
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CAST FOR OTHER SLOTS.

-- ANTI-INCUMBENT SENTIMENT:

THERE ARE SIGNS IN TERESINA THAT GOVERNOR LUCIDIO PORTELA IS UNPOPULAR. HE IS CONSIDERED BY MANY AS ALOOF AND WITHOUT A POPULAR TOUCH. MANY BELIEVE THAT HIS Coterie of advisers is corrupt and incompetent. According to several of its representatives, the PMDB plans to prey on the Portela government's poor image and on sentiments, normal in almost any polity, in favor of changing the ruling clique after a number of years. Similarly, the PMDB is working the other side of the established loyalty coin in the rural areas. It is offering places on the ticket to ambitious new elements who have heretofore been frustrated by their inability to gain entrance to political office through the PDS. The PMDB view is that while some incumbent local officials are popular, others have done nothing and are resented.

-- PIAUI'S POVERTY:

PIAUI HAS ENORMOUS SOCIAL AND ECONOMIC PROBLEMS. IT IS ONE OF BRAZIL'S POOREST STATES BY ANY MEASURE. THE DROUGHT OF THE PAST THREE YEARS HAS COMPLICATED AN ALREADY DIFFICULT SITUATION, ALTHOUGH IT RAINED IN THE NORTHERN PART OF THE STATE EARLIER THIS YEAR. THE STATE SECRETARY OF PLANNING ESTIMATES THAT SEVEN PERCENT OF THE RURAL POPULATION OF PIAUI IS MIGRATING TO URBAN CENTERS IN THE STATE EACH YEAR. ANOTHER FOUR PERCENT IS LEAVING PIAUI FOR BRASILIA, SAO PAULO, ETC. THE SEVEN PERCENT WHO ARRIVE IN PIAUI CITIES EACH YEAR REQUIRE HOUSING, SOCIAL SERVICES, AND JOBS. DESPITE THE PROGRESS MADE BY THE

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PORTELA GOVERNMENT IN CONSTRUCTING HOUSING UNITS OVER THE PAST FEW YEARS, THE HOUSING DEFICIT IS GREATER NOW THAN WHEN PORTELA'S TERM BEGAN. SIMILARLY, THERE ARE NO JOBS FOR THE MIGRANTS. IN TERMS OF INDUSTRY, TERESINA HAS ONLY A TEXTILE PLANT, A COCONUT OIL ESTABLISHMENT, A SLAUGHTER HOUSE, A MACARONI FACTORY, A BREWERY, AND A SOFT DRINK BOTTLING PLANT. INDUSTRIAL EMPLOYMENT IN THE CITY TOTALS LESS THAN 2,500, WHILE THE POPULATION IS 400,000 AND GROWING. THIS JOBLESSNESS GENERATED A SIGNIFICANT AMOUNT OF DISCONTENT. THE PDS MAINTAINS THAT IT IS HARDLY RESPONSIBLE FOR THESE PROBLEMS, BUT IT RECOGNIZES

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THAT THE PMDB WILL BENEFIT SOMEWHAT FROM THEM. THE
INCIPIENT PIAUI PT WILL ALSO FEED ON THIS DISCONTENT,
BUT ALL OBSERVERS. INCLUDING THE MILITARY GARRISON
COMMANDER AND THE VICAR GENERAL, BELIEVE THE PT WILL NOT
BE A SIGNIFICANT FACTOR IN THE 1982 ELECTION IN PIAUI.

7. CONCLUSION. DESPITE THE CHANGED ELECTORAL RULES
INTRODUCED BY THE FEDERAL GOVERNMENT WHICH CONDITION
THE ELECTORAL PROCESS, AND WILL PROBABLY CONDITION ITS
RESULTS, THERE IS A SENSE IN PIAUI THAT A DEMOCRATIC
PROCESS IS UNDERWAY. THE OPPOSITION APPEARS PREPARED
TO STRUGGLE TO WIN WITHIN THE RULES ESTABLISHED BY THE
GOVERNMENT, WHATEVER THEY ARE. AT THIS STAGE, AND WITHOUT
VISITING RURAL AREAS AND TALKING WITH A WIDER SPECTRUM
OF VOTERS, IT IS IMPOSSIBLE TO PREDICT WITH CERTAINTY
WHICH SIDE WILL WIN. BASED ON OBSERVATIONS AND CONVERSA-
TIONS IN TERESINA, HOWEVER, THE REPORTING OFFICER
BELIEVES THAT, UNLESS THE ILLITERATE MASSES OF THE
NORTHEAST ARE MORE POLITICIZED THAN THEY SEEM TO BE, THE
PDS ADVANTAGES IN TERMS OF INCUMBENCY AND RESOURCES
SHOULD PREVAIL ON NOVEMBER 15.

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INFO AMCONSUL RIO DE JANEIRO POUCH
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8. DRAFTED BY ROBERT C. FELDER.

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C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 05460

E.O. 12065 GDS 6/30/88 (MCFARLAND, GEORGE) OR-P
TAGS: PINT, PINR, BR
SUBJECT: THE ELECTION CAMPAIGN GETS UNDERWAY IN PARAIBA

REF: (A) BRASILIA 4353, (B) BRASILIA 5422
1. (C-ENTIRE TEXT.)

2. SUMMARY: THE ELECTION CAMPAIGN IN PARAIBA REFLECTS
MANY OF THE POLITICAL ELEMENTS WHICH EXIST ELSEWHERE IN
THE NORTH EAST. THE OPPOSITION (PMDB) WAS STRENGTHENED
BY THE INCORPORATION OF THE TWO PRINCIPAL OPPOSITION
PARTIES, BUT NOT EVERYTHING IS ROSY FOR THE NEW UNION.
THE GOVERNMENT PARTY (PDS) HAS BENEFITTED GREATLY FROM THE
LINKED VOTING SYSTEM (VOTO VINCULADO) IMPOSED BY THE
FEDERAL GOVERNMENT. THE PDS ALSO HAS THE CONSIDERABLE
ADVANTAGES OF INCUMBENCY, AND GREATER FINANCIAL AND ORGAN-
IZATIONAL RESOURCES. BUT THE OPPOSITION COULD BENEFIT
POLITICALLY FROM THE GENERAL ECONOMIC MALAISE WHICH
AFFECTS THE MAJORITY OF THE PEOPLE OF THE NORTH EAST.
ON BALANCE, IT LOOKS AT THIS POINT AS IF THE PDS WILL
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PREVAIL IN PARAIBA. END SUMMARY.

3. THE CAMPAIGN IN PARAIBA HAS ACTUALLY BEGUN, ALTHOUGH
OFFICIALLY AND LEGALLY IT HAS NOT. BANNERS FLY ALL

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: DAVID W COX
DATE/CASE ID: 18 JAN 2008 200503114

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ALONG THE MAIN COMMERCIAL STREETS OF THE CAPITAL, SOUZA PESSOA, BEARING CANDIDATES' NAMES AND POLITICAL MESSAGES. POLITICAL BUFFS WITH OBVIOUS SKILL IN LETTERING HAVE ALREADY COLORFULLY FILLED MOST OF THE AVAILABLE WALL SPACE IN THE CITY WITH NAMES AND SLOGANS. EVEN THE SQUARE OUTSIDE THE GOVERNOR'S OFFICE IS FESTOONED WITH EVERY MANNER OF POLITICAL PARAPHERNALIA, MOST OF IT IN SUPPORT OF FORMER GOVERNOR TARCISIO BURITY, WHO STEPPED DOWN (AS REQUIRED) ON MAY 15 TO RUN FOR FEDERAL DEPUTY. LOOKING DOWN ON THE SQUARE, GOVERNOR BEZERRA REMARKED TO THE REPORTING OFFICER THAT IT WAS ALL QUITE ILLEGAL. THE CAMPAIGN IS NOT SUPPOSED TO BEGIN UNTIL AFTER THE PARTIES HOLD THEIR CONVENTIONS IN LATE JULY AND EARLY AUGUST. BUT, THE GOVERNOR POINTED OUT, THE CITIZENS HAVE BEEN WAITING FOR SOME TIME FOR THIS ELECTION AND IT WOULD BE COUNTERPRODUCTIVE TO REQUIRE EVERYTHING TO BE TORN DOWN, THE WALLS TO BE SCRUBBED, ETC.

4. DESPITE THE FACT THAT THE FORMAL PARTY CONVENTIONS HAVE NOT YET BEEN HELD, MOST OF THE CANDIDATES FOR MAJOR POSITIONS ON THE RESPECTIVE SLATES HAVE, IN FACT, BEEN SELECTED. BY COMMON ACCORD THE PDS IS AHEAD AT THIS POINT IN PARAIBA AND SHOULD WIN. AS ELSEWHERE IN THE NORTH EAST, THE PDS HAS A NUMBER OF INTRINSIC ADVANTAGES IN THE CAMPAIGN. THESE ARE:

A. INCUMBENCY:

-- THE PDS CURRENTLY HOLDS SIX OF THE NINE SEATS IN THE FEDERAL CHAMBER OF DEPUTIES AND 22 OF 33 IN THE STATE

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CHAMBER. PDS MEMBERS ARE MAYORS IN 142 OF THE 171 MUNICIPALITIES AND, ON A STATE WIDE BASIS, THE PDS HOLDS MORE THAN THREE-QUARTERS (OVER 900) OF THE CITY COUNCIL (VEREADORES) POSITIONS. THE PDS IS ORGANIZED IN EVERY MUNICIPALITY IN THE STATE AS OF THIS POINT, WHILE THE PMDB, ACCORDING TO LOCAL JOURNALISTS, IS ORGANIZED IN ONLY ABOUT TWO-THIRDS OF THEM. THIS DIFFERENCE IS PARTICULARLY IMPORTANT IN VIEW OF THE FACT THAT BY LAW THE VOTER REGISTRATION EFFORT MUST BE COMPLETED BY AUGUST 6, AND VOTER REGISTRATION CAN HOLD THE KEY TO THE ELECTION THROUGHOUT THE REGION (SEE REF B). AS A RESULT OF THE LINKED VOTING SYSTEM, THE PDS TICKET SHOULD BE ABLE TO BENEFIT FROM THE BREADTH AND INTENSITY OF ITS LINKS IN THE RURAL AREAS.

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-- BOTH THE FEDERAL AND STATE GOVERNMENTS ARE IN A POSITION TO TAKE MEASURES BETWEEN NOW AND ELECTION DAY WHICH WILL AFFECT PUBLIC PERCEPTIONS OF HOW MUCH THE INCUMBENT PDS HAS BEEN DOING FOR THE STATE. FOR EXAMPLE, MINISTER OF THE INTERIOR MARIO ANDREAZZA WAS IN PARAIBA JUNE 23 AND 24 TO SIGN LOANS FOR NINE HOUSING AND INFRA-STRUCTURAL PROJECTS TOTALLING CR 11 BILLION. ANDREAZZA TOLD THE LOCAL PRESS THAT HIS MINISTRY "HAD ITS DOORS OPEN TO PARAIBA." HE FURTHER ANNOUNCED THAT LATER THIS YEAR PARAIBA WOULD RECEIVE AN ADDITIONAL CR \$5 BILLION IN FEDERAL AID FROM A VARIETY OF SPECIAL PROGRAMS (POLONORDESTE, PROJECTO SERTANEJO, PROCANOR, ETC.) OTHER GOB MINISTERS ARE SCHEDULED TO VISIT PARAIBA BETWEEN NOW AND NOVEMBER, AND GOVERNOR BEZERRA TOLD THE REPORTING OFFICER THAT WORK IS BEING SPEEDED UP ON A NUMBER OF PROJECTS NOW UNDERWAY TO PERMIT APPROPRIATE CEREMONIES TO TAKE PLACE PRIOR TO THE ELECTION. REPORTED-

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INFO AMCONSUL RIO DE JANEIRO
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AMCONSUL RECIFE POUCH

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AMCONSUL PORTO ALEGRE POUCH

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LY, FORMER GOVERNOR BURITI WILL ATTEND ALL OF THESE TO REAP SOME OF THE POLITICAL CREDIT FOR PROJECTS STARTED UNDER HIS ADMINISTRATION.

B. MONEY:

-- PMDB STATE CHAMBER LEADER FERNANDES DE LIMA TOLD THE REPORTING OFFICER THAT HIS PARTY COULD NOT COMPETE WITH THE FINANCIAL ADVANTAGE HELD BY THE PDS. SEEMINGLY RESIGNED TO THE PMDB'S LOSING THE GUBERNATORIAL RACE, FERNANDES DE LIMA ACCUSED THE BURITI ADMINISTRATION OF SKIMMING ON STATE PROJECTS TO BUILD UP CAMPAIGN FUNDS AND NOTED THAT SENIOR STATE EMPLOYEES WERE NOW CONTRIBUTING FIVE PERCENT OF THE BONUS COMPONENT OF THEIR SALARIES (GRATIFICACOES) TO THE PDS. THE PMDB HAD NO COMPARABLE SOURCE OF FUNDS, HE SAID, AND, AS A RESULT, IT WILL BE DIFFICULT FOR THE PARTY TO WIN IN THE RURAL AREAS WHERE GETTING TO VOTERS IS EXPENSIVE.

C. SPLITS WITHIN THE PMDB:

-- THE INCORPORATION OF THE PP INTO THE PMDB UNDENIABLY
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INCREASED THE POSSIBILITY OF AN OPPOSITION WIN IN THE STATE BUT IT ALSO CREATED PROBLEMS, SOME OF WHICH ARE POLITICAL AND OTHERS PERSONAL. PMDB GUBERNATORIAL CANDIDATE, FEDERAL DEPUTY ANTONIO MARIZ, WAS FORMERLY IN THE PP, WHICH IN PARAIBA WAS SMALLER AND WEAKER THAN THE PRE-INCORPORATION PMDB. ACCORDING TO A NUMBER OF SOURCES, MARIZ HAD BEEN IN THE PDS UNTIL 1980 AND IN ARENA (PDS' PREDECESSOR) BEFORE THAT. MARIZ'S POLITICAL PATRON, HIS COUSIN JOAO AGRIPIANO MAIA, WAS GOVERNOR OF THE STATE BETWEEN 1966 AND 1970. AGRIPIANO FOLLOWED MARIZ INTO THE PMDB AND MAY JOIN THE PMDB SLATE (FOR SENATOR OR DEPTUY) TO STRENGTHEN MARIZ'S CANDIDACY. BUT MANY IN THE PMDB HAVE NO LIKING FOR EITHER MARIZ OR AGRIPIANO, WHOM THEY CONSIDER PART OF THE "SYSTEM" AND OPPORTUNISTS RATHER THAN GENUINE MEMBERS OF THE OPPOSITION. A NUMBER OF PMDB ERSTWHILES ARE RESENTFUL THAT THE GUBERNATORIAL NOMINATION IS GOING TO THE JUNIOR PARTNER OF THE NEW UNION. SOME OF THESE REPORTEDLY WILL MANIFEST THIS DISCONTENT BY NOT WORKING FOR MARIZ'S CANDIDACY.

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-- INCORPORATION ALSO CREATED A NUMBER OF INCOMPATIBILITIES ON A PERSONAL LEVEL. MOST NOTABLY, PMDB FEDERAL DEPUTY MARCONDES GADELHO, A HIGHLY POPULAR FIGURE IN PARAIBA IN HIS OWN RIGHT, APPARENTLY DETESTS MARIZ. THE TWO COME FROM THE SAME MUNICIPALITY (SOUSA) AND HAVE BEEN RIVALS FOR A DECADE. AFTER MARIZ WAS SELECTED AS PMDB GUBERNATORIAL CANDIDATE, MARCONDES LEFT THE PMDB AND ACCEPTED A SUBLEGENDA FOR THE SENATE SEAT ON THE PDS TICKET. HIS IS NOW ONE OF THE MOST PROMINENT NAMES IN THE PDS CAMPAIGN. THE PMDB HAS ALSO LOST TWO STATE DEPUTIES, WHO SWITCHED TO THE PDS BECAUSE OF LOCAL PERSONAL/POLITICAL DISPUTES.

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D. THE PT FACTOR:

-- THE PT IN PARAIBA IS NOT STRONG OR WELL-ORGANIZED ENOUGH TO MAKE A MAJOR SHOWING. HOWEVER, THE STATE'S ARCHDIOCESE IS LED BY A BISHOP, DOM JOSE MARIA PIRES, CLEARLY COMMITTED TO THE DEVELOPMENT AND POLITICIZATION OF THE BASE COMMUNITIES (COMUNIDADES ECLESIAIS DE BASE). HE HAS APPARENTLY HAD SOME SUCCESS. THE BASE COMMUNITIES SHOULD PROVIDE A MEASURE OF SUPPORT TO THE PT. IN ADDITION, UNIVERSITY STUDENTS IN JOAO PESSOA TOLD THE REPORTING OFFICER THAT THE PT WOULD WIN A MAJORITY ON THE CAMPUS AND THAT A NUMBER OF STUDENTS PLAN TO HELP THE PT IN ITS ELECTORAL EFFORT IN THE FALL. THE GENERAL CONSENSUS IS THAT THE MAJORITY OF VOTES WON BY THE PT WILL BE DRAWN AWAY FROM THE PMDB. THIS COULD HELP THE PDS IN THE GUBERNATORIAL AND SENATE CONTESTS, WHICH ARE TO BE DECIDED BY A PLURALITY.

5. DESPITE THE ADVANTAGES THE PDS HOLDS, THE PMDB CANNOT YET BE WRITTEN OFF IN PARAIBA. IT HAS ITS OWN ADVANTAGES AS THE CONTEST GETS UNDERWAY. AMONG THESE ARE:

A. GENERAL DISCONTENT:

-- AS IN MUCH OF THE REST OF NORTHEAST BRAZIL, THE PERCEPTION IN PARAIBA APPEARS TO BE THAT ECONOMIC CONDITIONS ARE WORSE THAN THEY USED TO BE. THE MAN IN THE STREET IS TROUBLED BY INFLATION, INTEREST RATES AND UNEMPLOYMENT. PARAIBA HAS ALSO BEEN BADLY AFFECTED BY DROUGHT OF THE PAST THREE YEARS, ALTHOUGH MOST MIGRATION FROM THE STATE'S RURAL AREAS HAS BEEN TO URBAN CENTERS OUT OF THE STATE. THE PMDB IS EXPLOITING THE RESENTMENT WHICH OBVIOUSLY

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EXISTS IN THE POPULATION ABOUT THESE NATIONAL ECONOMIC PROBLEMS. IN ITS LITERATURE AND PUBLIC STATEMENTS IT

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TO SECSTATE WASHDC 5120
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AMCONSUL SAO PAULO POUCH
AMCONSUL RECIFE POUCH
AMCONSUL SALVADOR DA BAHIA POUCH
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IS ACCUSING THE FEDERAL GOVERNMENT OF INEPTITUDE AND FAVORING THE RICH. THE MAJOR QUESTION MARK IN THE CAMPAIGN IS THE EXTENT TO WHICH THE PMDB CAN TURN THESE SENTIMENTS INTO VOTES FOR ITS SLATE.

B. PARTY ORGAN:
-- AS ELSEWHERE IN THE NORTH EAST, MOST MEDIA OUTLETS SUPPORT THE PDS ESTABLISHMENT. BUT, UNLIKE THE SITUATION IN SOME OTHER STATES, THE PMDB IN PARAIBA HAS ITS OWN HARD HITTING WEEKLY PUBLICATION, "O MOMENTO", WHICH

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SERVES AS A COUNTERPOINT TO GOVERNMENT PROPAGANDA. THE CHIEF OF THE STATE CIVIL CABINET, JOAO PEREIRA GOMES, REFLECTING SOME CONCERN ABOUT "O MOMENTO'S" POLITICAL POTENTIAL, DESCRIBED IT TO THE REPORTING OFFICER AS A RAG AND CALLED THE PUBLISHER A COMMUNIST. HE ADMITTED, HOWEVER, THAT ITS CIRCULATION HAS INCREASED SHARPLY OVER THE PAST FEW MONTHS.

C. BURITI'S PROJECTS:

-- MANY PARAIBA VOTERS SEEM TO CONSIDER BURITI TO HAVE
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BEEN A RELATIVELY GOOD GOVERNOR. HOWEVER, DURING HIS TERM HE DEVOTED RESOURCES TO A NUMBER OF MAJOR PROJECTS WHICH THE PMDB WILL ATTACK AS WHITE ELEPHANTS. ONE, IN PARTICULAR, APPEARS VULNERABLE. USING MOSTLY FEDERAL FUNDS BURITI BUILT AN ENORMOUS AND COSTLY CULTURAL CENTER (ESPACO CULTURAL), ONE OF THE LARGEST IN SOUTH AMERICA. BUT SOME STATE FUNDS WERE ALSO UTILIZED. THE PMDB ARGUES THAT THERE WAS NO JUSTIFICATION FOR THE PROJECT AND THAT IT WILL COST THE STATE A FORTUNE ON AN ONGOING BASIS TO STAFF AND MAINTAIN IT. EVEN GOVERNOR BEZERRA SEEMED UNEASY ABOUT THE PROJECT WHEN THE REPORTING OFFICER MADE MENTION OF IT. REGARDLESS OF MERITS, THE CULTURAL CENTER AND A FEW OF THE OTHER PROJECTS BUILT BY BURITI WILL BE LOCAL CAMPAIGN ISSUES.

D. THE GUBERNATORIAL CANDIDATES:

-- DESPITE HIS PAST IDENTIFICATION WITH THE "SYSTEM" AND THE CONTROVERSY HIS NOMINATION HAS CAUSED WITHIN THE PMDB, MARIZ IS CONSIDERED TO BE AN AGGRESSIVE AND PROFESSIONAL CAMPAIGNER AND IS KNOWN AS A GOOD ORATOR. THE PMDB EXPECTS HIM TO SHINE BY COMPARISON WITH THE PDS GUBERNATORIAL CANDIDATE, FEDERAL DEPUTY WILSON BRAGA. INDEED, ACCORDING TO PMDB STATE CHAMBER LEADER FERNANDES DE LIMA, WHO HIMSELF COMES FROM THE PMDB FACTION OF THE PARTY, MARIZ WAS SELECTED AS GUBERNATORIAL CANDIDATE DESPITE THE PP FACTION'S MINORITY STATUS BECAUSE OF HIS POTENTIAL AS A VOTE GETTER. THE PMDB IS HOPING THAT MARIZ'S MODERATE IMAGE WILL ATTRACT VOTERS TO THE TICKET WHO MIGHT OTHERWISE HAVE BEEN SCARED AWAY BY THE PMDB. BY CONTRAST, WILSON BRAGA IS A SOLID, TRADITIONAL POLITICIAN WITHOUT MUCH APPARENT MAGNETISM, ALTHOUGH HE HAS BEEN REELECTED FEDERAL DEPUTY SEVERAL TIMES. PDS MAJORITY LEADER IN THE STATE CHAMBER SOARES MADRUGA TOLD THE RE-
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PORTING OFFICER THAT BRAGA HAS BEEN WORKING TOWARD THIS NOMINATION FOR 12 YEARS, ASSIDUOUSLY CULTIVATING EVERY PDS POLITICIAN IN THE STATE. ELDERLY, BALD AND BESPECTACLED, BRAGA LOOKS OUT OVER JOAO PESSOA FROM THOUSANDS OF POSTERS ALREADY PLASTERED OVER EVERYTHING IMAGINABLE WITH A GRANDFATHERLY SMILE. BY COMPARISON, MARIZ CONVEYS A MUCH MORE VIGOROUS IMAGE. THE PARAIBA PMDB PLANS TO WORK ON VOTERS WHO DO NOT WISH TO VOTE AGAINST THEIR FAVORITE LOCAL PDS OFFICIAL BUT WHO ARE ATTRACTED BY MARIZ. THEY WILL SUGGEST THAT THESE VOTERS LEAVE THE GUBERNATORIAL SPOT ON THEIR PDS BALLOTS BLANK. THIS TACTIC COULD CONCEIVABLY ELECT MARIZ EVEN IF THE REST OF THE TICKET IS DEFEATED.

6. CONCLUSION: THE BOTTOM LINE QUESTIONS IN PARAIBA ARE, HOW UPSET ARE THE MAJORITY OF VOTERS ABOUT SOCIAL AND ECONOMIC CONDITIONS? AND CAN THE PMDB MANAGE AGAINST THE POWER OF THE ENTRENCHED ELITE, TO CHANNEL EXISTING DISCONTENT INTO VOTES FOR ITS SLATE IN NOVEMBER? THE BETTING IN PARAIBA NOW IS THAT IT CANNOT. ONE REASON MAY BE THAT THERE IS NO CLEAR IDEOLOGICAL DISTINCTION BETWEEN THE MAJOR PARTIES IN PARAIBA AND IN THE ABSENCE OF IDEAS THE POWER OF THE ENTRENCHED ESTABLISHMENT LOOMS THAT MUCH LARGER.

7. DRAFTED BY ROBERT C. FELDER.MOTLEY

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REVEAL SYMPATHIES WITH THE SOVIET BLOCK AND ANTI-FAITH
TOWARD THE WEST AND THE RIGHT TO PRIVATE PROPERTY. HE
WAS AT PAINSTO PORTRAY HIMSELF AS A MAN OF THE THIRD WORLD
ACCEPTING FULLY THE SYSTEMS OF NEITHER THE EAST NOR WEST
DEVELOPED WORLD, BUT RATHER LOOKING FOR SOME STILL-
UNDEFINED INDIGENOUS BRAZILIAN SOLUTION.

2. (U) BEGIN TEXT.

WORDS OF THE NEW LULA

VISAO: SOME TIME AGO THE PRESENCE OF PRIESTS AND
STUDENTS IN THE UNION ASSEMBLIES BOTHERED YOU. NOW THE
PT IS FULL OF PRIESTS AND STUDENTS. WHAT CHANGED?

LUIS INACIO LULA DA SILVA: I DIDN'T AGREE IN THE
PAST, AS I STILL DON'T AGREE NOWADAYS, THAT ANY OTHER
SECTOR SHOULD TRY TO DIRECT THE WORKING CLASS IN THEIR
SPECIFIC BATTLES. THIS POSITION OF MINE STILL STANDS.
HOWEVER, A POLITICAL PARTY IS SOMETHING OF A MUCH WIDER
SCOPE THAT HAS AS AN OBJECTIVE A SOCIAL PROJECT, AN
OVER-ALL PROJECT.

VISAO: AND WHAT EXACTLY IS THIS OVER-ALL PROJECT
PROPOSED BY PT?

LULA: WE ARE CONCERNED WITH THE CONSTRUCTION OF
A JUST AND EGALITARIAN SOCIETY. I BELIEVE PT'S OBJECTIVE
SHOULD BE A SOCIALIST SOCIETY. BUT WITHIN THE PARTY
IT IS CLEAR THAT IT IS STILL TOO EARLY TO DEFINE THIS
KIND OF SOCIETY. WE UNDERSTAND THAT THE WORKING CLASS
NEEDS TO TAKE PART IN THIS DECISION.

VISAO: WHAT KIND OF SOCIALISM WOULD BE THAT OF THE
PT?

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LULA: A SOCIALISM COMMANDED EFFECTIVELY BY THE
WORKING CLASS AND IN WHICH INDIVIDUAL LIBERTIES ARE MAIN-
TAINED. AND WHAT IS OF IMPORTANCE IN OUR PROPOSAL FOR
SOCIAL JUSTICE IS THAT THE WORKERS MAY DISCUSS THEIR
SHARING IN THE COMPANY'S PROFITS, THAT THEY HAVE A GOOD
HOME, DECENT TRANSPORTATION, LEISURE, AT LEAST REASONABLE
MEDICAL ASSISTANCE, LAND TO CULTIVATE.

VISAO: IS PT'S SOCIALISM OF THE SOCIAL-DEMOCRATIC
LINE?

LULA: NO. SOCIAL-DEMOCRACY IS ONLY POSSIBLE IN
EUROPE. AND THEN ONLY BECAUSE OF THE MISERY IMPOSED BY
THEM ON THE LESS DEVELOPED NATIONS. TO ME IT IS CLEAR
THAT THE GOOD STANDARD OF LIFE THAT AMERICANS GIVE TO
AMERICANS, SWEDISH GIVE TO SWEDISH AND GERMANS TO GERMANS,
EXIST DUE TO THE EXPLOITATION OF THE COUNTRIES OF LATIN

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AMERICA, ASIA AND AFRICA.

- VISAO: WOULD THEN PT'S FINAL OBJECTIVE BE COMUNISM?

- LULA: I REPEAT: IT IS A SOCIALIST SOCIETY. A
SCIOALISM IN WHICH THE WORKING CLASS MAY DEFINE WHAT
TYPE OF SOCIALISM IT WANTS.

- VISAO: IN THE COUNTRIES IN WHICH NOMINALLY THE
"WORKING CLASS" HAS GOTTEN HOLD OF THE POWER, INDIVIDUAL
LIBERTIES WERE NEVER MAINTAINED. POLAND FOR EXAMPLE.

- LULA: POLAND DEMONSTRATES WHAT PT DEFENDS. THAT IS
IT DOESN'T MATTER WHAT MIGHT BE THE POLITICAL SYSTEM,
WHAT MATTERS IS THE GUARANTEE THAT THERE SHOULD BE LIBERTY
FOR THE PEOPLE.

- VISAO: BUT IS IT POSSIBLE TO MAINTAIN LIBERTY
WITHOUT MAINTAINING THE RIGHT TO PROPERTY?

- LULA: WHAT PT DEFENDS IS THE PRIVATE PROPERTY FOR
ALL AND NOT FOR HALF A DOZEN PEOPLE. ALL HAVE THE RIGHT
TO A HOUSE, SOME LAND TO CULTIVATE.

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R 271527Z JUL 82
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TO SECSTATE WASHDC 5419
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMCONSUL RECIFE POUCH

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AMCONSUL SALVADOR DA BAHIA POUCH
AMCONSUL PORTO ALEGRE POUCH

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- VISAO: WHAT ABOUT THE BIG PROPERITES?
- LULA: THERE IS ONLY ONE PRINCIPLE: WE CANNOT, IN ANY WAY, ACCEPT THE EXPLOITATION OF MAN BY MAN. PROPERTY SHOULD EXIST AS LONG AS IT DOES NOT ENSLAVE PEOPLE.
- VISAO: WHAT PLACE DOES FREE INITIATIVE HAVE IN THE SOCIETY PROPOSED BY PT?
- LULA: WHEN WE TALK OF THE QUESTION OF PRIVATE PROPERTY, WE ARE REFERRING TO BIG PROPERTIES. WE ARE NOT CONCERNED W/TAKING AWAY THE CORNER BAR, THE 20 "ALQUEIRE" PLOT OF LAND OR SOMETHING OF THE KIND. WE ARE CONCERNED WITH THE BANKS THAT ARE EARNING ALL THE MONEY, THE BIG MONOPOLIES, THE LATIFUNDIA.
- VISAO: WHAT DO YOU THINK OF THE DICTATORSHIP OF THE PROLETARIAT?
- LULA: I DON'T CONSIDER THAT EXPRESSION TO BE CORRECT. I BELIEVE THE DAY THE PROLETARIAT TAKES OVER POWER, THERE WILL BE DEMOCRACY, TAKEN TO THE LAST CONSEQUENCES. THE MAJORITY SHOULD DETERMINE THE TYPE OF SOCIETY, THE TYPE OF PRODUCTION. THE MAJORITY DETERMINES EVERYTHING.

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- VISAO: HITLER WAS ELECTED BY A MAJORITY AND HE WASN'T EXACTLY A DEMOCRAT.
- LULA: I DON'T THINK YOU CAN USE HITLER'S EXAMPLE. WE COULD USE OTHER THOUSANDS OF EXAMPLES THAT ATTEST TO THE TRUTH OF MY CONCERNS. THE PEOPLE OF SAO PAULO HAVE LESS CHANCE OF MAKING A MISTAKE IN THE ELECTION FOR GOVERNOR, THAN 700 DELEGATES OF A PARTY SUSCEPTIBLE TO THE ADMINISTRATIVE MACHINE. ANYWAY, THE PEOPLE HAVE THE RIGHT TO BE VICTIMS OF THEIR OWN MISTAKES.
- VISAO: THE GERMAN PEOPLE HAD MILLIONS OF VICTIMS MASSACRED BECAUSE OF ETHNIC ORIGINS OR OPINIONS THAT DIFFERED FROM THOSE OF THE OFFICIALS.
- LULA: WHAT I'M SAYING IS THIS: THE PEOPLE HAVE A LOT LESS POSSIBILITY OF MAKING A MISTAKE. I DEFEND THE RIGHT OF PEOPLE TO MANIFEST THEMSELVES FREELY, OF STATING THEIR OPINIONS. FINALLY, I DEFEND A PLURALIST SOCIETY. WHAT I CAN'T TAKE IS ALWAYS HEARING THE SAME THING, THAT WHEN THE WORKERS REACH POWER, THERE WILL BE A PROLETARIAT DICTATORSHIP. I THINK THAT THE PEOPLE SHOULD

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PARTICIPATE IN THE DECISIONS.

- VISAO: WHERE DO THE PEOPLE HAVE MORE LIBERTY? IN SOCIALIST COUNTRIES LIKE POLAND AND SOVIET UNION, OR IN OCCIDENTAL NATIONS LIKE ENGLAND AND THE UNITED STATES?

- LULA: I CAN'T TALK ABOUT WHAT I DON'T KNOW. I DON'T KNOW, FOR EXAMPLE, THE SOVIET UNION OR CHINA, AS I DON'T KNOW POLAND. I BELIEVE, THOUGH, THAT THERE ARE SOCIALIST COUNTRIES IN WHICH THE PEOPLE HAVE LIBERTY.

- VISAO: FOR EXAMPLE?

- LULA: I BELIEVE THERE IS LIBERTY IN CUBA.

- VISAO: WHY DO YOU BELIEVE THAT?

- LULA: FROM CONVERSATIONS WITH OTHER PEOPLE. I DON'T KNOW CUBA PERSONALLY.

- VISAO: HOW CAN YOU SUPPORT A POLITICAL SYSTEM
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WITHOUT KNOWING IT?

- LULA: I'M NOT DEFINING CUBA'S SOCIALIST EXPERIENCE. I THINK THE PEOPLE OF CUBA HAVE CAPACITY TO DECIDE, TO DEFINE THEIR OWN SOCIALIST PROPOSAL. ONLY THROUGH A LOT OF DISCUSSIONS ARE WE GOING TO REACH A SOCIETY THAT SUITS ALL. WHAT I CAN'T DO IS IMPOSE, THROUGH THE USE OF ARMS, THE KIND OF SOCIETY THAT SHOULD EXIST IN BRAZIL.

- VISAO: BUT THE COMUNIST COUNTRIES HAD THEIR SYSTEM IMPOSED BY WEAPONS.

- LULA: THE SAME HAS HAPPENED WITH A LOT OF CAPITALIST COUNTRIES. I THINK THAT BOTH EXTREMES ARE BAD. I WANT A SOCIALISM WHERE EFFECTIVELY THERE IS DEMOCARCY SO THAT PEOPLE MIGHT BE FOR OR AGAINST THINGS. I'M AGAINST AUTHORITARIANISM.

- VISAO: THE COMUNIST EXPERIENCE IS MORE THAN HALF A CENTURY OLD. AND IT HAS ALWAYS BEEN AUTHORITARIAN, IT ALWAYS DISRESPECTED LIBERTIES.

- LULA: THIS TIME IS STILL SHORT. WE HAVE MORE TIME, MANY CENTURIES, OF CAPITALIST EXPERIENCE. WHAT I MEAN, IN SHORT, IS THAT IT IS PRACTICALLY IMPOSSIBLE TO REPEAT IN BRAZIL WHAT HAS ALREADY HAPPENED IN OTHER COUNTRIES. I THINK WE HAVE TO START OUT FROM THE CULTURE OF OUR PEOPLE, FROM THE DIFFERENCES THAT WE HAVE IN RELATION TO THE OTHERS. I ALWAYS INSIST ON THIS POINT: IT IS EARLY FOR US TO HAVE IN THE PARTY AN IDEOLOGIC DEFINITION, SOME THING WITH A DEFINITE FORM. IT IS NECESSARY THAT THERE BE MILLIONS OF WORKERS DISCUSSING THIS DEFINITION. OTHERWISE, WE GO BACK TO THE MERE CULT OF THEORY.

- VISAO: IS THAT A CRITICISM OF THE TRADITIONAL COMMUNIST PARTIES?

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- LULA: MANY OF THE SO-CALLED ~~OPPOSITION PARTIES~~
THINK THAT THE WORKING CLASS IS THEIR PRIVATE BUSINESS,

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R 271527Z JUL 82
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 5420
INFO AMCONSUL RIO DE JANEIRO
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AMCONSUL RECIFE POUCH
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AMCONSUL PORTO ALEGRE POUCH

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THAT THEY MONOPOLIZE THE WORKING CLASS. OBVIOUSLY, I
DON'T AGREE: THE WORKING CLASS' PARTY IS THE ONE THAT TH
CLASS ITSELF CREATES. MOTLEY

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AMCONSUL RECIFE POUCH
AMCONSUL SALVADOR DA BAHIA POUCH

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E.O. 12356: DECL: 10/15/88
TAGS: PGOV, PINT, BR
SUBJECT: CAMPAIGN 82: PROPAGANDA, MONEY, AND A SOUPCON
- OF VIOLENCE

REF: BRASILIA 7667

1. (C) SUMMARY: THE CAMPAIGN CONTINUES WITH LITTLE
INNOVATION IN TECHNIQUES FROM THOSE REPORTED PREVIOUSLY.
THE FREE ELECTION PROPAGANDA TIME PROVIDED UNDER THE
FALCAO LAW IS BEING USED IN A SOMEWHAT LESS OBNOXIOUS
WAY THAN IN 1978, WITH SOME CANDIDATES RELINQUISHING THEIR
TIME SO AS NOT TO INTERRUPT POPULAR TV SHOWS. THE TWO
BIG PARTIES, PARTICULARLY THE PDS, ARE SPENDING LARGE
SUMS OF MONEY, THE EXACT SOURCE OF WHICH IS DIFFICULT TO
DETERMINE, ALTHOUGH EVERYONE BELIEVES THE GOVERNMENT IS
FINANCING THE PDS CAMPAIGN. INDIVIDUAL AND CORPORATE
CONTRIBUTIONS AND FUND RAISERS ARE ALSO IMPORTANT SOURCES.
WE HAVE SEEN LITTLE TO INDICATE THAT FOREIGN-ORIGIN FUNDS
ARE A SIGNIFICANT FACTOR, EXCEPT POSSIBLY FOR BRIZOLA,
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WHO RUMORED TO BE GETTING MONEY FROM WEST EUROPEAN
SOCIALIST SOURCE. THERE HAVE BEEN SOME INCIDENTS OF
VIOLENCE, APPARENTLY GROWING OUT OF PERSONAL ANIMOSITIES
AND LOCAL FEUDS. END SUMMARY.

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: DAVID W COX
DATE/CASE ID: 18 JAN 2008 200503114

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2. (U) THERE HAVE BEEN FEW INNOVATIONS IN CAMPAIGN TECHNIQUES THIS YEAR, AND CANDIDATES ARE STICKING TO THE TRIED AND TRUE: PUBLIC RALLIES, PROMENADES, DIRECT MAIL, OUTDOOR ADVERTISING, AND DISTRIBUTION OF CAMPAIGN LITERATURE AND PRINTED T-SHIRTS, CAPS, ETC. THE MOST NOTABLE METHOD IS THE INCREDIBLY PROFLIGATE USE OF POSTERS AND POLITICAL GRAFFITI WHICH HAVE BEEN PLASTERED OVER EVERY SURFACE THAT DOESN'T MOVE. THE SHEER VOLUME OF POSTERS HAS MADE THE PRINTING AND PAPER INDUSTRIES ONE OF THE FEW BRIGHT SPOTS IN THE STAGNANT BRAZILIAN ECONOMY.

3. (U) SINCE THE FALCAO LAW TOOK EFFECT ON SEPTEMBER 14 TELEVISION AND RADIO STATIONS HAVE BEEN BROADCASTING AT PRESCRIBED HOURS TAPED LISTS SUPPLIED BY THE PARTIES GIVING THE CURRICULA VITAE OF THE CANDIDATES ACCOMPANIED BY CATCHY MUSIC. CANDIDATES HAVE AVOIDED INTERRUPTION OF POPULAR TV PROGRAMS BY VOICING OVER, FOR EXAMPLE, "CANDIDATE X CEDES THIS TIME TO THE VOLLEYBALL GAME," IN ORDER TO AVOID ANTAGONIZING VIEWERS. IN SAO PAULO, THE PMDB TRIED TO TEST THE LAW'S LIMITS WITH TAPES USING A VOICE-OVER BY GUBERNATORIAL CANDIDATE FRANCO MONTORO. THIS WAS IMMEDIATELY CHALLENGED BY THE PDS AND SUBSEQUENTLY WITHDRAWN, BUT THE PMDB HAS OTHER FILMS READY IF IT CAN GET AWAY WITH A "CREATIVE INTERPRETATION" OF THE LAW.

4. (C) NEWSPAPER ENDORSEMENTS ARE NOT AS COMMONLY MADE IN BRAZIL AS IN THE US, AND MOST MAJOR PAPERS
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TEND TO AVOID SPECIFIC ENDORSEMENTS OF CANDIDATES. THERE ARE SOME EXCEPTIONS, FOR EXAMPLE, IN RIO CHAGAS FREITAS' MASS CIRCULATION O DIA, WHICH (UNTIL THE RECENT RIFT) HAD BEEN ASSIDUOUSLY THUMPING FOR MIRO TEIXEIRA, AND THE RIGHT-WING TABLOID ULTIMA HORA, WHICH ODDLY HAS RECENTLY HAD NICE THINGS TO SAY ABOUT BRIZOLA AND PT CANDIDATE LYSANEAS MACIEL, LEADING TO SPECULATION THAT THE GOVERNMENT WAS BEHIND THIS AS PART OF AN ATTEMPT TO SPLIT THE OPPOSITION. NEWSPAPER ADS ARE STILL BEING USED SPARINGLY, PROBABLY BECAUSE THE PARTIES WANT TO CONSERVE THEIR RESOURCES FOR A LAST-MINUTE BLITZ.

5. (C) WHERE THE MONEY COMES FROM IS DIFFICULT TO DETERMINE WITH MUCH PRECISION. IN GENERAL, THE PDS CAMPAIGN SEEMS TO BE SUFFERING NO SHORTAGE OF FUNDS,

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WHICH LENDS CREDIBILITY TO THE VIRTUALLY UNIVERSAL BELIEF THAT THE GOVERNMENT IS PUTTING UP MOST OF THE CAMPAIGN MONEY, THOUGH EXACTLY WHICH PARTS OF THE BUDGET ARE BEING TAPPED IS ALMOST IMPOSSIBLE TO FIND OUT. CORPORATE CONTRIBUTIONS ARE NOT PERMITTED BY LAW, BUT CANDIDATES HAVE TOLD US THAT COMPANIES FREQUENTLY CONTRIBUTE TO BOTH SIDES -- GIVING MORE TO THE ONE THEY THINK WILL WIN, BUT SOME TO THE OTHER JUST IN CASE. INDIVIDUALS ALSO CONTRIBUTE, AND THERE HAVE BEEN VARIOUS FUND-RAISING CONCERTS, LOTTERIES, RAFFLES, ETC., TO RAISE MONEY. THE SMALLER PARTIES GET THE SHORT END OF THE STICK WHEN IT COMES TO CONTRIBUTIONS -- EVEN THE PT SEEMS STRAPPED FOR FUNDS IN MOST PLACES. CONGEN SAO PAULO HAS BEEN TOLD BY VARIOUS SOURCES THAT JANIO QUADROS' CAMPAIGN IS BEING BACKED BY DELFIM NETTO -- MORE FOR PERSONAL POLITICAL INTERESTS THAN TO HELP THE PDS. THERE ARE ALSO STORIES THAT THE PT IS

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FM AMEMBASSY BRASILIA
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INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMCONSUL PORTO ALEGRE POUCH

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AMCONSUL SALVADOR DA BAHIA POUCH

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RECEIVING FUNDS FROM THE PDS. IT IS WIDELY BELIEVED (THOUGH WE HAVE NO CONFIRMATION) THAT BRIZOLA IS RECEIVING MONEY FROM EUROPEAN SOCIALIST SOURCES, BUT THERE IS LITTLE ELSE TO INDICATE THAT FOREIGN FUNDS ARE A SIGNIFICANT ITEM.

6. (C) THE COST OF THE CAMPAIGN MAY SEEM RELATIVELY MODEST BY US STANDARDS, BUT IN BRAZILIAN TERMS MAJOR CANDIDATES IN THE IMPORTANT STATES ARE SPENDING BIG BUCKS. A PDS CAMPAIGN COORDINATOR TOLD CONGEN SAO PAULO EARLY IN THE RACE THAT THE TWO MAJOR PARTIES WOULD BE SPENDING AT LEAST US DOLLARS 6 MILLION ON THE GOVERNOR'S RACE. MALUF MAY BE SPENDING THAT MUCH HIMSELF IN RUNNING FOR FEDERAL DEPUTY, AND HIS CAMPAIGN PARTNER JOSE PAPA, JR., A SENATORIAL CANDIDATE, IS ANOTHER BIG SPENDER. THE OPPOSITION CLAIMS THE PDS IS SPENDING US DOLLARS 25 MILLION IN MINAS GERAIS, WHICH EVEN IF DISCOUNTED BY HALF, IS STILL A LOT OF CRUZEIROS. THE MAJOR REASON THAT COSTS ARE NOT EVEN HIGHER IS THE PROHIBITION OF PAID TV AND

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RADIO ADVERTISING UNDER THE FALCAO LAW.

7. (C) THE CAMPAIGN HAS BEEN MARRED BY SOME VIOLENCE, BUT SO FAR INCIDENTS HAVE BEEN RELATIVELY FEW. TWO WEEKS AGO, A BUS CARRYING MARCOS FREIRE AND OTHER PMDB CANDIDATES WAS SHOT AT IN RURAL PERNAMBUCO, AND A PDS SUPPORTER ATTEMPTED TO KILL PADRE LOUVOR, A CANDIDATE FOR STATE DEPUTY, AT A PMDB RALLY IN THE INTERIOR OF THE STATE. ON OCTOBER 14 IN A REMOTE TOWN IN PARA STATE, A SHOOT-OUT TOOK PLACE AT A RALLY FOR PDS FEDERAL DEPUTY CANDIDATE MAJOR CURIO (WHO HAS BEEN A CONTROVERSIAL FIGURE IN LAND DISPUTES BOTH IN PARA AND RIO GRANDE DO SUL), RESULTING IN ONE DEATH AND SEVERAL INJURIES. ON THE SAME DAY, THE PMDB GUBERNATORIAL CANDIDATE IN GOIAS, IRIS RESENDE, WAS FIRED UPON AT CLOSE RANGE BY A PDS CITY COUNCILMAN CANDIDATE IN A SMALL TOWN IN THE NORTHERN PART OF THE STATE BUT WAS NOT HIT. ON OCTOBER 13, AN AIRPLANE CARRYING PDS SENATORIAL CANDIDATE JOAO CASTELO WAS PIERCED BY A BULLET IN THE INTERIOR OF MARANHAO. THERE HAS BEEN

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NO EVIDENCE THAT FEDERAL OR STATE GOVERNMENT AUTHORITIES HAVE PARTICIPATED IN OR CONDONED THESE ATTEMPTS, AND THEY SEEM TO BE THE OUTGROWTH OF PERSONAL ANIMOSITIES OR LOCAL FEUDS. HOWEVER, PMDB GUBERNATORIAL AND SENATE CANDIDATES GILBERTO MESTRINHO AND FABIO LUCENA HAVE PUBLICLY ACCUSED REAR ADMIRAL ROBERTO GAMA E SILVA (PRESIDENT OF THE EXECUTIVE COMMITTEE FOR THE LOWER AMAZON) OF PLOTTING TO ASSASSINATE THEM AND HAVE PUBLISHED DOCUMENTARY EVIDENCE WHICH THEY CLAIM SUPPORTS THE ACCUSATION. MINISTER FOR LAND TENURE AFFAIRS (AND FORMER PRESIDENTIAL MILITARY CABINET CHIEF) VENTURINI SENT MESTRINHO AND LUCENA A TELEGRAM ASSURING THEM THAT THEY WOULD SUFFER "NO HARM TO THEIR PERSONAL SECURITY THROUGH THE ACTIONS OF REAR ADMIRAL

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GAMA E SILVA OR ANY FEDERAL AUTHORITY."

8. (U) CONTRIBUTIONS FROM CONSTITUENT POSTS USED IN PREPARING THIS CABLE WILL BE POUCHED SEPARATELY TO ARA/BR. KOPP

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BRAZIL AND IN SOME AREAS, PARTICULARLY THE NORTHEAST, IS SO MUCH AN INTEGRAL ELEMENT THAT IT CARRIES RELATIVELY LITTLE PEJORATIVE CONNOTATION. STATE JOBS AND PUBLIC WORKS ARE EXPECTED TO BE USED TO REWARD FRIENDS AND WIN OVER NEW ALLIES.

4. IN SAO PAULO, FOR EXAMPLE, PATRONAGE GEARED TO WINNING VOTES FOR THE GOVERNMENT PARTY (PDS) HAS BEEN THE PROVINCE OF THE STATE AND MUNICIPAL GOVERNMENTS. THE STATE AND CITY "SECRETARIAS" FOR HEALTH, EDUCATION, TRANSPORTATION, SOCIAL WELFARE, AND AGRICULTURE HAVE ALL BEEN ACTIVE IN INAUGURATING NEW PROJECTS IN THE CAPITAL AND SMALLER CITIES SCATTERED THROUGHOUT THE STATE.

-
THE MOST POPULAR TYPES OF PROJECTS ARE PUBLIC WORKS SUCH AS ROAD REPAIR AND STREET DRAINAGE SYSTEMS, DAY CARE AND COMMUNITY CENTERS, PUBLIC HOUSING PROJECTS, PRODUCE MARKETS, AND VERMIN AND POLLUTION CONTROL CAMPAIGNS. SOME NEW BUS STATIONS HAVE BEEN OPENED AND THE CITY OF SAO PAULO IS PUSHING A YOUTH EMPLOYMENT PROGRAM.

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ONE OF THE MOST EXPENSIVE POTENTIAL VOTE-GETTERS SO FAR HAS BEEN A 300 MILLION CRUZEIRO (U.S. DLS 1 1/2 MILLION) LOAN FROM BADESP (SAO PAULO STATE DEVELOPMENT BANK) TO FOUR COMPANIES WHOSE HEAVY POLLUTION HAS BEEN THE SUBJECT OF COMPLAINT FOR YEARS. THE LOAN IS TO BE USED TO INSTALL ANTI-POLLUTION DEVICES. SAO PAULO STATE GOVERNOR JOSE MARIA MARIN (PDS) TOOK THE OPPORTUNITY TO POINT OUT THAT EMPLOYEES AND RESIDENTS IN THE
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NEIGHBORHOOD OF THESE FIRMS WOULD ENJOY THE BENEFITS OF IMPROVED HEALTH AS WELL AS INCREASED EMPLOYMENT AS A RESULT OF THE LOAN.

5. IN BAHIA, EARLY IN THE CAMPAIGN GOVERNOR MAGALHAES BEGAN LOADING THE STATE PAYROLL WITH A REPORTED 20,000 ADDITIONAL EMPLOYEES. THE PMDB REACTED, NOT BY CRITICIZING THE HIRING PROCESS OR THE POTENTIAL WASTE OF STATE FUNDS, BUT BY CHARGING THAT THE NEW WORKERS WOULD BE LET GO AFTER THE ELECTION. SIMILARLY, THE OPPOSITION HAS REFRAINED FROM STRONG CRITICISM OF THE STEADY STREAM OF WELL-PUBLICIZED PUBLIC WORKS INITIATION OR COMPLETION CEREMONIES PRESIDED OVER BY THE GOVERNOR, WITH THE PDS GUBERNATORIAL CANDIDATE AT HIS SIDE. PROBABLY THE MOST EFFECTIVE PROGRAM FOR THE PDS HAS

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BEEN THE EXPANSION OF THE CESTAS DO POVO STORES WHICH SELL BASIC FOOD ITEMS AT PRICES PURPORTEDLY WELL BELOW THOSE PREVAILING IN PRIVATE STORES. ALTHOUGH CRITICIZED FOR OFFERING SECOND-RATE PRODUCTS AND FOR CHARGING TOO MUCH, THE CESTAS DO POVO GENERALLY HAVE BEEN WELL RECEIVED, AND MAGALHAES HAS CLOSELY IDENTIFIED HIS OWN ADMINISTRATION AND THAT OF HIS HOPED-FOR PDS SUCCESSOR WITH THE PROGRAM.

6. THE USE OF PATRONAGE IS PARTICULARLY EFFECTIVE IN LOW-INCOME AREAS WHERE THE PDS IS MAINTAINING HIGH VISIBILITY. WHILE ALL OF THE PARTIES HAVE CAMPAIGNED IN POOR AREAS, BOTH RURAL AND URBAN, THE WELL-FINANCED GOVERNMENT POLITICAL MACHINE HAS USED ITS ADVANTAGE TO WIN THE HEARTS AND VOTES OF THE ECONOMICALLY DIS-ADVANTAGED VOTER. PUBLIC HOUSING PROJECTS, DAY CARE CENTERS, AND SUBSIDIZED FOOD SALES ARE ALL AIMED DIRECTLY

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ACTION ARA-16

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AMCONSUL SAO PAULO
AMCONSUL PORTO ALEGRE POUCH

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AMCONSUL SALVADOR DA BAHIA POUCH

C O N F I D E N T I A L SECTION 02 OF 02 BRASILIA 09278

AT THIS SEGMENT OF THE ELECTORATE, AND WHILE THE OTHER PARTIES GIVE AWAY T-SHIRTS AND BROOMS, THE OPPOSITION CAN'T HOPE TO COMPETE WITH THIS TYPE OF CAMPAIGN STRATEGY. THE PDS IS ALSO STRONG IN POOR RURAL AREAS FOR THE SAME REASONS.

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THE OPPOSITION PARTIES ARE BENEFITTING FROM THE DISSATISFACTION WITH THE GOVT OF THESE SAME VOTERS, WHO, DESPITE A GENERAL LACK OF EDUCATION, ARE SAID TO REALIZE THAT MUCH OF THIS SUDDEN GOVERNMENT BENEVOLENCE IS FOR THE PURPOSE OF GARNERING VOTES. THE PMDB IS PLAYING ON THE "TIME FOR A CHANGE" THEME, WHILE THE PT IS USING THE "COMMON MAN" IDEA. ALL THE PARTIES HAVE BEEN SAVVY ENOUGH TO REALIZE THAT COMPLICATED IDEOLOGY HAS NO PLACE IN CAMPAIGNING IN POOR AREAS. OPINION POLLS SHOW THAT THE PDS TENDS TO HAVE MORE SUPPORT PROPORTIONATELY AMONG LOWER INCOME URBAN AND RURAL GROUPS THAN IN MIDDLE AND UPPER INCOME GROUPS.

7. THE FACT THAT THOSE WHO DON'T VOTE ARE SUBJECT TO
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A FINE SHOULD BE A GREATER INCENTIVE IN LOW INCOME NEIGHBORHOODS THAN OTHERS, AND IT IS PROBABLE THAT MOST VOTERS IN THESE AREAS WILL EXERCISE THEIR OPTION. THE GOVERNMENT HAS MOUNTED VOTER EDUCATION CAMPAIGNS TO EXPLAIN VINCULACAO, AND ALL THE PARTIES ARE STRESSING THE IMPORTANCE OF CORRECT VOTING PROCEDURE IN THEIR CAMPAIGN ADVERTISING. THE HOLDING OF THE ELECTION ON A HOLIDAY, NUMEROUS POLLING PLACES AND EFFORTS TO MAINTAIN EFFICIENT TRANSPORTATION NETWORKS ON ELECTION DAY SHOULD CONTRIBUTE GREATLY TO THE VOTER TURNOUT AMONG THE POOR.

8. IN SAO PAULO THE PDS IS TRYING TO ENSURE THE VOTE OF STATE AND MUNICIPAL WORKERS BY SEVERAL MEANS. ON OCTOBER 19 GOVERNOR MARIN SENT A BILL TO THE STATE LEGISLATURE WHICH WILL EASE JOB TENURE REQUIREMENTS FOR A LARGE NUMBER OF STATE WORKERS. IT WILL ALSO GIVE CREDIT TOWARD RETIREMENT FOR YEARS WORKED IN OTHER STATE AND MUNICIPAL GOVERNMENTS. A POSSIBLE

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"EMERGENCY" RAISE OF 10 TO 20 THOUSAND CROZETELOS (US DOLS 50 TO 100) PER MONTH, TO BE IMPLEMENTED BEFORE THE ELECTIONS, HAS ALSO BEEN TOUTED BY GOVERNMENT SPOKESMEN. ON THE SAME DAY MARIN SIGNED THE PROPOSED BILL FOR STATE WORKERS, MUNICIPAL WORKERS WERE INFORMED THAT THEY WOULD NOW BE EXEMPT FROM ANY CHARGES FOR TREATMENT AT THE CITY HOSPITAL. APPARENTLY THE PDS IS PREPARED TO TAKE EXTENSIVE MEASURES, NO MATTER HOW EXPENSIVE, TO ENSURE THE VOTE OF THIS SECTOR.

9. OBVIOUSLY THIS KIND OF ELECTIONEERING IS THE TARGET OF CRITICISM FROM THE PRESS AND OPPOSITION PARTIES. IN SOME CASES THE PDS HAS ENDED UP WITH EGG ON ITS FACE DUE TO ITS FRENZY TO INAUGURATE AS MANY NEW PROJECTS

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AS POSSIBLE BEFORE THE ELECTION (I.E., HOUSING PROJECTS TURNED OVER TO RESIDENTS WITHOUT UTILITIES, DAY CARE CENTERS OPENED WITH NO BUDGET FOR SALARIES OR MAINTENANCE, ETC.). ALMOST EVERY NEW PROJECT IS ATTACKED AS "ELEICOEIRA" (ELECTIONEERING) BY THE PRESS AND OPPOSITION, BUT THE FACT REMAINS THAT MANY PEOPLE ARE DERIVING REAL BENEFITS FROM THESE PROJECTS. VOTERS ARE MORE LIKELY TO REMEMBER MONEY IN THEIR POCKETS AND IMPROVEMENT IN THEIR NEIGHBORHOODS THAN CHARGES OF ELECTIONEERING.

10. ALTHOUGH THE VOTING WILL TAKE PLACE ON NOVEMBER 15, THE RESULTS WILL BE SLOW IN APPEARING. ALL BALLOTS MUST BE HAND COUNTED, AND THOSE FROM REMOTE AREAS MAY TAKE DAYS TO ARRIVE AT REGIONAL ELECTORAL TRIBUNALS WHERE THE COUNT WILL BE CERTIFIED. WE EXPECT TO KNOW WHO WON THE GUBERNATORIAL AND SENATORIAL RACES IN MAJOR STATES WITHIN 2-3 DAYS AFTER THE BALLOTING. THE CONGRESSIONAL RACES WILL TAKE CONSIDERABLY LONGER AS THEY ARE BASED ON PROPORTIONAL REPRESENTATION AND THUS REQUIRE THE FULL COUNT BEFORE BEING APPORTIONED AMONG THE PARTIES THIS WILL PROBABLY TAKE AT LEAST A WEEK. CHALLENGES COULD DELAY THE FINAL PUBLICATION OF THE RESULTS WHICH MIGHT WELL TAKE A FULL MONTH.

11. THIS REPORT IS BASED PRIMARILY ON CONTRIBUTIONS FROM CONGEN SAO PAULO AND AMCONSUL SALVADOR DA BAHIA.

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AMCONSUL PORTO ALEGRE POUCH
AMCONSUL RECIFE POUCH
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C O N F I D E N T I A L SECTION 01 OF 02 BRASILIA 01186

DEPT FOR ARA/BR, ARA/RPP, S/IL

DEPT PASS DOL I/LAB

E.O. 12356: DECL: 02/08/93
TAGS: ELAB, BR
SUBJECT: LABOR POLITICS

1. (C - ENTIRE TEXT.)

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2. SUMMARY: LABOR UNION POLITICS IN BRAZIL ARE FOCUS-
CUSSING ON THE PRESIDENTIAL ELECTION IN THE EIGHT
MILLION MEMBER NATIONAL CONFEDERATION OF INDUSTRIAL
WORKERS (CNTI). THE CNTI'S GOVERNMENT-LINING CURRENT
PRESIDENT, ARI CAMPISTA, APPEARS LIKELY TO DEFEAT HIS
MODERATE OPPOSITION. THIS BATTLE HAS SHIFTED ATTENTION
AWAY FROM THE FORMATION OF A NATIONAL LABOR CENTRAL AND
CONCLAT II. MEANWHILE UNION AND NATIONAL POLITICS MAY
TEAM UP TO REINTRODUCE "LULA" DA SILVA TO THE SAO
BERNARDO METALWORKERS UNION. SHOULD LULA AGAIN REACH
THE LABOR FOREFRONT, FURTHER STRIKES AND LABOR STOP-
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PAGES COULD RESULT. END SUMMARY.

3. THE APRIL ELECTION OF THE PRESIDENT OF THE EIGHT
MILLION MEMBER CNTI APPARENTLY IS BEING WON BY ARI

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REVIEW AUTHORITY: DAVID W COX
DATE/CASE ID: 18 JAN 2008 200503114

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CAMPISTA, WHO HAS BEEN THE MAJOR FORCE IN THE CONFEDERATION SINCE 1964. THE SUAVE, DAPPER 71-YEAR-OLD ARI APPEARS TO HAVE TIED UP THE VOTES OF ENOUGH NORTH-EASTERN FEDERATIONS TO GUARANTEE VICTORY OVER HIS CHALLENGER, JOAQUIN DOS SANTOS ANDRADE, THE PRESIDENT OF THE 400,000 MEMBER SAO PAULO (CITY) METALWORKERS UNION. THE ELECTION, WHICH PITS GOVERNMENT-LINING CAMPISTA AGAINST PARTIDO TRABALHISTA BRASILEIRO (PTB) ANDRADE (BETTER KNOWN AS JOAQUINZAO), FOCUSES ON THE CORRECT ROLE FOR THE CONFEDERATION. CAMPISTA WOULD MAINTAIN ITS LOW-PROFILE, GOOD-RELATIONS-WITH-THE-GOVERNMENT STYLE, WHILE ANDRADE WANTS THE CNTI TO BECOME A HIGH-PRESSURE LOBBY WITH A LABOR LAW DEPARTMENT AND TIES TO THE OPPOSITION PARTIES IN CONGRESS. GOVERNMENT OFFICIALS DO NOT HIDE THEIR EXPECTATION, AND HOPE, THAT CAMPISTA WILL RETURN FOR ANOTHER TERM.

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4. THE GENERAL AGREEMENT IS THAT 1983 IS NOT THE CNTI OPPOSITION'S YEAR. METALLURGICAL AND CHEMICAL WORKERS FEDERATIONS IN SAO PAULO AND RIO ARE SUPPORTING ANDRADE, BUT CAMPISTA HAS A STRANGLEHOLD ON THE SMALLER, LESS ACTIVE FEDERATIONS, ESPECIALLY THOSE IN THE NORTHEAST. HE FUNNELS MONEY TO THEM THROUGH THE CONFEDERATIONS, ARRANGES LOANS FOR THEM THROUGH THE GOVERNMENT SAVINGS BANK, AND HAS LONG-TERM FRIENDSHIPS WITH THE FEDERATION PRESIDENTS. ANDRADE'S PROMISES TO ACTIVATE THE CNTI ARE PROBABLY INSUFFICIENT TO OVERCOME THESE CAMPISTA ADVANTAGES.

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5. WHILE THE CNTI ELECTION BATTLE CONTINUES, ATTENTION WILL BE DRAWN AWAY FROM THE CUT (LABOR CENTRAL) AND THE CONCLAT II (CONFERENCE OF THE WORKING CLASSES). THESE TWO BODIES STILL EVOKE THE INTEREST OF UNION LEADERSHIP BUT PROBABLY NOT AS MUCH AS IN THE PAST. APPARENTLY, THE DIVERGENCES BETWEEN THE PARTIDO TRABALHISTA (PT), THE COMMUNISTS, THE "INDEPENDENTS", AND THE AGRICULTURAL WORKERS CONFEDERATION (CONTAG) ARE UNDERMINING THE PLANS TO FORM A LABOR CENTRAL. ON A RECENT TRIP TO RIO AND SAO PAULO, THE LABATT WAS TOLD BY UNION LEADERS OF VARIOUS POLITICAL PERSUASIONS THAT A "CUT" WAS UNLIKELY TO BE ESTABLISHED THIS YEAR.

6. ANOTHER TOPIC OF POLITICAL INTEREST IN LABOR CIRCLES IS THE POSSIBLE RETURN TO UNION LEADERSHIP OF "LULA" DA

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SILVA, THE ONCE-PRESIDENT OF THE SAO BERNARDO METALWORKERS UNION AND NOW THE PRESIDENT OF THE PT. BECAUSE OF THE LEGAL RESTRICTION ON HIS HOLDING OF A UNION OFFICE, LULA WOULD HAVE TO WORK IN AN ADVISORY ROLE. HOWEVER, HIS MERE PRESENCE COULD STRENGTHEN THE SAO BERNARDO WORKERS AND COULD GIVE HIM FURTHER EXPOSURE AND RECONFIRM HIS POLITICAL CREDIBILITY (WHICH SUFFERED WHEN HE WAS OVERWHELMED IN THE NOVEMBER 1982 ELECTION FOR GOVERNOR OF SAO PAULO).

7. SHOULD LULA BEGIN TO DEVOTE MORE TIME TO UNION WORK, IT IS LIKELY THAT HIS PRESENCE COULD RADICALIZE THE SITUATION AND STIFFEN THE RESOLVE OF THE SAO BERNARDO WORKERS -- ALREADY THE MOST MILITANT AND PROBABLY THE BEST ORGANIZED IN THE COUNTRY. HE WOULD CERTAINLY GIVE IMPETUS TO THE GENERAL STRIKE MOVEMENT WHICH IS BEING

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DISCUSSED IN RESPONSE TO THE RECENT SALARY LAW DECREE.

8. COMMENT: THE FORTUNES OF CAMPISTA, ANDRADE, AND LULA WILL CONSIDERABLY AFFECT THE STATE OF LABOR PEACE IN BRAZIL. SHOULD THE PICTURE CHANGE AND ANDRADE TAKE OVER THE CNTI (UNLIKELY AT THIS TIME) AND LULA RENEW HIS EFFORTS IN SAO BERNARDO, THIS COULD BE AN EVEN MORE DIFFICULT YEAR FOR LABOR RELATIONS THAN NOW APPEARS LIKELY. MOTLEY

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AMCONSUL SALVADOR DA BAHIA POUCH

C O N F I D E N T I A L BRASILIA 07379

PASS DOL/ILAB

E.O. 12356: DECL: 08/16/93
TAGS: ELAB, BR
SUBJ: LABOR MOVEMENT SHATTERS

1. (C - ENTIRE TEXT)

2. SUMMARY: THE SHAKY UNITY DISPLAYED BY THE BRAZILIAN
LABOR UNIONS INVOLVED IN CONCLAT TWO (CONFERENCE OF THE
WORKING CLASSES) HAS BEEN SHATTERED. IT NOW APPEARS THAT
THERE MAY BE THREE SEPARATE CONCLATS WHICH CREATE THREE
SEPARATE WORKER CENTRALS (NATIONAL LABOR CONFEDERATIONS).
END SUMMARY.

3. THE BREAKDOWN OF THE "ACTIVIST" LABOR MOVEMENT HAS
BEEN VERY MUCH A POSSIBILITY SINCE CONCLAT I (THE FIRST
CONFERENCE OF THE WORKING CLASSES) BROUGHT TOGETHER
5,000 WORKERS' REPRESENTATIVES IN 1981. AT THAT
CONFERENCE A SPLIT WAS AVOIDED BY A LAST MINUTE AGREEMENT
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NOT TO ELECT A PERMANENT HIERARCHY AND TO DELAY FORMATION
OF A LABOR CENTRAL. COMMUNISTS AND "DEMOCRATS" BANDED
TOGETHER TO HOLD OFF A WORKERS PARTY (PT) BID TO CONTROL
SUCH A CONFEDERATION. IN 1982, DIFFERENCES BETWEEN

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DATE/CASE ID: 18 JAN 2008 200503114

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THESE GROUPS CAUSED THE SECOND CONCLAT TO BE DEERIED
UNTIL AUGUST 1983. HOWEVER, AUGUST HAS NOW COME AND
THE DIFFERENCES HAVE ONCE AGAIN APPEARED. CONCLAT II
LOOKS TO BE A BUST.

4. THE LATEST SPLIT OCCURRED ON AUGUST 11 WHEN THE
COMMUNISTS (PC DO B, MR8 AND PCB), TOGETHER WITH THE
DEMOCRATS (THOSE PEOPLE RESPONSIVE TO U.S.-TYPE UNIONISM)
WALKED OUT OF A CONCLAT ORGANIZING MEETING AND LEFT
CONTROL OF THE CONFERENCE IN THE HANDS OF THE WORKERS
PARTY. THE COMMUNISTS AND DEMOCRATS HAVE NOW CALLED FOR
A COOLING OFF PERIOD OF 60 DAYS AFTER WHICH ANOTHER
CONFERENCE WOULD BE SCHEDULED. THE PT FOLLOWERS HAVE
VOWED TO CARRY ON THEIR CONFERENCE IN THE SAO PAULO
SUBURB OF SAO BERNARDO DO CAMPO ON AUGUST 26-28.

5. A THIRD GROUP, CENTERED AROUND THE CONSERVATIVE
CONFEDERATIONS OF INDUSTRIAL, COMMERCIAL AND LAND
TRANSPORT WORKERS HAS TENTATIVELY SCHEDULED YET ANOTHER
CONCLAT. THIS ONE, TO BE CALLED THE CONFERENCE OF
BRAZILIAN WORKERS CTB) WOULD BE HELD IN BRASILIA IN
NOVEMBER.

6. REMAINING OUTSIDE ALL OF THESE ORGANIZATIONS IS THE
AGRICULTURAL CONFEDERATION (CONTAG), AN EARLY SUPPORTER
OF CONCLAT AND THE INTELLECTUAL AUTHOR OF THE PRESENT
SPLIT. REPORTEDLY, CONTAG WALKED OUT ON CONCLAT WHEN
IT DISCOVERED THAT ITS 1300 PERSON DELEGATION WOULD BE
OVERSHADOWED BY 1500 DELEGATES FROM "RURAL ASSOCIATIONS"
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AND "INDEPENDENT AGRICULTURAL UNIONS" FOUNDED BY THE PT.
CONTAG ACCUSED THE LULA-LED WORKERS PARTY OF
UNDERMINING THE CONCLAT BY STACKING THE DELEGATIONS
WITH NONUNIONISTS. FUNDS TO FINANCE THESE ACTIVITIES
WERE REPORTEDLY RECEIVED FROM THE INTERNATIONAL
CONFEDERATION OF FREE TRADE UNIONS (ICFTU). REPORTEDLY
THIS MONEY, SOME \$420,000, PASSED THROUGH A PT FRONT
ORGANIZA
ON CALLED ANAMPS AND WAS USED BY PT GRASSROOTS
ORGANIZATIONS AND RADICAL CATHOLIC CHURCH GROUPS.

7. COMMENT: THE BRAZILIAN LABOR MOVEMENT HAS SPLINTERED
AT A TIME WHEN IT COULD HAVE BEEN MOST EFFECTIVE--THERE
IS WIDESCALE WORKER DISAFFECTION WITH GOVERNMENT
AUSTERITY MEASURES AND THE COUNTRY'S GENERAL ECONOMIC

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CRISIS. SHOULD THE THREE "CONCLATS" ~~WATERGATE~~ AND
SHOULD THEY PRODUCE THREE LABOR CENTRALS, IT IS LIKELY
THAT LABOR WOULD SPEND MUCH OF ITS TIME ON INTERNECINE
POLITICAL STRUGGLES AND DEVOTE EVEN LESS OF ITS TIME OR
EFFORT TO IMPROVING THE LIFE OF THE WORKING CLASS.
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E.O. 12065GDS

TAGS:NATO, XM

SUBJECT: (U) EXPERTS REPORT ON LATIN AMERICA

REF: USNATO 01094

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THERE FOLLOWS THE TEXT OF THE U.S. CONTRIBUTION TO THE
REPORT BY THE NATO EXPERTS WORKING GROUP ON "TRENDS IN
LATIN AMERICA". BEGIN TEXT:

I. INTRODUCTORY OVERVIEW

A. CONTINUED POTENTIAL FOR INSTABILITY

-- 1. ARMED CONFLICT BETWEEN CHILE AND ARGENTINA OVER
THE BEAGLE CHANNEL WAS AVOIDED BY DIPLOMATIC EFFORTS CUL-
MINATING IN BILATERAL AGREEMENT ON PAPAL MEDIATION.
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OTHER TERRITORIAL DISPUTES, NOTABLY THE QUESTION OF
BOLIVIA'S ACCESS TO THE SEA, THE PERU-ECUADOR DISPUTE AND
THE QUESTION OF GUATEMALAN CLAIMS TO BELIZE, REMAIN THE
SOURCE OF PERIODIC TENSIONS.

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ALAN H FLANIGAN
DATE/CASE ID: 09 SEP 2008 200503114

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-- 2. THE SITUATION IN CENTRAL AMERICA, IN THE WAKE OF THE SUSPENSION OF THE THREE-NATION MEDIATION EFFORT IN NICARAGUA, IS A MATTER OF SERIOUS CONCERN. THE NICARAGUAN CRISIS TENDED TO SPLIT COSTA RICA FROM THE AREA'S MILITARY DOMINATED COUNTRIES AND TO RAISE SERIOUS DOUBTS CONCERNING THE FUTURE OF REGIONAL STABILITY. THE INVOLVEMENT OF EXTRA-REGIONAL COUNTRIES LIKE VENEZUELA AND CUBA HAS BEEN UNHELPFUL AND HAS COMPLICATED MATTERS AT TIMES.

-- 3. THE OVERTHROW OF ERIC GAIRY IN GRENADA CREATED A SENSE OF UNEASE IN THE CARIBBEAN, PARTICULARLY AMONG THE LEADERS OF THE ENGLISH-SPEAKING NATIONS WHO FIND THE COUP AN UNWELCOME DEPARTURE FROM THEIR TRADITIONAL PARLIAMENTARY WAYS.

B. U.S.-MEXICO RELATIONS HIGHLIGHTED BY CARTER TRIP

-- 4. MEXICO'S ECONOMIC GROWTH, ITS POTENTIAL AS AN OIL AND GAS PRODUCER, AND THE CONTINUED FLOW OF MIGRANTS NORTHWARD INTO THE UNITED STATES HAVE RESULTED IN A NEW APPRECIATION OF THE IMPORTANCE AND COMPLEXITY OF U.S.-MEXICAN RELATIONS. ADVERSE MEDIA TREATMENT NOTWITHSTANDING, THE PRESIDENT'S VISIT CLEARED THE AIR AND ESTABLISHED A FRAMEWORK FOR FUTURE TREATMENT OF IMPORTANT PROBLEMS. THE TWO LEADERS WILL MEET AGAIN THIS SUMMER TO REVIEW PROGRESS ON THE ISSUES.

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-- 5. PRESIDENT GISCARD'S VISIT AND THE TRAVELS OF PRESIDENT LOPEZ PORTILLO PROVIDE EVIDENCE THAT MEXICO IS JOINING THE RANKS OF BRAZIL AND VENEZUELA AS LATIN AMERICAN NATIONS ANXIOUS TO ASSUME INCREASINGLY INFLUENTIAL AND INDEPENDENT ROLES ON THE WORLD SCENE.

C. UNEVEN PROGRESS TOWARD DEMOCRATIZATION AND HUMAN RIGHTS

-- 6. THE NOVEMBER COUP IN BOLIVIA BROUGHT TO POWER A GOVERNMENT WHICH APPEARS DETERMINED TO HOLD ELECTIONS, BUT ANY CIVILIAN SUCCESSOR WILL ALMOST SURELY BE CONFRONTED WITH AN IMMEDIATE FINANCIAL CRISIS. IN PERU, THE ILLNESS OF RAUL HAYA DE LA TORRE MAY ADVERSELY AFFECT THE ALREADY DIFFICULT PROCESS OF RETURNING TO CONSTITUTIONAL GOVERNMENT. CHILE IS ENTERING A PERIOD OF DEBATE ON A NEW CONSTI-

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TUTION WHICH WILL BE ONLY ONE STEP IN WHAT PROMISES TO BE A PROTRACTED CIVILIANIZATION PROCESS. FINALLY, IN ARGENTINA THE MURDER OF A FOREIGN MINISTRY OFFICIAL SHOCKED GOVERNMENT OFFICIALS AND THE PUBLIC AND DRAMATIZED THE NEED TO HALT HUMAN RIGHTS ABUSES AND RESTORE THE RULE OF LAW.

D. CELAM III REVIEWS DECISIONS OF MEDELLIN

-- 7. THE ASSEMBLED BISHOPS REVIEWED THE CHURCH'S EXPERIENCE SINCE THE MEDELLIN CONFERENCE AND SET GUIDELINES FOR THE FUTURE, I.E., THE AVOIDANCE OF POLITICAL ASSOCIATION WITH GOVERNMENTS OR OPPOSITION MOVEMENTS IN ORDER TO FREE THE CHURCH FOR ITS SPIRITUAL MISSION. POPE JOHN PAUL II'S EMPHATIC CONCERN FOR THE POOR AND THE PROTECTION OF HUMAN RIGHTS WAS BALANCED BY HIS CONSERVATIVE THEOLOGICAL STANDS AND HIS REJECTION OF THE MORE CONTROVERSIAL FACETS OF "LIBERATION THEOLOGY".

E. PEACEFUL CHANGES OF GOVERNMENT IN BRAZIL AND VENEZUELA

-- 8. IN BRAZIL, PRESIDENT FIGUEIREDO IS LIKELY TO CONFIDENTIAL

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TINUE THE PROCESS OF LIBERALIZATION BEGUN BY HIS PREDECESSOR. THE TONE OF RELATIONS WITH THE U.S. WILL PROBABLY IMPROVE, BUT TOUGH PROBLEMS REMAIN. THE ELECTION OF OPPOSITION CANDIDATE ROBERTO HERRERA TO THE PRESIDENCY OF VENEZUELA REAFFIRMS THE VIGOR OF VENEZUELA'S DEMOCRACY. GOOD RELATIONS WITH THE U.S. SHOULD CONTINUE. HERRERA'S CONDUCT OF FOREIGN POLICY WILL PROBABLY BE LESS ACTIVIST THAN THAT OF CARLOS ANDRES PEREZ.

F. ECONOMIC QUESTIONS IMPORTANT ON HEMISPHERIC AGENDA.

-- 9. THE IMPORTANCE OF VENEZUELA AND MEXICO AS POLITICALLY STABLE SOURCES OF OIL WAS UNDERLINED BY EVENTS IN IRAN. IN THE CASES OF BRAZIL, ARGENTINA AND MEXICO -- ALL SO-CALLED "ADVANCED" LDC'S -- WE ARE IN THE PROCESS OF BUILDING A MORE SATISFACTORY ECONOMIC RELATIONSHIP BY PUSHING FOR THEIR INTEGRATION INTO THE WORLD ECONOMIC SYSTEM THROUGH GATT AND THE MTN.

II. GENERAL PROBLEMS

A. REGIONAL POLITICAL TENSIONS

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-- 10. WITH THE 100TH ANNIVERSARY OF THE OUTBREAK OF THE WAR OF THE PACIFIC (1879-1883) AT HAND, THE COUNTRIES OF THE WEST COAST OF SOUTH AMERICA HAVE EXPERIENCED A PERCEPTIBLE RISE IN REGIONAL TENSIONS.

-- 11. BOLIVIA CONTINUES TO SEEK A SOVEREIGN CORRIDOR TO THE PACIFIC THROUGH CHILEAN TERRITORY, EVEN THOUGH DIPLOMATIC TIES WERE BROKEN BY LA PAZ IN MARCH OF 1978 BECAUSE OF BOLIVIAN DISSATISFACTION WITH THE CORRIDOR NEGOTIATIONS THEN UNDERWAY. BOLIVIANS COMMEMORATED THE

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100TH ANNIVERSARY OF THE LOSS OF THEIR PORT AT ANTOFAGASTA WITH A GENUINE OUTPOURING OF NATIONAL SENTIMENT, AND THEIR ENTHUSIASM FOR AN OUTLET TO THE SEA IS UNLIKELY TO DIMINISH. WITH BOLIVIAN NATIONAL ELECTIONS NOW SCHEDULED FOR JULY OF 1979, A RENEWED DIPLOMATIC INITIATIVE WILL PROBABLY AWAIT THE ANTICIPATED INSTALLATION OF A CIVILIAN GOVERNMENT IN EARLY AUGUST.

-- 12. THE CENTENNIAL OF THE WAR OF THE PACIFIC HAS ALSO HELPED TO HEIGHTEN TENSIONS BETWEEN SANTIAGO AND LIMA. DESPITE ON-GOING EFFORTS BY BOTH GOVERNMENTS TO ACCOMODATE LONG-STANDING DIFFERENCES AND REDUCE MUTUAL DISTRUST, BILATERAL TIES BETWEEN THE TWO NATIONS WERE SHAKEN BY SPYING ACTIVITIES CARRIED OUT BY CHILEAN MILITARY OFFICERS AND MEMBERS OF THE CHILEAN EMBASSY IN LIMA IN LATE 1978. PERU REACTED IN JANUARY 1979 BY DECLARING THE CHILEAN AMBASSADOR PERSONA-NON-GRATA, REQUESTING HIS IMMEDIATE DEPARTURE, RECALLING THE PERUVIAN AMBASSADOR IN SANTIAGO AND EXECUTING A PERUVIAN NON-COMMISSIONED OFFICER INVOLVED IN THE ESPIONAGE.

-- 13. CHILE, WHILE PUBLICLY ACCEPTING A DEGREE OF RESPONSIBILITY FOR THE ESPIONAGE INCIDENTS, HAS CHOSEN NOT TO RESPOND TO WHAT SANTIAGO PROBABLY FEELS IS A GROSS OVER-REACTION ON PERU'S PART. THE PINOCHET GOVERNMENT FACES THE PROTRACTED MEDIATION OF THE BEAGLE CHANNEL DISPUTE WITH ARGENTINA, AND DOES NOT WISH TO CREATE FURTHER PROBLEMS ON THE NORTHERN FRONTIER. ALTHOUGH TENSIONS WERE MOMENTARILY RAISED, AND BOTH PARTIES WILL REMAIN ALERT TO THEIR NEIGHBOR'S REAL OR IMAGINED INTENTIONS, NO SERIOUS CONFRONTATION IS LIKELY.

-- 14. PERU, IN THE THROES OF SERIOUS ECONOMIC PROBLEMS

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AND THE FINAL STAGES OF THE RETURN TO CIVILIAN ROLE, CAN
ILL AFFORD THE DISTRACTION OF REGIONAL POLITICAL TENSIONS.
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NEVERTHELESS, RELATIONS WITH ECUADOR HAVE BECOME STRAINED
AS A RESULT OF THE ALLEGED MISTREATMENT OF SIX PERUVIAN
STUDENTS BY ECUADOREAN MILITARY PERSONNEL IN JANUARY 1979,
PART OF A LONG STANDING PATTERN OF BORDER HARASSMENT BY
AUTHORITIES OF BOTH COUNTRIES. ECUADOR'S HOPES FOR SOME
KIND OF PERUVIAN ACCOMODATION OF ITS ASPIRATIONS FOR
SOVEREIGN ACCESS TO THE AMAZON THROUGH PERUVIAN TERRITORY,
HAVE BEEN DASHED BY LIMA'S LEGALISTIC, UNYIELDING ATTITUDE,
EVEN THOUGH THE TWO NEIGHBORS AT ONE TIME DID APPEAR TO BE
MAKING SOME PROGRESS TOWARD MORE AMICABLE TIES THROUGH
JOINT DEVELOPMENT AND BORDER INTEGRATION PROJECTS.
ECUADOR'S IRRENDENTISM, HEIGHTENED BY HOTLY-CONTESTED
NATIONAL ELECTIONS SCHEDULED FOR APRIL, AND PERU'S

UNWILLINGNESS TO ACCOMODATE THESE CLAIMS WILL KEEP THE
REGIONAL POT SIMMERING, BUT OPEN CONFLICT CAN BE RULED
OUT.

B. CELAM III

-- 15. POPE JOHN PAUL II'S OPENING-DAY REMARKS HIGH-
LIGHTED THE TWO-WEEK DELIBERATIONS OF THE THIRD CONFERENCE
OF LATIN AMERICAN BISHOPS HELD IN PUEBLA, MEXICO
(CELAM III; JANUARY 27-FEBRUARY 12). IN GENERAL, THE
CONCLAVE REAFFIRMED THE LATIN AMERICAN CATHOLIC CHURCH'S
ROLE AS A FORCE FOR SOCIAL, ECONOMIC AND POLITICAL REFORM,
BUT ONE THAT ESCHEWS VIOLENCE OR IDENTIFICATION WITH ANY
SECULAR IDEOLOGICAL CURRENTS.

-- 16. CELAMS ARE INTERNAL CHURCH STRATEGY AND THEOLOGI-
CAL SESSIONS THAT ARE INTENDED TO SET THE TONE FOR CHURCH
ACTIVITY IN THE HEMISPHERE. CELAM I WAS HELD IN RIO DE
JANEIRO IN 1955 AND CELAM II IN MEDELLIN IN 1968. CELAM
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DECISIONS ARE PROVISIONAL UNTIL APPROVED BY THE VATICAN.
EVEN WITH VATICAN APPROVAL, THEIR IMPACT IS OFTEN MUTED BY
THE FACT THAT THE NATIONAL CATHOLIC CHURCH HIERARCHIES

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ARE MORE POWERFUL CHURCH ENTITIES THAN CELAMS. EACH
HIERARCHY TENDS TO INTERPRET CELAM RESULTS IN WAYS THAT
CONFORM TO ITS OWN CONCEPTION OF THE CHURCH'S PROPER ROLE.

-- 17. CELAM III'S OUTCOME REPRESENTS AN ATTEMPT BY THE
BISHOPS TO CLARIFY THE CHURCH'S MISSION AND UNIFY ITS
CLERGY IN LIGHT OF THE EXPERIENCE SINCE CELAM II IN
MEDELLIN. CELAM II'S AGGRESSIVE ADVOCACY OF -SOCIAL
ACTIVISM IN THE RELIGIOUS COMMUNITY INTENSIFIED DIFFERENCES
WITH THE CHURCH. REVOLUTIONARY PRIESTS SPREADING
"LIBERATION THEOLOGY" HAVE SINCE STOOD AT ONE EXTREME WHILE
THE OTHER HAS BEEN OCCUPIED BY ULTRACONSERVATIVES WHO
REGRET NOT ONLY CELAM II'S RESULTS BUT ALSO THOSE OF
VATICAN II.

-- 18. CELAM III WAS NOT A BENCHMARK GATHERING IN THE
FASHION OF CELAM II. RATHER IT WAS AN ATTEMPT TO CHANNEL
THE ENERGIES UNLEASHED BY MEDELLIN IN THEOLOGICALLY
SOUND AND POLITICALLY ACCEPTABLE DIRECTIONS. THUS,
PUEBLA'S RESULTS CONSTITUTE A SOMEWHAT MODERATED RESTATE-
MENT OF THE CHURCH'S SOCIAL ROLE RATHER THAN THE
REJECTION OF SOCIAL ACTIVISM THAT PROGRESSIVES FEARED AND
CONSERVATIVES SOUGHT. PROGRESSIVES COULD FIND ENCOURAGE-
MENT IN CELAM III'S:

-----REAFFIRMATION OF THE CHURCH'S MANDATE TO AID THE
POOR THROUGH ALLEVIATION OF ALL FORMS OF INJUSTICE AND
REPRESSION; AND

-----REASSERTION OF THE CHURCH'S RIGHT TO CRITICIZE THE
ACTIONS OF TEMPORAL POWERS, EXPECIALLY IN THE CASE OF
HUMAN RIGHTS ABUSES.

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CONSERVATIVES, ON THE OTHER HAND, COULD TAKE HEART FROM
CELAM III'S REJECTION OF:

-----CHURCH IDENTIFICATION WITH MARXISM ("LIBERATION
THEOLOGY") OR ANY SECULAR IDEOLOGY;

-----PRIESTS SERVING AS POLITICAL LEADERS; AND

-----VIOLENCE AS A TACTIC FOR SOCIAL TRANSFORMATION.

-- 19. POPE JOHN PAUL II'S OPENING ADDRESS TO THE

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BISHOPS AS WELL AS THE PUBLIC STATEMENTS THAT HE MADE WHILE TOURING MEXICO CLEARLY SET THE TONE FOR CELAM III'S WORK. DESPITE FEARS AMONG CHURCH LIBERALS THAT THE POPE WAS ATTENDING THE CONFERENCE, IN PART, TO BUTTRESS THE CONSERVATIVES, HE EMERGED FROM HIS MEXICAN VISIT AS A MODERATE IN TERMS OF LATIN AMERICAN CATHOLICISM. HE REPEATEDLY EMPHASIZED THE CHURCH'S OBLIGATION TO THE POOR AND DISADVANTAGED AND CONDEMNED INJUSTICE WHATEVER THE SOURCE, WHILE AT THE SAME TIME REAFFIRMING TRADITIONAL CHURCH DOCTRINE AND THE INSTITUTION'S RELIGIOUS, NON-POLITICAL NATURE AND MISSION.

C. BEAGLE CHANNEL

-- 20. VATICAN INTERVENTION IN LATE DECEMBER 1978 RESULTED IN THE JANUARY 8 MONTEVIDEO AGREEMENT THAT ENDED MONTHS OF FRUITLESS AND FREQUENTLY TENSE BILATERAL NEGOTIATIONS. AT MONTEVIDEO, FOREIGN MINISTERS CUBILLOS OF CHILE AND PASTOR OF ARGENTINA AGREED TO REQUEST PAPAL MEDIATION OF THE BEAGLE CHANNEL CONTROVERSY AND GRADUALLY REDUCE THEIR RESPECTIVE MILITARY FORCES IN THE SOUTHERN REGION TO JANUARY 1977 LEVELS. ON JANUARY 24, THE VATICAN

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ANNOUNCED THAT POPE JOHN PAUL II WOULD ACCEPT THE MEDIATOR'S ROLE.

-- 21. WAR SEEMED LIKELY IN MID-DECEMBER. PASTOR AND CUBILLOS MET ON DECEMBER 12 IN BUENOS AIRES IN WHAT WAS WIDELY CONSIDERED A LAST DITCH EFFORT TO RESOLVE DIFFERENCES. NEITHER SIDE WANTED HOSTILITIES, BUT BOTH

WERE LOCKED INTO POSITIONS FROM WHICH THERE APPEARED TO BE NO VIABLE RETREAT:

-----ARGENTINA CONTINUED TO INSIST THAT POSSESSION OF SEVERAL ISLETS TO THE SOUTH OF THE BEAGLE CHANNEL WAS THE ONLY WAY TO ENSURE THE HISTORICAL DISTINCTION BETWEEN CHILE, THE PACIFIC POWER AND ARGENTINA, THE ATLANTIC POWER; ARGENTINES CONTENDED THAT ONLY A BOUNDARY ANCHORED TO LAND POINTS WOULD EFFECTIVELY PREVENT CHILEAN ENCROACHMENT IN THE ATLANTIC; AND

-----CHILE MAINTAINED THAT ITS LEGAL CLAIM TO THE BEAGLE CHANNEL ISLANDS (PICKTON, LENNOX AND NUEVA) AND ALL OTHER ISLANDS SOUTH TO AND INCLUDING CAPE HORN WAS INDISPUTABLE;

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THE ONLY MATTER TO BE DECIDED, INSISTED SANTIAGO, WAS THE MARITIME BOUNDARY EXTENDING FROM THE EASTERN END OF THE BEAGLE CHANNEL TO THE SOUTH AND EAST.

-- 22. THE VATICAN'S DECEMBER 22 OFFER TO SEND CARDINAL ANTONIO SAMORE TO FACILITATE BILATERAL AGREEMENT PROBABLY AVERTED SOME SORT OF AGGRESSIVE ACTION BY THE ARGENTINES. BEGINNING ON DECEMBER 26 IN BUENOS AIRES, SAMORE SHUTTLED BACK AND FORTH BETWEEN THE SOUTHERN CONE CAPITALS WITH A BRAND OF SHREWD DIPLOMACY THAT PRODUCED AN ACCORD WITH BENEFITS FOR BOTH NATIONS. THE MONTEVIDEO AGREEMENT:

-----PROVIDED ARGENTINA WITH A FACE-SAVING RETREAT FROM ITS REPEATED THREATS TO USE MILITARY FORCE, AND, MOST
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IMPORTANTLY, LEFT OPEN FOR MEDIATION THE QUESTION OF SOVEREIGNTY OVER ISLANDS IN THE BEAGLE CHANNEL AREA; AND

-----RELIEVED CHILE FROM THE PRESSURE OF HAVING TO NEGOTIATE UNDER THE CONSTANT THREAT OF ARMED ATTACK.

-- 23. SINCE THE SIGNING OF THE MONTEVIDEO AGREEMENT, TENSIONS HAVE SUBSIDED DRAMATICALLY. BOTH SIDES ARE GRADUALLY REDUCING THEIR MILITARY PRESENCE IN THE SOUTH, ALTHOUGH BOTH ARE ACTING CAUTIOUSLY BECAUSE THEY DO NOT KNOW WHAT MEDIATION WILL BRING.

-- 23. THE DISPUTE IS FAR FROM SETTLED. NEITHER SANTIAGO NOR BUENOS AIRES HAS INDICATED NEW FLEXIBILITY IN WHAT REMAIN MUTUALLY EXCLUSIVE POSITIONS. BOTH AGREED TO MEDIATION BECAUSE, AMONG OTHER REASONS, THEY EXPECT TO WIN, NOT COMPROMISE. SHOULD MEDIATION BREAK DOWN OR THE CHILEANS PREVAIL, THE ARGENTINES MAY AGAIN RESORT TO THE THREAT OF MILITARY FORCE. IF THE ARGENTINE SIDE CARRIES THE DAY, THE CHILEANS MAY WELL TAKE THE DISPUTE TO THE

INTERNATIONAL COURT OF JUSTICE, AN ALTERNATIVE THAT THEY HAVE CAREFULLY PRESERVED THROUGHOUT THE LONG NEGOTIATIONS.

D. ATTITUDES ON REGIONAL DISARMAMENT

-- 24. THE ISSUE OF REGIONAL DISARMAMENT HAD A RELATIVELY HIGH PROFILE IN LATIN AMERICA IN 1978. IN ADDITION TO THE SSOD ACTIVITIES, THE EIGHT AYACUCHO SIGNATORIES (ARGENTINA, BOLIVIA, COLOMBIA, CHILE, ECUADOR, PANAMA, PERU,

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VENEZUELA) ISSUED A DECLARATION ON JUNE 22 CALLING FOR REGIONAL RESTRAINTS ON CONVENTIONAL ARMS TRANSFERS. REPRESENTATIVES OF TWENTY NATIONS MET IN MEXICO IN AUGUST

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TO DISCUSS THE SAME TOPIC, AND A FOLLOW-UP MEETING HAS BEEN SET FOR QUITO AT A YET UNSPECIFIED DATE.

-- 25. MOST LATIN AMERICAN LEADERS WOULD LIKE TO FIND SOME WAY TO LIMIT CONVENTIONAL ARMS TRANSFERS AND NATIONAL DEFENSE EXPENDITURES. HOWEVER, A NUMBER OF FACTORS MILITATE AGAINST ANY EARLY AGREEMENT TO DO SO:

-----MANY GOVERNMENTS OF THE REGION ARE CONTROLLED BY MILITARY OFFICERS WHO ARE MORE INTERESTED IN BUILDING UP THEIR POWER BASE THAN IN ARMS RESTRAINT;

-----PERSISTENT SUB-REGIONAL TENSIONS AFFECT A NUMBER OF STATES, PERIODICALLY LEADING FIRST ONE AND THEN THE OTHER PARTY TO A CONTROVERSY TO CONCLUDE THAT IT MUST PURCHASE NEW ARMS;

-----THE ABSENCE OF RELATIVE ARMS PARITY BETWEEN AND AMONG STATES, ESPECIALLY IN THE CASE OF CUBA;

-----BRAZIL'S CONTINUING OPPOSITION TO ANY EFFORT TO ESTABLISH A CEILING ON NEW LATIN AMERICAN ARMS ACQUISITIONS. BRAZIL REFUSED TO ATTEND THE MEXICO CITY MEETING IN AUGUST AND HAS SO FAR DECLINED TO ATTEND THE PROPOSED QUITO MEETING. THE BRAZILIANS BELIEVE SUCH INITIATIVES SERVE ONLY THE INTERESTS OF THE GREAT POWERS AND ARE INIMICAL TO BRAZIL'S AMBITIONS AS AN EMERGING WORLD POWER AND ARMS EXPORTER.

-- 26. THE LATINS ARE ALSO CONCERNED ABOUT THE ATTITUDES OF THE ARMS SUPPLIERS, AS ANY LATIN AMERICAN AGREEMENT COULD BE QUICKLY UNRAVELLED IF ANY MAJOR SUPPLIER OPPOSED IT AND ENCOURAGED PARTIES TO THE AGREEMENT - OR NEIGHBORING NON-PARTIES - TO EVADE IT. MEXICO HAS ASKED ALL THE LEADING SUPPLIERS IF THEY WOULD ATTEND A CONFERENCE OF SUPPLIERS AND RECIPIENTS TO CONSIDER THE RESTRAINT OF ARMS

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TRANSFERS TO LATIN AMERICA, SHOULD ONE BE HELD.

III. COUNTRY STUDIES

A. MEXICO

-- 27. PRESIDENT CARTER VISITED MEXICO FEBRUARY 14-16. AFTER AN INITIALLY COOL RECEPTION REFLECTING BOTH RECENT AND HISTORICAL STRAINS, THE CONVERSATIONS BETWEEN THE TWO LEADERS WERE BOTH DIRECT AND PRODUCTIVE.

-- 28. THE MEETINGS DID NOT RESOLVE ANY SUBSTANTIVE ISSUES, BUT THE EXTENSIVE AND FRANK DISCUSSIONS SET A CLEAR DIRECTION FOR THE RESOLUTION OF SEVERAL IMPORTANT POINTS OF CONTENTION. THE PRESIDENTS AGREED:

-----TO HAVE THEIR REPRESENTATIVES MEET AS SOON AS POSSIBLE TO NEGOTIATE THE SALE OF MEXICAN NATURAL GAS TO THE U.S.;

-----TO PUSH FOR CONCLUSION OF BILATERAL TRADE NEGOTIATIONS UNDER THE MTN;

-----TO SHARE DATA ON MIGRATION AND CONSULT CLOSELY ON BORDER QUESTIONS; AND

-----TO STRENGTHEN THE U.S.-MEXICAN CONSULTATIVE MECHANISM, ASKING FOR CONCRETE RECOMMENDATIONS WITHIN FOUR MONTHS ON WAYS IT CAN OPERATE MORE EFFECTIVELY.

-- 29. FINALLY, THE PRESIDENTS AGREED TO MEET AGAIN THIS SUMMER TO EXAMINE THE REPORT ON THE CONSULTATIVE MECHANISM
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AND TO ASSESS PROGRESS ON THE ISSUES THEY DISCUSSED IN MEXICO CITY.

-- 30. OTHER RESULTS OF THE VISIT INCLUDED THE INITIALING BY SECRETARY VANCE AND MEXICAN FOREIGN MINISTER ROEL OF AGREEMENTS ON ARID LANDS MANAGEMENT AND HOUSING/URBAN DEVELOPMENT, AS WELL AS A RECENTLY-CONCLUDED MEMORANDUM OF UNDERSTANDING ON SCIENCE AND TECHNOLOGY.

-- 31. THE KEY RESULT, HOWEVER, WAS TO OVERCOME MIS-

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UNDERSTANDING AND PUT U.S.-MEXICAN RELATIONS BACK ON A
POSITIVE TRACK.

B. BRAZIL

-- 32. BRAZIL IS ENTERING A CRUCIAL YEAR IN ITS
POLITICAL DEVELOPMENT. IT WILL HAVE A NEW PRESIDENT WHO

IS STILL SOMETHING OF AN ENIGMA, A NEW CONGRESS WITH A
STRONGER AND MORE ACTIVIST OPPOSITION, AND A NEW SET OF
POLITICAL RULES WHICH REDUCE THE POWERS OF PREVIOUS
MILITARY PRESIDENTS. THE POLITICAL SYSTEM, WHICH OVER
THE PAST 15 YEARS HAS RESTED ON A BEDROCK OF ULTIMATE
MILITARY AUTHORITY, WILL THUS BE SUBJECTED TO UNACCUSTOMED
STRAINS.

-- 33. THE EROSION OF SUPPORT FOR THE REGIME AMONG THE
MORE EDUCATED, RELATIVELY AFFLUENT, AND POLITICALLY
ACTIVE PORTION OF THE POPULATION REPRESENTS PERHAPS THE
MOST CRITICAL PROBLEM FOR THE FIGUEIREDO ADMINISTRATION.
IN THE NOVEMBER 1978 CONGRESSIONAL ELECTIONS, THE
OPPOSITION MDB (BRAZILIAN DEMOCRATIC MOVEMENT) WON AN
OVERALL MAJORITY OF THE POPULAR VOTE NATIONWIDE, THOUGH
THE PRO-GOVERNMENT PARTY ARENA (NATIONAL RENEWAL ALLIANCE)
RETAINED ITS MAJORITY IN BOTH HOUSES OF CONGRESS. IN A
TREND THAT HAS BECOME STRONGER IN EVERY ELECTION SINCE
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1974, THE OPPOSITION WON SIZABLE MAJORITIES IN MOST OF
THE MAJOR CITIES AND IN THE MORE DEVELOPED STATES OF THE
SOUTH AND CENTER-SOUTH.

-- 34. GEISEL'S POLITICAL ASTUTENESS HAS DONE MUCH TO
MODERATE THE OPPOSITION AND INSURE ITS WILLINGNESS TO
OPERATE WITHIN THE LIMITATIONS OF THE SYSTEM, EVEN WHILE
CONSTANTLY TESTING ITS BOUNDARIES. AS A RESULT OF REFORMS
THAT TOOK EFFECT JANUARY 1, HOWEVER, FIGUEIREDO WILL LACK
HIS PREDECESSOR'S ARBITRARY AUTHORITY TO, INTER ALIA,
SUSPEND THE CONGRESS AND CANCEL POLITICAL RIGHTS AND
ELECTORAL MANDATES OF ELECTED OFFICIALS. THUS THE
CONGRESS -- PARTICULARLY THE STRENGTHENED MDB -- IS
LIKELY TO BE MORE ASSERTIVE IN DEMANDING A ROLE IN
DECISION-MAKING AND INCREASINGLY INCLINED TO QUESTION
CURRENT POLICIES ON A WIDE SPECTRUM OF ISSUES.

-- 35. FIGUEIREDO FACES POTENTIAL CHALLENGES FROM LABOR,

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STUDENTS, AND A HUMAN RIGHTS MOVEMENT STRONGLY SUPPORTED BY THE CHURCH AND THE PRESS. PERHAPS MOST IMPORTANT IS THE GENERALIZED, IF INCHOATE, SENSE OF DISSATISFACTION WITH THE PRESENT SYSTEM AMONG BRAZIL'S SIZABLE AND GROWING MIDDLE CLASS. THE DISSAFFECTION OF THESE MIDDLE SECTORS (INCLUDING BETTER-PAID SKILLED WORKERS) IS PARTIALLY ECONOMIC IN ORIGIN, BUT THEY HAVE ALSO BECOME IMBUED WITH RISING POLITICAL EXPECTATIONS.

-- 36. THE ATTITUDE OF THE MILITARY ON REDEMOCRATIZATION IS STILL IN FLUX. WHILE THERE ARE CLEAR DIFFERENCES OF POLITICAL VIEWS WITHIN THE ARMED FORCES, THE MILITARY SEEMS NOT SO MUCH DIVIDED AS DISORIENTED. THE CONCEPT

OF DEMOCRATIZATION AND RETURN TO CIVILIAN CONTROL HAS
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BEEN WIDELY ACCEPTED, BUT MANY MILITARY OFFICERS (AND SOME CIVILIANS) FEAR THAT THERE WILL BE A RESURGENCE OF CIVIL DISTURBANCES WHICH WILL BE EXPLOITED BY LEFTIST AGITATORS, INCLUDING EXILES WHO WILL BE ENCOURAGED TO RETURN TO BRAZIL.

-- 37. BRAZILIAN POLITICAL COMMENTATORS CONTINUE TO QUESTION WHETHER FIGUEIREDO HAS ANY CLEAR PROGRAM FOR BRAZIL'S POLITICAL FUTURE. HIS CABINET APPOINTMENTS -- LARGELY A RECYCLING OF GEISEL'S TEAM -- DO NOT SUGGEST THAT HE INTENDS ANY MAJOR NEW DEPARTURES IN EITHER DOMESTIC POLITICAL AFFAIRS OR ECONOMIC POLICIES. THE ARCHITECT OF GEISEL'S POLITICAL OPENING, GENERAL GOLBERY DO COUTO E SILVA, WILL CONTINUE AS THE ADMINISTRATION'S PRINCIPAL POLITICAL STRATEGIST.

-- 38. THE FIGUEIREDO ADMINISTRATION SHOULD PROBABLY BE REGARDED AS A TRANSITION BETWEEN A REGIME RESTING ON MILITARY AUTHORITY AND ONE BASED PRINCIPALLY ON POPULAR PARTICIPATION. WHETHER THIS TRANSITION CAN BE COMPLETED DEPENDS BOTH ON THE DISCRETION AND MODERATION OF CIVILIAN POLITICIANS AND PRESSURE GROUPS AND ON FIGUEIREDO'S ABILITY TO DEAL WITH INEVITABLE CHALLENGES WITHOUT RESORT TO MEASURES THAT WOULD UNDO MUCH OF THE PROGRESS ALREADY MADE. THERE APPEARS TO BE A GENERAL AWARENESS THAT THE BALANCE IS DELICATE AND THAT MAINTAINING IT WILL TAX THE BRAZILIAN'S PROVERBIAL CAPACITY FOR ACCOMMODATION AND COMPROMISE.

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C. ARGENTINA

-- 39. GENERAL DISSATISFACTION WITH THE VIDELA GOVERNMENT'S ECONOMIC AND POLITICAL PERFORMANCE REACHED NEAR DANGEROUS PROPORTIONS IN LATE 1978. MORE BELLICOSE MILITARY COLLEAGUES OPENLY SUPPORTED MILITARY ACTION AGAINST CHILE OVER THE BEAGLE CHANNEL, MAKING VIDELA

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APPEAR TIMID AND INDECISIVE BY COMPARISON. BADLY ORCHES-TRATED CABINET CHANGES IN LATE OCTOBER AND CONTINUING ECONOMIC PROBLEMS FURTHER DETRACTED FROM THE GOVERNMENT'S PUBLIC IMAGE.

-- 40. VIDELA'S POLITICAL STOCK HAS SINCE RECOVERED SOMEWHAT, AND HE IS IN NO IMMEDIATE DANGER OF REMOVAL. ACHIEVING PAPAL MEDIATION OF THE BEAGLE CHANNEL DISPUTE WON VIDELA THE PLAUDITS OF MOST ARGENTINES WHO WERE PREPARED TO ACCEPT BUT DID NOT RELISH WAR WITH CHILE. THE ANNUAL ARMY PROMOTION/REASSIGNMENT CYCLE, DELAYED

UNTIL JANUARY BY THE BEAGLE CHANNEL CRISIS, BROUGHT ADDED SUPPORT FOR THE PRESIDENT AND HIS MODERATE SUPPORTERS IN THE MILITARY. MOST NOTABLY WERE THE TRANSFERS OF TWO HARDLINE GENERAL OFFICERS WHOSE TOLERATION OF HUMAN RIGHTS ABUSES HAD FREQUENTLY EMBARRASSED THE GOVERNMENT. MAJ. GEN. CARLOS GUILLERMO SUAREZ MASON WAS TRANSFERRED FROM HIS CORPS I (BUENOS AIRES) COMMAND TO CHIEF OF STAFF, AND MAJ. GEN. SANTIAGO OMAR RIVEROS WAS SHIFTED FROM MILITARY INSTITUTES (CAMPO DE MAYO, BUENOS AIRES) TO THE INTER-AMERICAN DEFENSE BOARD IN WASHINGTON. BOTH OFFICERS WERE REPLACED BY MEN LOYAL TO VIDELA AND ARMY COMMANDER MAJ. GEN. ROBERTO VIOLA. THESE AND OTHER CHANGES COULD BE SIGNIFICANT IN FUTURE ATTEMPTS TO CURB HUMAN RIGHTS ABUSES AND MAKE THE ARMY GENERALLY MORE POLITICALLY RESPONSIVE TO THE DIRECTION OF VIDELA AND VIOLA.

-- 41. ECONOMIC PROBLEMS REMAIN THE CHIEF SOURCE OF POPULAR DISCONTENT. THE GOVERNMENT'S 1978 STABILIZATION PROGRAM PRODUCED A SHARP DECLINE IN PRODUCTION EARLY IN THE YEAR, BUT NO COMMENSURATE DECLINE IN THE RATE OF INFLATION. THE GDP FELL ABOUT 3.5-4.0 PERCENT FOR THE

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CALENDAR YEAR. THE CPI ROSE ABOUT 170 PERCENT (160 PERCENT FOR 1977), AND BOTH WAGES AND CONSUMPTION WERE DOWN. A GROWTH TREND THAT APPEARED IN THE FINAL QUARTER OF THE YEAR IS EXPECTED TO CARRY OVER AND RESULT IN A MODEST GDP INCREASE FOR 1979. MUCH DEPENDS, HOWEVER, ON THE ANTI-INFLATION BATTLE. ECONOMY MINISTER JOSE MARTINEZ DE HOZ ANNOUNCED A NEW STRATEGY IN DECEMBER 1978, BUT MOST BUSINESSMEN CONTINUE TO EXPECT A 1979 CPI INCREASE OF ABOUT 100 PERCENT.

-- 42. VIDELA MAINTAINS HIS PUBLIC SUPPORT FOR MARTINEZ DE HOZ, DESPITE MOUNTING OPPOSITION TO THE MINISTER, EVEN WITHIN THE ARMED FORCES. IF MARTINEZ DE HOZ CANNOT STEM INFLATION, HOWEVER, HE WILL BECOME AN UNSUPPORTABLE POLITICAL LIABILITY FOR VIDELA.

-- 43. THE EXTERNAL ECONOMIC SECTOR POSES NO PROBLEMS. THE 1978 BALANCE OF PAYMENTS SURPLUS WAS ABOUT 3.3 BILLION DOLLARS. CENTRAL BANK RESERVES ROSE TO RECORD LEVELS (5.7 BILLION), AND VIRTUALLY ALL CENTRAL BANK EXTERNAL LIABILITIES WERE ELIMINATED DURING THE YEAR. FORECASTS CALL FOR A SIMILAR EXTERNAL SECTOR PERFORMANCE IN 1979.

-- 44. DESPITE THE VIRTUAL ANNIHILATION OF ANY VIABLE TERRORIST THREAT, HUMAN RIGHTS ABUSES CONTINUED TO CHARACTERIZE THE WORK OF ARGENTINE SECURITY UNITS IN 1978. QUANTITATIVELY, THERE WAS PROBABLY AN IMPROVEMENT OVER THE

1976-77 PERIOD, BUT ABUSES REMAINED FREQUENT AND SERIOUS. DISAPPEARANCES, THE INDEFINITE DETENTION OF STATE-OF-SEIGE PRISONERS, TORTURE AND PRISONER MISTREATMENT REMAIN PROBLEM AREAS OF MAJOR CONCERN TO DOMESTIC AND FOREIGN OBSERVERS. DESPITE THE PERSONAL INCLINATIONS OF PRESIDENT VIDELA AND LIKEMINDED MILITARY OFFICERS, THERE HAS BEEN LITTLE EFFECTIVE OFFICIAL ACTION TO HALT THE ABUSES. THE ARMY COMMAND CHANGES NOTED ABOVE AND THE INTER-AMERICAN

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HUMAN RIGHTS COMMISSION VISIT TO ARGENTINA SCHEDULED FOR LATE MAY RAISE THE POSSIBILITY OF POSITIVE HUMAN RIGHTS DEVELOPMENTS IN THE NEAR FUTURE.

-- 45. U.S. RELATIONS WITH ARGENTINA ARE SOMEWHAT STRAINED BECAUSE OF THE HUMAN RIGHTS ISSUE. PERSISTENT

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VIOLATIONS PROMPTED THE TERMINATION OF ALL FORMS OF U.S. SECURITY ASSISTANCE ON SEPTEMBER 30, 1978, AND ARGENTINA'S 1978 HUMAN RIGHTS RECORD LED THE U.S. TO ABSTAIN IN INTERNATIONAL FINANCIAL INSTITUTIONS ON ARGENTINE LOAN REQUESTS THAT DO NOT MEET BASIC HUMAN NEEDS CRITERIA. ECONOMIC ISSUES AND COOPERATION IN NUCLEAR ENERGY MATTERS CONSTITUTE OTHER IMPORTANT POINTS OF BILATERAL CONTACT, BUT CLOSE RELATIONS WILL NOT BE RESTORED UNTIL THE HUMAN RIGHTS PERFORMANCE OF THE ARGENTINE GOVERNMENT IMPROVES.

D. CUBA

-- 46. THE MODERNIZATION OF THE CUBAN ARMED FORCES HAS CONTINUED WITH THE DELIVERY LAST YEAR OF INTERCEPTOR AND GROUND ATTACK VERSIONS OF THE MIG-23 AND THE ARRIVAL IN FEBRUARY 1979 OF A FOXTROT-CLASS SUBMARINE. SEVERAL OF THE NEW AIRCRAFT PARTICIPATED IN A FLY-BY IN HAVANA DURING THE MILITARY PARADE ON JANUARY 2 CELEBRATING THE TWENTIETH ANNIVERSARY OF THE VICTORY OF THE CUBAN REVOLUTION.

-- 47. ON THE PREVIOUS DAY, CASTRO HAD DELIVERED THE CELEBRATION'S KEYNOTE ADDRESS, LARGE PORTIONS OF WHICH WERE DEDICATED TO A VITUPERATIVE CONDEMNATION OF CHINA AND THE MOST SEVERE CUBAN CRITICISM OF THE U.S. IN SEVERAL YEARS.

-- 48. THE ANTI-CHINESE RHETORIC OF THE CUBANS CONTINUED TO ESCALATE WITH THE INITIATION OF FIGHTING BETWEEN VIET-CONFIDENTIAL

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NAMESE AND CHINESE FORCES. STATEMENTS OF CUBAN WILLINGNESS TO "SHED BLOOD" TO HELP DEFEND VIETNAM WERE ACCOMPANIED BY NUMEROUS POLITICAL RALLIES AND AN INTENSE PRO-VIETNAMESE PROPAGANDA CAMPAIGN SUGGESTING THAT CUBA WAS PREPARED TO SEND AT LEAST A TOKEN MILITARY FORCE TO VIETNAM AS A DEMONSTRATION OF SOLIDARITY. THERE WERE NO INDICATIONS, HOWEVER, THAT HANOI EVER SOUGHT CUBAN ASSISTANCE, AND ANY CUBAN AID WOULD HAVE BEEN LARGELY SYMBOLIC.

-- 49. THE TURMOIL IN INDO-CHINA ALSO COMPLICATED CUBAN PREPARATIONS FOR THE NON-ALIGNED SUMMIT MEETING TO BE HELD IN HAVANA IN SEPTEMBER. CUBA'S CLOSE IDENTIFICATION WITH THE SOVIET AND VIETNAMESE POSITION ON KAMPUCHEA AGAIN RAISED QUESTIONS AMONG MODERATE MEMBERS OF THE MOVEMENT ABOUT CUBA'S CLAIM TO BE NON-ALIGNED. THE KAMPUCHEAN ISSUE WAS SIDETRACKED AT THE MAPUTO MEETING OF THE NAM COORDINATING BUREAU, BUT IT WILL ADD ANOTHER DIMENSION TO

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THE CONTINUING STRUGGLE BETWEEN CUBA AND YUGOSLAVIA OVER
THE LEADERSHIP AND POLITICAL ORIENTATION OF THE MOVEMENT
AS THE SUMMIT APPROACHES.

-- 50. THE CUBANS HAVE INDICATED THAT SAMORA MACHEL HAS
ASKED FOR CUBAN TROOPS TO HELP DEFEND MOZAMBIQUE AGAINST
RHODESIAN RAIDS, BUT HAVANA APPARENTLY HAS NOT YET
AGREED TO SEND THEM. THE CUBANS ARE EVIDENTLY SEEKING
TO CONVEY THE MESSAGE THAT UNLESS THE WESTERN POWERS ARE
ABLE TO PRESSURE RHODESIA INTO ENDING THE RAIDS, CUBA
WILL BE COMPELLED TO COMPLY WITH MACHEL'S REQUEST. THERE
ARE PROBABLY OTHER REASONS FOR CUBA'S HESITATION, HOWEVER,
INCLUDING A BELIEF THAT IMPROVED DEFENSE OF MOZAMBIQUE
ALONE WOULD IMPROVE THE POSITION OF ZANU RELATIVE TO THAT
OF THE PREFERRED SOVIET/CUBAN CLIENT, ZAPU.

-- 51. CUBA MAY BE CONTEMPLATING A LIMITED TROOP DRAW-
DOWN IN ANGOLA AND ETHIOPIA AS THE SECURITY SITUATION
PERMITS, PERHAPS CALCULATING THAT SUCH A MOVE WOULD
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CREATE A FAVORABLE IMPRESSION AMONG NON-ALIGNED MODERATES
CONCERNED ABOUT CUBAN INVOLVEMENT IN AFRICA. CONDITIONS
IN ETHIOPIA, WHERE CUBAN TROOPS HAVE BEEN RELATIVELY
INACTIVE FOR SEVERAL MONTHS, MAY BE SOMEWHAT MORE
FAVORABLE FOR A DRAWDOWN THAN ANGOLA, BUT A LARGE-SCALE
REMOVAL OF CUBANS FROM EITHER COUNTRY SEEMS UNLIKELY.

-- 52. THE CUBANS APPARENTLY ARE BECOMING CONCERNED BY
THE IMPLICATIONS OF RECENT CHANGES IN ANGOLA'S MPLA
HIERARCHY AND INDICATIONS THAT NETO IS INCREASINGLY
INTERESTED IN STRENGTHENING TIES WITH CHINA AND THE
WESTERN COUNTRIES. NETO'S JANUARY VISIT TO HAVANA
PROBABLY DEALT WITH THESE QUESTIONS AS WELL AS WITH THE
FUTURE OF THE CUBAN PRESENCE IN ANGOLA. THE PREVIOUSLY
ANNOUNCED EXPANSION IN THE NUMBER OF CUBAN CIVILIAN
ADVISERS WILL EVIDENTLY PROCEED AS PLANNED, HOWEVER.

E. NICARAGUA

-- 53. PRESIDENT SOMOZA HAS EMERGED FROM MONTHS OF
VIOLENCE IN A RELATIVELY STRONG POSITION. HE HAS EX-
PANDED THE NATIONAL GUARD WHILE THE UNITY OF THE

OPPOSITION HAS WEAKENED. THE FSLN CONTINUES TO LAUNCH
HIT-AND-RUN ATTACKS BUT IS INCAPABLE OF MOUNTING A MAJOR

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ARMED OFFENSIVE AGAINST THE GUARD. THE LEVEL OF VIOLENCE
IN EARLY JANUARY AT THE TIME OF THE ANNIVERSARY OF THE
CHAMARRO MURDER WAS LOWER THAN HAD BEEN PREDICTED.

-- 54. RECENTLY SOMOZA HAS SEEN FIT TO CLAIM PUBLICLY
THAT HE WILL TURN OVER POWER TO A CONSTITUTIONALLY
ELECTED SUCCESSOR IN 1981. WITH THIS IN MIND, HE HAS
ANNOUNCED A SERIES OF PROPOSED GOVERNMENT REFORMS
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ALLEGEDLY DESIGNED TO MAKE THE POLITICAL SYSTEM MORE
DEMOCRATIC AND TO ENSURE THAT CIVIL RIGHTS ARE PROTECTED.
AMONG THE REFORMS ARE REVISION OF THE ELECTION LAWS, RE-
STRUCTURING THE JUDICIARY AND FORMATION OF A POLICE FORCE
INDEPENDENT OF THE GUARD. ALSO GOVERNMENT CONTROL OF THE
PRESS IS TO BE MODIFIED. FOR NOW THE OPPOSITION, OTHER
THAN THE FSLN, SEEMS TO HAVE BEEN OUTMANEUVERED AND IS
INCAPABLE OF FOCUSING EFFECTIVE PRESSURES ON THE
GOVERNMENT. HAVING FAILED IN 1978, BUSINESSMEN ARE
SIMPLY NOT IN A POSITION ECONOMICALLY TO MOUNT A SECOND
CAMPAIGN AGAINST SOMOZA.

-- 55. ALTHOUGH DATA IS NOT YET AVAILABLE, IT IS PROBA-
BLE THAT THE COUNTRY EXPERIENCED NEGATIVE ECONOMIC GROWTH
IN 1978. CAPITAL FLIGHT RESULTING FROM THE POLITICAL
VIOLENCE CAUSED A SEVERE FOREIGN RESERVE SHORTAGE. THE
GOVERNMENT HAS BEEN FORCED TO RENEGOTIATE ITS FOREIGN
DEBT. THE PRIVATE SECTOR, HEAVILY DEPENDENT ON FOREIGN
CREDIT, HAS FOUND IT VERY DIFFICULT TO OBTAIN NEEDED
FINANCING AT A TIME WHEN MONEY MARKETS ARE VERY TIGHT.

-- 56. IN AN EFFORT TO UNDERScore ITS OPPOSITION TO
SOMOZA'S INTRANSIGENCE, THE UNITED STATES HAS WITHDRAWN
SIGNIFICANT ELEMENTS FROM THE U.S. MISSION IN MANAGUA
AND HAS DISCONTINUED ECONOMIC AND MILITARY ASSISTANCE
EXCEPT FOR A FEW PROJECTS ALREADY UNDERWAY.

F. PERU

-- 57. THE CONSTITUENT ASSEMBLY INSTALLED ON JULY 28,
1978 HAS MADE SIGNIFICANT PROGRESS TOWARD DRAFTING A NEW
CHARTER AND THE RETURN TO CIVILIAN, CONSTITUTIONAL RULE
APPEARS TO BE SOLIDLY ON-TRACK. THE ASSEMBLY'S WELL-
PUBLICIZED DELIBERATIONS AND ANTICIPATED NATIONAL
ELECTIONS HAVE HELPED TO DEFUSE POPULAR DISCONTENT PRO-
VOKED BY PERU'S SERIOUS ECONOMIC PROBLEMS. ASSEMBLY

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LEADERS EXPECT THE NEW CONSTITUTION TO BE COMPLETED AND APPROVED BY MID-1979 AND NATIONAL ELECTIONS COULD BE HELD AS EARLY AS OCTOBER, WITH THE INSTALLATION OF A

CONSTITUTIONAL REGIME ON DECEMBER 9.

-- 58. DESPITE THESE OPTIMISTIC FORECASTS, SEVERAL DIVISIVE CONSTITUTIONAL ISSUES REMAIN TO BE SOLVED. OPINION IS DIVIDED OVER GRANTING THE VOTE TO ILLITERATES. MANY APPARENTLY FEAR THAT NEWLY-ENFRANCHISED ILLITERATES WOULD VOTE OVERWHELMINGLY FOR THE LEFTIST PARTIES. DESPITE THESE FEARS, THE NATIONAL ELECTORAL TRIBUNAL, ACTING UNDER GOVERNMENT INSTRUCTIONS, HAS BEGUN THE VOLUNTARY REGISTRATION OF ILLITERATES.

-- 59. THE MAJOR POLITICAL PARTIES ARE ALSO DIVIDED ON THE METHOD OF ELECTING THE PRESIDENT, ESPECIALLY IF NO CANDIDATE RECEIVES AN ABSOLUTE MAJORITY IN THE FIRST ELECTORAL ROUND. THEY HAVE AGREED, HOWEVER, ON CONSTITUTIONAL PROVISIONS MERGING THE ARMED FORCES AND POLICE AND PLACING THE MILITARY -- AND PARTICULARLY THE MILITARY BUDGET -- UNDER STRICT CIVILIAN CONTROL. THE MILITARY OBJECTS TO THE INCLUSION OF THESE PROVISIONS IN THE NEW CHARTER, BUT THE OUTCOME OF THIS ISSUE IS UNCERTAIN.

-- 60. THE MILITARY GOVERNMENT STILL APPEARS GENERALLY COMMITTED TO CONSTITUTIONALIZATION, BUT IS DETERMINED TO RELINQUISH POWER ON ITS OWN TERMS. PRESIDENT MORALES BERMUDEZ HAS STATED THAT THE FOUNDATIONS OF FISCAL STABILITY AND ECONOMIC RECOVERY MUST BE FIRMLY LAID BEFORE THE TRANSFER OF POLITICAL POWER. MILITARY LEADERS WOULD PROBABLY PREFER TO POSTPONE THE TRANSFER UNTIL 1980, HOWEVER, TO AVOID COINCIDING WITH RISING REGIONAL

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POLITICAL TENSIONS RELATED TO THIS YEAR'S CENTENNIAL OF THE OUTBREAK OF THE WAR OF THE PACIFIC.

-- 61. IN THE MEANTIME, PRESIDENT MORALES BERMUDEZ' NEW PRIME MINISTER AND THE RECENTLY APPOINTED NAVY AND AIR

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FORCE MINISTERS AND ARMY CHIEF OF STATE HAVE TAKEN A HARD LINE APPROACH TO POLITICAL OPPOSITION AND LABOR UNREST. A GENERAL STRIKE CALLED BY THE COMMUNIST-CONTROLLED LABOR FEDERATION IN JANUARY WAS DEALT WITH ENERGETICALLY AND FAILED. SEVERAL INDEPENDENT MAGAZINES THAT HAVE BEEN CRITICAL OF GOVERNMENT POLICIES HAVE BEEN CLOSED AND A STATE OF EMERGENCY WAS DECLARED IN JANUARY.

-- 62. THIS NEW HARD LINE IS ALSO REFLECTED IN PERU'S RELATIONS WITH NEIGHBORING COUNTRIES. IN LATE 1978 SEVERAL CHILEAN MILITARY OFFICERS ATTACHED TO THE CHILEAN EMBASSY IN LIMA WERE QUIETLY EXPELLED ON ESPIONAGE CHARGES AND IN JANUARY 1979 THE CHILEAN AMBASSADOR WAS DECLARED PERSONA NON GRATA TO PROTEST THE SPYING INCIDENTS. SIMULTANEOUSLY, PERU STRONGLY PROTESTED THE ALLEGED MISTREATMENT

OF SIX PERUVIAN STUDENTS AT THE HANDS OF ECUADOREAN MILITARY PERSONNEL IN THE NORTHERN BORDER REGION. THIS SUDDEN ESCALATION IN REGIONAL POLITICAL TENSIONS CONTRASTS WITH THE CAREFUL EFFORTS BY PRESIDENT MORALES BERMUDEZ TO AMELIORATE HISTORIC DIFFERENCES WITH ECUADOR AND CHILE. TENSIONS WILL PROBABLY RECEDE IN TIME, ALTHOUGH THE WAR OF THE PACIFIC CENTENNIAL AND PERU'S SIGNIFICANT ARMS ADVANTAGE OVER HER TWO NEIGHBORS WILL PLACE ADDED STRAIN ON REGIONAL TIES.

-- 63. PERU'S ECONOMIC SITUATION REMAINS VERY DELICATE, BUT THERE ARE SIGNS THAT THE DEPTH OF THE CRISIS HAS PASSED. ECONOMY AND FINANCE MINISTER SILVA RUETE SUCCESSFULLY COMPLETED A PARIS CLUB RENEGOTIATION OF PERU'S FOREIGN DEBT IN NOVEMBER 1978. SILVA RUETE THUS FAR HAS

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BEEN MODERATELY SUCCESSFUL IN IMPOSING BUDGETARY RESTRAINTS IN ORDER TO COMPLY WITH THE TERMS OF THE IMF STANDBY CREDIT. PERU'S RESERVE POSITION HAS BEGUN TO IMPROVE SOMEWHAT AS A RESULT OF DEBT RELIEF, THE AUSTERITY PROGRAM, AN UPSWING IN NON-TRADITIONAL EXPORTS AND IMPROVED MINERALS PRICES, BUT THE HOPED-FOR UPSWING IN DOMESTIC AND FOREIGN INVESTMENT HAS NOT YET MATERIALIZED. ANOTHER BRIGHT SPOT ON THE ECONOMIC PICTURE IS THE DISCOVERY BY OCCIDENTAL PETROLEUM OF SIGNIFICANT NEW OIL RESERVES IN THE AMAZON REGION. HOWEVER, SERIOUS PROBLEMS OF INFLATION AND UNEMPLOYMENT HAVE ERODED THE PERUVIAN WORKER'S PURCHASING POWER TO THE POINT WHERE LABOR AND SOCIAL UNREST STILL POSE A SERIOUS THREAT TO THE ON-GOING DEMOCRATIZATION

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PROCESS.

G. CHILE

-- 64. TWO SEPARATE JUDICIAL PROCEEDINGS, ONE IN WASHINGTON AND ONE IN SANTIAGO, WILL IN LARGE MEASURE DETERMINE THE NATURE OF U.S.-CHILE TIES IN THE MEDIUM TERM. IN FEBRUARY 1979 THREE ANTI-CASTRO CUBAN EXILES WERE FOUND GUILTY IN A U.S. FEDERAL COURT OF THE BOMB KILLING OF FORMER CHILEAN FOREIGN MINISTER AND AMBASSADOR TO THE UNITED STATES, ORLANDO LETELIER, AN OUTSPOKEN CRITIC OF THE PRESENT CHILEAN REGIME. THREE CHILEAN GOVERNMENT OFFICIALS, INCLUDING THE FORMER CHIEF OF THE CHILEAN INTELLIGENCE SERVICE DINA, ARE ALSO IMPLICATED IN THE LETELIER CRIME, AND A U.S. GOVERNMENT REQUEST TO EXTRA-DITE THE THREE OFFICIALS IS NOW IN THE FINAL STAGES OF REVIEW BY THE PRESIDENT OF THE CHILEAN SUPREME COURT. THE CONVICTION OF THE THREE CUBAN EXILES WILL HAVE SOME WEIGHT, PERHAPS, IN THE CHILEAN COURT'S CONSIDERATION OF THE AGONIZING LEGAL AND POLITICAL DILEMMA, AND THE

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DOMESTIC STANDING OF THE PINOCHET GOVERNMENT COULD BE ADVERSELY AFFECTED IF CONVINCING EVIDENCE OF HIGH-LEVEL OFFICIAL INVOLVEMENT IN THE LETELIER CRIME IS DEMONSTRATED.

-- 65. IN INTERNAL POLITICAL AFFAIRS, THE LIBERALIZATION POLICY BEGUN BY PRESIDENT PINOCHET IN 1978 HAS PICKED UP MOMENTUM, AND THE CONSTITUTION NOW BEING DRAFTED BY A HAND-PICKED COMMISSION IS SUPPOSED TO BE SUBMITTED TO A PLEBISCITE THIS YEAR. AN AD-HOC OPPOSITION GROUP FORMED TO MONITOR AND EVALUATE THE GOVERNMENT'S PLAN TO ESTABLISH A "PROTECTED DEMOCRACY" AND TO DRAFT AN ALTERNATIVE CONSTITUTION HAS BEEN INCREASINGLY CRITICAL, HOWEVER, CALLING THE NEW GOVERNMENT-SPONSORED CONSTITUTION AN EFFORT TO INSTITUTIONALIZE THE REPRESSIVE STATUS QUO. THE INDEPENDENT MEDIA HAS ALSO EXPRESSED RESERVATIONS ABOUT THE PROPOSED CONSTITUTION, BUT THE GOVERNMENT'S SCHEDULE STILL CALLS FOR VAGUELY-DEFINED ELECTIONS AND A RETURN TO SOME FORM OF CIVILIAN RULE BY 1985. ALTHOUGH ALL POLITICAL PARTIES AND POLITICAL ACTIVITY ARE OFFICIALLY BANNED, THE OLD PARTY STRUCTURES EXIST AND THE LEADERSHIP DELIBERATES. THE CHRISTIAN DEMOCRATIC AND COMMUNIST PARTIES ESPECIALLY ARE REASONABLY INTACT AND STILL HAVE THE CAPABILITY TO PLAY LEADING ROLES IN THE EXPECTED POLITICAL OPENING TO COME.

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-- 66. OFFICIAL LABOR POLICY IS ALSO IN THE PROCESS OF BEGRUDGING AND SLOW LIBERALIZATION. TRADITIONAL LABOR FREEDOMS REMAIN SEVERELY RESTRICTED BECAUSE OF THE GOVERNMENT'S FEAR OF POLITICAL MANIPULATION OF UNIONS BY POLITICAL GROUPS AND ITS DESIRE TO CONTROL LABOR COSTS IN THE NEW ECONOMIC SYSTEM. HOWEVER, FACED WITH THE POSSIBILITY OF A DAMAGING INTERNATIONAL TRANSPORTATION BOYCOTT THREATENED IN NOVEMBER OF 1978 BY THE INTER-AMERICAN WORKERS ORGANIZATION (ORIT) WITH SUPPORT FROM THE AFL/CIO, A NEW LABOR PLAN AS PROMISED IN JANUARY 1979 WHICH, IF IMPLEMENTED, WILL ALLOW UNIONS GREATER FREEDOM

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TO ORGANIZE AND FUNCTION. THE THREAT OF A BOYCOTT STILL EXISTS, HOWEVER, AND LABOR STABILITY IS THREATENED BY CONTINUED GOVERNMENT REPRESSION OF LABOR UNION ACTIVITIES AND RECENTLY ANNOUNCED MASSIVE LAYOFFS IN CERTAIN STATE INDUSTRIES AND ENTERPRISES.

-- 67. IN THE HUMAN RIGHTS AREA THERE ARE STILL NO EFFECTIVE GUARANTEES IN LAW OF INDIVIDUAL LIBERTIES. ABUSE OF INDIVIDUALS HAS BEEN REDUCED TO A LOW LEVEL OF FREQUENCY, HOWEVER, AS A RESULT OF THE GOVERNMENT'S ABILITY -- AFTER FIVE YEARS OF RULE -- TO CONTROL REAL OR POTENTIAL INTERNAL THREATS, AND BECAUSE OF DOMESTIC AND INTERNATIONAL CRITICISM AND PRESSURE. THE GOVERNMENT HAS

PERMITTED AN INDEPENDENT JUDICIAL INVESTIGATION THAT IS ATTEMPTING TO ESTABLISH THE IDENTITY OF SOME 16 BODIES DISCOVERED IN AN ABANDONED LIME KILN NEAR SANTIAGO IN LATE NOVEMBER 1978. MOST OF THE BODIES HAVE BEEN TENTATIVELY IDENTIFIED AS BEING THOSE OF PERSONS KNOWN TO HAVE BEEN ARRESTED AND HELD BY STATE SECURITY FORCES IN LATE 1973. ON THE NEGATIVE SIDE, THE POLITICAL AMNESTY DECREED IN APRIL 1978 -- AS IT CONCERNS EXILES -- HAS BEEN IMPLEMENTED ON A VERY RESTRICTIVE BASIS AND MANY EXILED CHILEANS WHO HAVE SOUGHT TO RETURN EITHER TEMPORARILY OR PERMANENTLY TO CHILE HAVE BEEN DENIED ADMITTANCE.

-- 68. UNDER THE AEGIS OF THE GOVERNMENT'S CIVILIAN ECONOMIC TEAM, THE CHILEAN ECONOMY CONTINUES TO RECOVER FROM THE CHAOS OF THE ALLENDE PERIOD, WITH THE PRINCIPAL EMPHASIS ON FURTHER REDUCING INFLATION. INFLATION FOR 1978 WAS 30 PERCENT, HISTORICALLY LOW BY CHILEAN STANDARDS.

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IN LARGE PART FOREIGN BORROWING AND INVESTMENT ARE
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RESPONSIBLE FOR CHILE'S ECONOMIC GROWTH, WITH THE U.S.
PRIVATE SECTOR PLAYING THE LEADING ROLE IN PROVIDING
FINANCIAL SERVICES. TOTAL FOREIGN INVESTMENT AUTHORIZED
SINCE 1973 EXCEEDS 2.5 BILLION DOLLARS, WITH 500 MILLION
DOLLARS ACTUALLY INVESTED, MOSTLY IN MINING. CHILE NOW
ENJOYS AN EXCELLENT CREDIT RATING AND IS SLOWLY ATTRACTING
MORE DIRECT INVESTMENT. VANCE

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C O N F I D E N T I A L STATE 071760

FOLLOWING REPAT STATE 071760 SENT ACTION USNATO 23 MAR 79.

QUOTE:C O N F I D E N T I A L STATE 071760

E.O. 12065GDS

TAGS:NATO, XM

SUBJECT: (U) EXPERTS REPORT ON LATIN AMERICA

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REF: USNATO 01094

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THERE FOLLOWS THE TEXT OF THE U.S. CONTRIBUTION TO THE REPORT BY THE NATO EXPERTS WORKING GROUP ON "TRENDS IN LATIN AMERICA". BEGIN TEXT:

I. INTRODUCTORY OVERVIEW

A. CONTINUED POTENTIAL FOR INSTABILITY

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-- 1. ARMED CONFLICT BETWEEN CHILE AND ARGENTINA OVER THE BEAGLE CHANNEL WAS AVOIDED BY DIPLOMATIC EFFORTS CULMINATING IN BILATERAL AGREEMENT ON PAPAL MEDIATION. OTHER TERRITORIAL DISPUTES, NOTABLY THE QUESTION OF BOLIVIA'S ACCESS TO THE SEA, THE PERU-ECUADOR DISPUTE AND THE QUESTION OF GUATEMALAN CLAIMS TO BELIZE, REMAIN THE SOURCE OF PERIODIC TENSIONS.

-- 2. THE SITUATION IN CENTRAL AMERICA, IN THE WAKE OF THE SUSPENSION OF THE THREE-NATION MEDIATION EFFORT IN NICARAGUA, IS A MATTER OF SERIOUS CONCERN. THE NICARAGUAN CRISIS TENDED TO SPLIT COSTA RICA FROM THE AREA'S MILITARY DOMINATED COUNTRIES AND TO RAISE SERIOUS DOUBTS CONCERNING THE FUTURE OF REGIONAL STABILITY. THE INVOLVEMENT OF EXTRA-REGIONAL COUNTRIES LIKE VENEZUELA AND CUBA HAS BEEN UNHELPFUL AND HAS COMPLICATED MATTERS AT TIMES.

-- 3. THE OVERTHROW OF ERIC GAIRY IN GRENADA CREATED A SENSE OF UNEASE IN THE CARIBBEAN, PARTICULARLY AMONG THE LEADERS OF THE ENGLISH-SPEAKING NATIONS WHO FIND THE COUP AN UNWELCOME DEPARTURE FROM THEIR TRADITIONAL PARLIAMENTARY WAYS.

B. U.S.-MEXICO RELATIONS HIGHLIGHTED BY CARTER TRIP

-- 4. MEXICO'S ECONOMIC GROWTH, ITS POTENTIAL AS AN OIL AND GAS PRODUCER, AND THE CONTINUED FLOW OF MIGRANTS NORTHWARD INTO THE UNITED STATES HAVE RESULTED IN A NEW APPRECIATION OF THE IMPORTANCE AND COMPLEXITY OF U.S.-MEXICAN RELATIONS. ADVERSE MEDIA TREATMENT NOTWITHSTAND-

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ING, THE PRESIDENT'S VISIT CLEARED THE AIR AND ESTABLISHED
A FRAMEWORK FOR FUTURE TREATMENT OF IMPORTANT PROBLEMS.

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THE TWO LEADERS WILL MEET AGAIN THIS SUMMER TO REVIEW
PROGRESS ON THE ISSUES.

-- 5. PRESIDENT GISCARD'S VISIT AND THE TRAVELS OF
PRESIDENT LOPEZ PORTILLO PROVIDE EVIDENCE THAT MEXICO IS
JOINING THE RANKS OF BRAZIL AND VENEZUELA AS LATIN
AMERICAN NATIONS ANXIOUS TO ASSUME INCREASINGLY INFLUENTIAL
AND INDEPENDENT ROLES ON THE WORLD SCENE.

C. UNEVEN PROGRESS TOWARD DEMOCRATIZATION AND HUMAN RIGHTS

-- 6. THE NOVEMBER COUP IN BOLIVIA BROUGHT TO POWER A
GOVERNMENT WHICH APPEARS DETERMINED TO HOLD ELECTIONS, BUT
ANY CIVILIAN SUCCESSOR WILL ALMOST SURELY BE CONFRONTED
WITH AN IMMEDIATE FINANCIAL CRISIS. IN PERU, THE ILLNESS
OF RAUL HAYA DE LA TORRE MAY ADVERSELY AFFECT THE ALREADY
DIFFICULT PROCESS OF RETURNING TO CONSTITUTIONAL GOVERN-
MENT. CHILE IS ENTERING A PERIOD OF DEBATE ON A NEW CONSTI-
TUTION WHICH WILL BE ONLY ONE STEP IN WHAT PROMISES TO BE A
PROTRACTED CIVILIANIZATION PROCESS. FINALLY, IN ARGENTINA
THE MURDER OF A FOREIGN MINISTRY OFFICIAL SHOCKED
GOVERNMENT OFFICIALS AND THE PUBLIC AND DRAMATIZED THE NEED
TO HALT HUMAN RIGHTS ABUSES AND RESTORE THE RULE OF LAW.

D. CELAM III REVIEWS DECISIONS OF MEDELLIN

-- 7. THE ASSEMBLED BISHOPS REVIEWED THE CHURCH'S
EXPERIENCE SINCE THE MEDELLIN CONFERENCE AND SET GUIDE-
LINES FOR THE FUTURE, I.E., THE AVOIDANCE OF POLITICAL
ASSOCIATION WITH GOVERNMENTS OR OPPOSITION MOVEMENTS IN
ORDER TO FREE THE CHURCH FOR ITS SPIRITUAL MISSION. POPE
JOHN PAUL II'S EMPHATIC CONCERN FOR THE POOR AND THE
PROTECTION OF HUMAN RIGHTS WAS BALANCED BY HIS CONSERVATIVE
THEOLOGICAL STANDS AND HIS REJECTION OF THE MORE CONTRO-
VERSIAL FACETS OF "LIBERATION THEOLOGY".

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E. PEACEFUL CHANGES OF GOVERNMENT IN BRAZIL AND VENEZUELA

-- 8. IN BRAZIL, PRESIDENT FIGUEIREDO IS LIKELY TO CONTINUE THE PROCESS OF LIBERALIZATION BEGUN BY HIS PREDECESSOR. THE TONE OF RELATIONS WITH THE U.S. WILL PROBABLY IMPROVE, BUT TOUGH PROBLEMS REMAIN. THE ELECTION OF OPPOSITION CANDIDATE ROBERTO HERRERA TO THE PRESIDENCY OF VENEZUELA REAFFIRMS THE VIGOR OF VENEZUELA'S DEMOCRACY. GOOD RELATIONS WITH THE U.S. SHOULD CONTINUE. HERRERA'S CONDUCT OF FOREIGN POLICY WILL PROBABLY BE LESS ACTIVIST THAN THAT OF CARLOS ANDRES PEREZ.

F. ECONOMIC QUESTIONS IMPORTANT ON HEMISPHERIC AGENDA.

-- 9. THE IMPORTANCE OF VENEZUELA AND MEXICO AS POLITICALLY STABLE SOURCES OF OIL WAS UNDERLINED BY EVENTS IN IRAN. IN THE CASES OF BRAZIL, ARGENTINA AND MEXICO -- ALL SO-CALLED "ADVANCED" LDC'S -- WE ARE IN THE PROCESS OF BUILDING A MORE SATISFACTORY ECONOMIC RELATIONSHIP BY PUSHING FOR THEIR INTEGRATION INTO THE WORLD ECONOMIC SYSTEM THROUGH GATT AND THE MTN.

II. GENERAL PROBLEMS

A. REGIONAL POLITICAL TENSIONS

-- 10. WITH THE 100TH ANNIVERSARY OF THE OUTBREAK OF THE WAR OF THE PACIFIC (1879-1883) AT HAND, THE COUNTRIES OF THE WEST COAST OF SOUTH AMERICA HAVE EXPERIENCED A PERCEPTIBLE RISE IN REGIONAL TENSIONS.

-- 11. BOLIVIA CONTINUES TO SEEK A SOVEREIGN CORRIDOR TO THE PACIFIC THROUGH CHILEAN TERRITORY, EVEN THOUGH DIPLO-
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MATIC TIES WERE BROKEN BY LA PAZ IN MARCH OF 1978 BECAUSE OF BOLIVIAN DISSATISFACTION WITH THE CORRIDOR NEGOTIATIONS THEN UNDERWAY. BOLIVIANS COMMEMORATED THE

100TH ANNIVERSARY OF THE LOSS OF THEIR PORT AT ANTOFAGASTA WITH A GENUINE OUTPOURING OF NATIONAL SENTIMENT, AND THEIR ENTHUSIASM FOR AN OUTLET TO THE SEA IS UNLIKELY TO DIMINISH. WITH BOLIVIAN NATIONAL ELECTIONS NOW SCHEDULED FOR JULY OF 1979, A RENEWED DIPLOMATIC INITIATIVE WILL PROBABLY AWAIT THE ANTICIPATED INSTALLATION OF A CIVILIAN GOVERNMENT IN EARLY AUGUST.

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-- 12. THE CENTENNIAL OF THE WAR OF THE PACIFIC HAS ALSO HELPED TO HEIGHTEN TENSIONS BETWEEN SANTIAGO AND LIMA. DESPITE ON-GOING EFFORTS BY BOTH GOVERNMENTS TO ACCOMODATE LONG-STANDING DIFFERENCES AND REDUCE MUTUAL DISTRUST, BILATERAL TIES BETWEEN THE TWO NATIONS WERE SHAKEN BY SPYING ACTIVITIES CARRIED OUT BY CHILEAN MILITARY OFFICERS AND MEMBERS OF THE CHILEAN EMBASSY IN LIMA IN LATE 1978. PERU REACTED IN JANUARY 1979 BY DECLARING THE CHILEAN AMBASSADOR PERSONA-NON-GRATA, REQUESTING HIS IMMEDIATE DEPARTURE, RECALLING THE PERUVIAN AMBASSADOR IN SANTIAGO AND EXECUTING A PERUVIAN NON-COMMISSIONED OFFICER INVOLVED IN THE ESPIONAGE.

-- 13. CHILE, WHILE PUBLICLY ACCEPTING A DEGREE OF RESPONSIBILITY FOR THE ESPIONAGE INCIDENTS, HAS CHOSEN NOT TO RESPOND TO WHAT SANTIAGO PROBABLY FEELS IS A GROSS OVER-REACTION ON PERU'S PART. THE PINOCHET GOVERNMENT FACES THE PROTRACTED MEDIATION OF THE BEAGLE CHANNEL DISPUTE WITH ARGENTINA, AND DOES NOT WISH TO CREATE FURTHER PROBLEMS ON THE NORTHERN FRONTIER. ALTHOUGH TENSIONS WERE MOMENTARILY RAISED, AND BOTH PARTIES WILL REMAIN ALERT TO THEIR NEIGHBOR'S REAL OR IMAGINED INTENTIONS, NO SERIOUS CONFRONTATION IS LIKELY.

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-- 14. PERU, IN THE THROES OF SERIOUS ECONOMIC PROBLEMS AND THE FINAL STAGES OF THE RETURN TO CIVILIAN RULE, CAN ILL AFFORD THE DISTRACTION OF REGIONAL POLITICAL TENSIONS. NEVERTHELESS, RELATIONS WITH ECUADOR HAVE BECOME STRAINED AS A RESULT OF THE ALLEGED MISTREATMENT OF SIX PERUVIAN STUDENTS BY ECUADOREAN MILITARY PERSONNEL IN JANUARY 1979, PART OF A LONG STANDING PATTERN OF BORDER HARASSMENT BY AUTHORITIES OF BOTH COUNTRIES. ECUADOR'S HOPES FOR SOME KIND OF PERUVIAN ACCOMODATION OF ITS ASPIRATIONS FOR SOVEREIGN ACCESS TO THE AMAZON THROUGH PERUVIAN TERRITORY, HAVE BEEN DASHED BY LIMA'S LEGALISTIC, UNYIELDING ATTITUDE, EVEN THOUGH THE TWO NEIGHBORS AT ONE TIME DID APPEAR TO BE MAKING SOME PROGRESS TOWARD MORE AMICABLE TIES THROUGH JOINT DEVELOPMENT AND BORDER INTEGRATION PROJECTS. ECUADOR'S IRRENDENTISM, HEIGHTENED BY HOTLY-CONTESTED NATIONAL ELECTIONS SCHEDULED FOR APRIL, AND PERU'S

UNWILLINGNESS TO ACCOMODATE THESE CLAIMS WILL KEEP THE REGIONAL POT SIMMERING, BUT OPEN CONFLICT CAN BE RULED

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OUT.

B. CELAM III

-- 15. POPE JOHN PAUL II'S OPENING-DAY REMARKS HIGHLIGHTED THE TWO-WEEK DELIBERATIONS OF THE THIRD CONFERENCE OF LATIN AMERICAN BISHOPS HELD IN PUEBLA, MEXICO (CELAM III; JANUARY 27-FEBRUARY 12). IN GENERAL, THE CONCLAVE REAFFIRMED THE LATIN AMERICAN CATHOLIC CHURCH'S ROLE AS A FORCE FOR SOCIAL, ECONOMIC AND POLITICAL REFORM, BUT ONE THAT ESCHEWS VIOLENCE OR IDENTIFICATION WITH ANY SECULAR IDEOLOGICAL CURRENTS.

-- 16. CELAMS ARE INTERNAL CHURCH STRATEGY AND THEOLOGICAL

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CAL SESSIONS THAT ARE INTENDED TO SET THE TONE FOR CHURCH ACTIVITY IN THE HEMISPHERE. CELAM I WAS HELD IN RIO DE JANEIRO IN 1955 AND CELAM II IN MEDELLIN IN 1968. CELAM DECISIONS ARE PROVISIONAL UNTIL APPROVED BY THE VATICAN. EVEN WITH VATICAN APPROVAL, THEIR IMPACT IS OFTEN MUTED BY THE FACT THAT THE NATIONAL CATHOLIC CHURCH HIERARCHIES ARE MORE POWERFUL CHURCH ENTITIES THAN CELAMS. EACH HIERARCHY TENDS TO INTERPRET CELAM RESULTS IN WAYS THAT CONFORM TO ITS OWN CONCEPTION OF THE CHURCH'S PROPER ROLE.

-- 17. CELAM III'S OUTCOME REPRESENTS AN ATTEMPT BY THE BISHOPS TO CLARIFY THE CHURCH'S MISSION AND UNIFY ITS CLERGY IN LIGHT OF THE EXPERIENCE SINCE CELAM II IN MEDELLIN. CELAM II'S AGGRESSIVE ADVOCACY OF SOCIAL ACTIVISM IN THE RELIGIOUS COMMUNITY INTENSIFIED DIFFERENCES WITH THE CHURCH. REVOLUTIONARY PRIESTS SPREADING "LIBERATION THEOLOGY" HAVE SINCE STOOD AT ONE EXTREME WHILE THE OTHER HAS BEEN OCCUPIED BY ULTRA CONSERVATIVES WHO REGRET NOT ONLY CELAM II'S RESULTS BUT ALSO THOSE OF VATICAN II.

-- 18. CELAM III WAS NOT A BENCHMARK GATHERING IN THE FASHION OF CELAM II. RATHER IT WAS AN ATTEMPT TO CHANNEL THE ENERGIES UNLEASHED BY MEDELLIN IN THEOLOGICALLY SOUND AND POLITICALLY ACCEPTABLE DIRECTIONS. THUS, PUEBLA'S RESULTS CONSTITUTE A SOMEWHAT MODERATED RESTATEMENT OF THE CHURCH'S SOCIAL ROLE RATHER THAN THE REJECTION OF SOCIAL ACTIVISM THAT PROGRESSIVES FEARED AND CONSERVATIVES SOUGHT. PROGRESSIVES COULD FIND ENCOURAGEMENT IN CELAM III'S:

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-----REAFFIRMATION OF THE CHURCH'S MANDATE TO AID THE
POOR THROUGH ALLEVIATION OF ALL FORMS OF INJUSTICE AND
REPRESSION; AND

-----REASSERTION OF THE CHURCH'S RIGHT TO CRITICIZE THE
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ACTIONS OF TEMPORAL POWERS, EXPECIALLY IN THE CASE OF
HUMAN RIGHTS ABUSES.

CONSERVATIVES, ON THE OTHER HAND, COULD TAKE HEART FROM
CELAM III'S REJECTION OF:

-----CHURCH IDENTIFICATION WITH MARXISM ("LIBERATION
THEOLOGY") OR ANY SECULAR IDEOLOGY;

-----PRIESTS SERVING AS POLITICAL LEADERS; AND

-----VIOLENCE AS A TACTIC FOR SOCIAL TRANSFORMATION.

-- 19. POPE JOHN PAUL II'S OPENING ADDRESS TO THE
BISHOPS AS WELL AS THE PUBLIC STATEMENTS THAT HE MADE
WHILE TOURING MEXICO CLEARLY SET THE TONE FOR CELAM III'S
WORK. DESPITE FEARS AMONG CHURCH LIBERALS THAT THE POPE
WAS ATTENDING THE CONFERENCE, IN PART, TO BUTTRESS THE
CONSERVATIVES, HE EMERGED FROM HIS MEXICAN VISIT AS A
MODERATE IN TERMS OF LATIN AMERICAN CATHOLICISM. HE
REPEATEDLY EMPHASIZED THE CHURCH'S OBLIGATION TO THE POOR
AND DISADVANTAGED AND CONDEMNED INJUSTICE WHATEVER THE
SOURCE, WHILE AT THE SAME TIME REAFFIRMING TRADITIONAL
CHURCH DOCTRINE AND THE INSTITUTION'S RELIGIOUS, NON-
POLITICAL NATURE AND MISSION.

C. BEAGLE CHANNEL

-- 20. VATICAN INTERVENTION IN LATE DECEMBER 1978 RE-
SULTED IN THE JANUARY 8 MONTEVIDEO AGREEMENT THAT ENDED
MONTHS OF FRUITLESS AND FREQUENTLY TENSE BILATERAL
NEGOTIATIONS. AT MONTEVIDEO, FOREIGN MINISTERS CUBILLOS
OF CHILE AND PASTOR OF ARGENTINA AGREED TO REQUEST PAPAL
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MEDIATION OF THE BEAGLE CHANNEL CONTROVERSY AND GRADUALLY REDUCE THEIR RESPECTIVE MILITARY FORCES IN THE SOUTHERN REGION TO JANUARY 1977 LEVELS. ON JANUARY 24, THE VATICAN ANNOUNCED THAT POPE JOHN PAUL II WOULD ACCEPT THE MEDIATOR'S ROLE.

-- 21. WAR SEEMED LIKELY IN MID-DECEMBER. PASTOR AND CUBILLOS MET ON DECEMBER 12 IN BUENOS AIRES IN WHAT WAS WIDELY CONSIDERED A LAST DITCH EFFORT TO RESOLVE DIFFERENCES. NEITHER SIDE WANTED HOSTILITIES, BUT BOTH WERE LOCKED INTO POSITIONS FROM WHICH THERE APPEARED TO BE NO VIABLE RETREAT:

-----ARGENTINA CONTINUED TO INSIST THAT POSSESSION OF SEVERAL ISLETS TO THE SOUTH OF THE BEAGLE CHANNEL WAS THE ONLY WAY TO ENSURE THE HISTORICAL DISTINCTION BETWEEN CHILE, THE PACIFIC POWER AND ARGENTINA, THE ATLANTIC POWER; ARGENTINES CONTENDED THAT ONLY A BOUNDARY ANCHORED TO LAND POINTS WOULD EFFECTIVELY PREVENT CHILEAN ENCROACHMENT IN THE ATLANTIC; AND

-----CHILE MAINTAINED THAT ITS LEGAL CLAIM TO THE BEAGLE CHANNEL ISLANDS (PICKTON, LENNOX AND NUEVA) AND ALL OTHER ISLANDS SOUTH TO AND INCLUDING CAPE HORN WAS INDISPUTABLE; THE ONLY MATTER TO BE DECIDED, INSISTED SANTIAGO, WAS THE MARITIME BOUNDARY EXTENDING FROM THE EASTERN END OF THE BEAGLE CHANNEL TO THE SOUTH AND EAST.

-- 22. THE VATICAN'S DECEMBER 22 OFFER TO SEND CARDINAL ANTONIO SAMORE TO FACILITATE BILATERAL AGREEMENT PROBABLY AVERTED SOME SORT OF AGGRESSIVE ACTION BY THE ARGENTINES. BEGINNING ON DECEMBER 26 IN BUENOS AIRES, SAMORE SHUTTLED BACK AND FORTH BETWEEN THE SOUTHERN CONE CAPITALS WITH A BRAND OF SHREWD DIPLOMACY THAT PRODUCED AN ACCORD WITH BENEFITS FOR BOTH NATIONS. THE MONTEVIDEO AGREEMENT:
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-----PROVIDED ARGENTINA WITH A FACE-SAVING RETREAT FROM ITS REPEATED THREATS TO USE MILITARY FORCE, AND, MOST IMPORTANTLY, LEFT OPEN FOR MEDIATION THE QUESTION OF SOVEREIGNTY OVER ISLANDS IN THE BEAGLE CHANNEL AREA; AND

-----RELIEVED CHILE FROM THE PRESSURE OF HAVING TO

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NEGOTIATE UNDER THE CONSTANT THREAT OF ARMED ATTACK.

-- 23. SINCE THE SIGNING OF THE MONTEVIDEO AGREEMENT, TENSIONS HAVE SUBSIDED DRAMATICALLY. BOTH SIDES ARE GRADUALLY REDUCING THEIR MILITARY PRESENCE IN THE SOUTH, ALTHOUGH BOTH ARE ACTING CAUTIOUSLY BECAUSE THEY DO NOT KNOW WHAT MEDIATION WILL BRING.

-- 23. THE DISPUTE IS FAR FROM SETTLED. NEITHER SANTIAGO NOR BUENOS AIRES HAS INDICATED NEW FLEXIBILITY IN WHAT REMAIN MUTUALLY EXCLUSIVE POSITIONS. BOTH AGREED TO MEDIATION BECAUSE, AMONG OTHER REASONS, THEY EXPECT TO WIN, NOT COMPROMISE. SHOULD MEDIATION BREAK DOWN OR THE CHILEANS PREVAIL, THE ARGENTINES MAY AGAIN RESORT TO THE THREAT OF MILITARY FORCE. IF THE ARGENTINE SIDE CARRIES THE DAY, THE CHILEANS MAY WELL TAKE THE DISPUTE TO THE

INTERNATIONAL COURT OF JUSTICE, AN ALTERNATIVE THAT THEY HAVE CAREFULLY PRESERVED THROUGHOUT THE LONG NEGOTIATIONS.

D. ATTITUDES ON REGIONAL DISARMAMENT

-- 24. THE ISSUE OF REGIONAL DISARMAMENT HAD A RELATIVELY HIGH PROFILE IN LATIN AMERICA IN 1978. IN ADDITION TO THE SSOD ACTIVITIES, THE EIGHT AYACUCHO SIGNATORIES (ARGENTINA, BOLIVIA, COLOMBIA, CHILE, ECUADOR, PANAMA, PERU, CONFIDENTIAL

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VENEZUELA) ISSUED A DECLARATION ON JUNE 22 CALLING FOR REGIONAL RESTRAINTS ON CONVENTIONAL ARMS TRANSFERS. REPRESENTATIVES OF TWENTY NATIONS MET IN MEXICO IN AUGUST TO DISCUSS THE SAME TOPIC, AND A FOLLOW-UP MEETING HAS BEEN SET FOR QUITO AT A YET UNSPECIFIED DATE.

-- 25. MOST LATIN AMERICAN LEADERS WOULD LIKE TO FIND SOME WAY TO LIMIT CONVENTIONAL ARMS TRANSFERS AND NATIONAL DEFENSE EXPENDITURES. HOWEVER, A NUMBER OF FACTORS MILITATE AGAINST ANY EARLY AGREEMENT TO DO SO:

-----MANY GOVERNMENTS OF THE REGION ARE CONTROLLED BY MILITARY OFFICERS WHO ARE MORE INTERESTED IN BUILDING UP THEIR POWER BASE THAN IN ARMS RESTRAINT;

-----PERSISTENT SUB-REGIONAL TENSIONS AFFECT A NUMBER OF STATES, PERIODICALLY LEADING FIRST ONE AND THEN THE OTHER PARTY TO A CONTROVERSY TO CONCLUDE THAT IT MUST PURCHASE

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NEW ARMS;

-----THE ABSENCE OF RELATIVE ARMS PARITY BETWEEN AND AMONG STATES, ESPECIALLY IN THE CASE OF CUBA;

-----BRAZIL'S CONTINUING OPPOSITION TO ANY EFFORT TO ESTABLISH A CEILING ON NEW LATIN AMERICAN ARMS ACQUISITIONS. BRAZIL REFUSED TO ATTEND THE MEXICO CITY MEETING IN AUGUST AND HAS SO FAR DECLINED TO ATTEND THE PROPOSED QUITO MEETING. THE BRAZILIANS BELIEVE SUCH INITIATIVES SERVE ONLY THE INTERESTS OF THE GREAT POWERS AND ARE INIMICAL TO BRAZIL'S AMBITIONS AS AN EMERGING WORLD POWER AND ARMS EXPORTER.

-- 26. THE LATINS ARE ALSO CONCERNED ABOUT THE ATTITUDES OF THE ARMS SUPPLIERS, AS ANY LATIN AMERICAN AGREEMENT COULD BE QUICKLY UNRAVELLED IF ANY MAJOR SUPPLIER OPPOSED IT AND ENCOURAGED PARTIES TO THE AGREEMENT - OR NEIGHBORING

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NON-PARTIES - TO EVADE IT. MEXICO HAS ASKED ALL THE LEADING SUPPLIERS IF THEY WOULD ATTEND A CONFERENCE OF SUPPLIERS AND RECIPIENTS TO CONSIDER THE RESTRAINT OF ARMS

TRANSFERS TO LATIN AMERICA, SHOULD ONE BE HELD.

III. COUNTRY STUDIES

A. MEXICO

-- 27. PRESIDENT CARTER VISITED MEXICO FEBRUARY 14-16. AFTER AN INITIALLY COOL RECEPTION REFLECTING BOTH RECENT AND HISTORICAL STRAINS, THE CONVERSATIONS BETWEEN THE TWO LEADERS WERE BOTH DIRECT AND PRODUCTIVE.

-- 28. THE MEETINGS DID NOT RESOLVE ANY SUBSTANTIVE ISSUES, BUT THE EXTENSIVE AND FRANK DISCUSSIONS SET A CLEAR DIRECTION FOR THE RESOLUTION OF SEVERAL IMPORTANT POINTS OF CONTENTION. THE PRESIDENTS AGREED:

-----TO HAVE THEIR REPRESENTATIVES MEET AS SOON AS POSSIBLE TO NEGOTIATE THE SALE OF MEXICAN NATURAL GAS TO THE U.S.;

-----TO PUSH FOR CONCLUSION OF BILATERAL TRADE NEGOTIATIONS UNDER THE MTN;

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-----TO SHARE DATA ON MIGRATION AND CONSULT CLOSELY ON
BORDER QUESTIONS; AND

-----TO STRENGTHEN THE U.S.-MEXICAN CONSULTATIVE MECHANISM,
ASKING FOR CONCRETE RECOMMENDATIONS WITHIN FOUR MONTHS
ON WAYS IT CAN OPERATE MORE EFFECTIVELY.

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-- 29. FINALLY, THE PRESIDENTS AGREED TO MEET AGAIN THIS
SUMMER TO EXAMINE THE REPORT ON THE CONSULTATIVE MECHANISM
AND TO ASSESS PROGRESS ON THE ISSUES THEY DISCUSSED IN
MEXICO CITY.

-- 30. OTHER RESULTS OF THE VISIT INCLUDED THE INITIALING
BY SECRETARY VANCE AND MEXICAN FOREIGN MINISTER ROEL OF
AGREEMENTS ON ARID LANDS MANAGEMENT AND HOUSING/URBAN
DEVELOPMENT, AS WELL AS A RECENTLY-CONCLUDED MEMORANDUM OF
UNDERSTANDING ON SCIENCE AND TECHNOLOGY.

-- 31. THE KEY RESULT, HOWEVER, WAS TO OVERCOME MIS-
UNDERSTANDING AND PUT U.S.-MEXICAN RELATIONS BACK ON A
POSITIVE TRACK.

B. BRAZIL

-- 32. BRAZIL IS ENTERING A CRUCIAL YEAR IN ITS
POLITICAL DEVELOPMENT. IT WILL HAVE A NEW PRESIDENT WHO

IS STILL SOMETHING OF AN ENIGMA, A NEW CONGRESS WITH A
STRONGER AND MORE ACTIVIST OPPOSITION, AND A NEW SET OF
POLITICAL RULES WHICH REDUCE THE POWERS OF PREVIOUS
MILITARY PRESIDENTS. THE POLITICAL SYSTEM, WHICH OVER
THE PAST 15 YEARS HAS RESTED ON A BEDROCK OF ULTIMATE
MILITARY AUTHORITY, WILL THUS BE SUBJECTED TO UNACCUSTOMED
STRAINS.

-- 33. THE EROSION OF SUPPORT FOR THE REGIME AMONG THE
MORE EDUCATED, RELATIVELY AFFLUENT, AND POLITICALLY
ACTIVE PORTION OF THE POPULATION REPRESENTS PERHAPS THE
MOST CRITICAL PROBLEM FOR THE FIGUEIREDO ADMINISTRATION.
IN THE NOVEMBER 1978 CONGRESSIONAL ELECTIONS, THE
OPPOSITION MDB (BRAZILIAN DEMOCRATIC MOVEMENT) WON AN
OVERALL MAJORITY OF THE POPULAR VOTE NATIONWIDE, THOUGH
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THE PRO-GOVERNMENT PARTY ARENA (NATIONAL RENEWAL ALLIANCE) RETAINED ITS MAJORITY IN BOTH HOUSES OF CONGRESS. IN A TREND THAT HAS BECOME STRONGER IN EVERY ELECTION SINCE 1974, THE OPPOSITION WON SIZABLE MAJORITIES IN MOST OF THE MAJOR CITIES AND IN THE MORE DEVELOPED STATES OF THE SOUTH AND CENTER-SOUTH.

-- 34. GEISEL'S POLITICAL ASTUTENESS HAS DONE MUCH TO MODERATE THE OPPOSITION AND INSURE ITS WILLINGNESS TO OPERATE WITHIN THE LIMITATIONS OF THE SYSTEM, EVEN WHILE CONSTANTLY TESTING ITS BOUNDARIES. AS A RESULT OF REFORMS THAT TOOK EFFECT JANUARY 1, HOWEVER, FIGUEIREDO WILL LACK HIS PREDECESSOR'S ARBITRARY AUTHORITY TO, INTER ALIA, SUSPEND THE CONGRESS AND CANCEL POLITICAL RIGHTS AND ELECTORAL MANDATES OF ELECTED OFFICIALS. THUS THE CONGRESS -- PARTICULARLY THE STRENGTHENED MDB -- IS LIKELY TO BE MORE ASSERTIVE IN DEMANDING A ROLE IN DECISION-MAKING AND INCREASINGLY INCLINED TO QUESTION CURRENT POLICIES ON A WIDE SPECTRUM OF ISSUES.

-- 35. FIGUEIREDO FACES POTENTIAL CHALLENGES FROM LABOR, STUDENTS, AND A HUMAN RIGHTS MOVEMENT STRONGLY SUPPORTED BY THE CHURCH AND THE PRESS. PERHAPS MOST IMPORTANT IS THE GENERALIZED, IF INCHOATE, SENSE OF DISSATISFACTION WITH THE PRESENT SYSTEM AMONG BRAZIL'S SIZABLE AND GROWING MIDDLE CLASS. THE DISSAFFECTION OF THESE MIDDLE SECTORS (INCLUDING BETTER-PAID SKILLED WORKERS) IS PARTIALLY ECONOMIC IN ORIGIN, BUT THEY HAVE ALSO BECOME IMBUED WITH RISING POLITICAL EXPECTATIONS.

-- 36. THE ATTITUDE OF THE MILITARY ON REDEMOCRATIZATION IS STILL IN FLUX. WHILE THERE ARE CLEAR DIFFERENCES OF POLITICAL VIEWS WITHIN THE ARMED FORCES, THE MILITARY

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SEEMS NOT SO MUCH DIVIDED AS DISORIENTED. THE CONCEPT

OF DEMOCRATIZATION AND RETURN TO CIVILIAN CONTROL HAS BEEN WIDELY ACCEPTED, BUT MANY MILITARY OFFICERS (AND SOME CIVILIANS) FEAR THAT THERE WILL BE A RESURGENCE OF CIVIL DISTURBANCES WHICH WILL BE EXPLOITED BY LEFTIST

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AGITATORS, INCLUDING EXILES WHO WILL BE ENCOURAGED TO
RETURN TO BRAZIL.

-- 37. BRAZILIAN POLITICAL COMMENTATORS CONTINUE TO
QUESTION WHETHER FIGUEIREDO HAS ANY CLEAR PROGRAM FOR
BRAZIL'S POLITICAL FUTURE. HIS CABINET APPOINTMENTS --
LARGELY A RECYCLING OF GEISEL'S TEAM -- DO NOT SUGGEST
THAT HE INTENDS ANY MAJOR NEW DEPARTURES IN EITHER
DOMESTIC POLITICAL AFFAIRS OR ECONOMIC POLICIES. THE
ARCHITECT OF GEISEL'S POLITICAL OPENING, GENERAL GOLBERY
DO COUTO E SILVA, WILL CONTINUE AS THE ADMINISTRATION'S
PRINCIPAL POLITICAL STRATEGIST.

-- 38. THE FIGUEIREDO ADMINISTRATION SHOULD PROBABLY BE
REGARDED AS A TRANSITION BETWEEN A REGIME RESTING ON
MILITARY AUTHORITY AND ONE BASED PRINCIPALLY ON POPULAR
PARTICIPATION. WHETHER THIS TRANSITION CAN BE COMPLETED
DEPENDS BOTH ON THE DISCRETION AND MODERATION OF CIVILIAN
POLITICIANS AND PRESSURE GROUPS AND ON FIGUEIREDO'S
ABILITY TO DEAL WITH INEVITABLE CHALLENGES WITHOUT
RESORT TO MEASURES THAT WOULD UNDO MUCH OF THE PROGRESS
ALREADY MADE. THERE APPEARS TO BE A GENERAL AWARENESS
THAT THE BALANCE IS DELICATE AND THAT MAINTAINING IT WILL
TAX THE BRAZILIAN'S PROVERBIAL CAPACITY FOR ACCOMMODATION
AND COMPROMISE.

C. ARGENTINA

-- 39. GENERAL DISSATISFACTION WITH THE VIDELA
GOVERNMENT'S ECONOMIC AND POLITICAL PERFORMANCE REACHED
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NEAR DANGEROUS PROPORTIONS IN LATE 1978. MORE BELLICOSE
MILITARY COLLEAGUES OPENLY SUPPORTED MILITARY ACTION
AGAINST CHILE OVER THE BEAGLE CHANNEL, MAKING VIDELA
APPEAR TIMID AND INDECISIVE BY COMPARISON. BADLY ORCHES-
TRATED CABINET CHANGES IN LATE OCTOBER AND CONTINUING
ECONOMIC PROBLEMS FURTHER DETRACTED FROM THE GOVERNMENT'S
PUBLIC IMAGE.

-- 40. VIDELA'S POLITICAL STOCK HAS SINCE RECOVERED
SOMEWHAT, AND HE IS IN NO IMMEDIATE DANGER OF REMOVAL.
ACHIEVING PAPAL MEDIATION OF THE BEAGLE CHANNEL DISPUTE
WON VIDELA THE PLAUDITS OF MOST ARGENTINES WHO WERE
PREPARED TO ACCEPT BUT DID NOT RELISH WAR WITH CHILE.
THE ANNUAL ARMY PROMOTION/REASSIGNMENT CYCLE, DELAYED

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UNTIL JANUARY BY THE BEAGLE CHANNEL CRISIS, BROUGHT ADDED SUPPORT FOR THE PRESIDENT AND HIS MODERATE SUPPORTERS IN THE MILITARY. MOST NOTABLY WERE THE TRANSFERS OF TWO HARDLINE GENERAL OFFICERS WHOSE TOLERATION OF HUMAN RIGHTS ABUSES HAD FREQUENTLY EMBARRASSED THE GOVERNMENT. MAJ. GEN. CARLOS GUILLERMO SUAREZ MASON WAS TRANSFERRED FROM HIS CORPS I (BUENOS AIRES) COMMAND TO CHIEF OF STAFF, AND MAJ. GEN. SANTIAGO OMAR RIVEROS WAS SHIFTED FROM MILITARY INSTITUTES (CAMPO DE MAYO, BUENOS AIRES) TO THE INTER-AMERICAN DEFENSE BOARD IN WASHINGTON. BOTH OFFICERS WERE REPLACED BY MEN LOYAL TO VIDELA AND ARMY COMMANDER MAJ. GEN. ROBERTO VIOLA. THESE AND OTHER CHANGES COULD BE SIGNIFICANT IN FUTURE ATTEMPTS TO CURB HUMAN RIGHTS ABUSES AND MAKE THE ARMY GENERALLY MORE POLITICALLY RESPONSIVE TO THE DIRECTION OF VIDELA AND VIOLA.

-- 41. ECONOMIC PROBLEMS REMAIN THE CHIEF SOURCE OF POPULAR DISCONTENT. THE GOVERNMENT'S 1978 STABILIZATION
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PROGRAM PRODUCED A SHARP DECLINE IN PRODUCTION EARLY IN THE YEAR, BUT NO COMMENSURATE DECLINE IN THE RATE OF INFLATION. THE GDP FELL ABOUT 3.5-4.0 PERCENT FOR THE CALENDAR YEAR. THE CPI ROSE ABOUT 170 PERCENT (160 PERCENT FOR 1977), AND BOTH WAGES AND CONSUMPTION WERE DOWN. A GROWTH TREND THAT APPEARED IN THE FINAL QUARTER OF THE YEAR IS EXPECTED TO CARRY OVER AND RESULT IN A MODEST GDP INCREASE FOR 1979. MUCH DEPENDS, HOWEVER, ON THE ANTI-INFLATION BATTLE. ECONOMY MINISTER JOSE MARTINEZ DE HOZ ANNOUNCED A NEW STRATEGY IN DECEMBER 1978, BUT MOST BUSINESSMEN CONTINUE TO EXPECT A 1979 CPI INCREASE OF ABOUT 100 PERCENT.

-- 42. VIDELA MAINTAINS HIS PUBLIC SUPPORT FOR MARTINEZ DE HOZ, DESPITE MOUNTING OPPOSITION TO THE MINISTER, EVEN WITHIN THE ARMED FORCES. IF MARTINEZ DE HOZ CANNOT STEM INFLATION, HOWEVER, HE WILL BECOME AN UNSUPPORTABLE POLITICAL LIABILITY FOR VIDELA.

-- 43. THE EXTERNAL ECONOMIC SECTOR POSES NO PROBLEMS. THE 1978 BALANCE OF PAYMENTS SURPLUS WAS ABOUT 3.3 BILLION DOLLARS. CENTRAL BANK RESERVES ROSE TO RECORD LEVELS (5.7 BILLION), AND VIRTUALLY ALL CENTRAL BANK EXTERNAL LIABILITIES WERE ELIMINATED DURING THE YEAR. FORECASTS CALL FOR A SIMILAR EXTERNAL SECTOR PERFORMANCE IN 1979.

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-- 44. DESPITE THE VIRTUAL ANIHILATION OF ANY VIABLE TERRORIST THREAT, HUMAN RIGHTS ABUSES CONTINUED TO CHARACTERIZE THE WORK OF ARGENTINE SECURITY UNITS IN 1978. QUANTITATIVELY, THERE WAS PROBABLY AN IMPROVEMENT OVER THE

1976-77 PERIOD, BUT ABUSES REMAINED FREQUENT AND SERIOUS. DISAPPEARANCES, THE INDEFINITE DETENTION OF STATE-OF-SEIGE PRISONERS, TORTURE AND PRISONER MISTREATMENT REMAIN PROBLEM AREAS OF MAJOR CONCERN TO DOMESTIC AND FOREIGN OBSERVERS. DESPITE THE PERSONAL INCLINATIONS OF PRESIDENT CONFIDENTIAL

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VIDELA AND LIKEMINDED MILITARY OFFICERS, THERE HAS BEEN LITTLE EFFECTIVE OFFICIAL ACTION TO HALT THE ABUSES. THE ARMY COMMAND CHANGES NOTED ABOVE AND THE INTER-AMERICAN HUMAN RIGHTS COMMISSION VISIT TO ARGENTINA SCHEDULED FOR LATE MAY RAISE THE POSSIBILITY OF POSITIVE HUMAN RIGHTS DEVELOPMENTS IN THE NEAR FUTURE.

-- 45. U.S. RELATIONS WITH ARGENTINA ARE SOMEWHAT STRAINED BECAUSE OF THE HUMAN RIGHTS ISSUE. PERSISTENT VIOLATIONS PROMPTED THE TERMINATION OF ALL FORMS OF U.S. SECURITY ASSISTANCE ON SEPTEMBER 30, 1978, AND ARGENTINA'S 1978 HUMAN RIGHTS RECORD LED THE U.S. TO ABSTAIN IN INTERNATIONAL FINANCIAL INSTITUTIONS ON ARGENTINE LOAN REQUESTS THAT DO NOT MEET BASIC HUMAN NEEDS CRITERIA. ECONOMIC ISSUES AND COOPERATION IN NUCLEAR ENERGY MATTERS CONSTITUTE OTHER IMPORTANT POINTS OF BILATERAL CONTACT, BUT CLOSE RELATIONS WILL NOT BE RESTORED UNTIL THE HUMAN RIGHTS PERFORMANCE OF THE ARGENTINE GOVERNMENT IMPROVES.

D. CUBA

-- 46. THE MODERNIZATION OF THE CUBAN ARMED FORCES HAS CONTINUED WITH THE DELIVERY LAST YEAR OF INTERCEPTOR AND GROUND ATTACK VERSIONS OF THE MIG-23 AND THE ARRIVAL IN FEBRUARY 1979 OF A FOXTROT-CLASS SUBMARINE. SEVERAL OF THE NEW AIRCRAFT PARTICIPATED IN A FLY-BY IN HAVANA DURING THE MILITARY PARADE ON JANUARY 2 CELEBRATING THE TWENTIETH ANNIVERSARY OF THE VICTORY OF THE CUBAN REVOLUTION.

-- 47. ON THE PREVIOUS DAY, CASTRO HAD DELIVERED THE CELEBRATION'S KEYNOTE ADDRESS, LARGE PORTIONS OF WHICH WERE DEDICATED TO A VITUPERATIVE CONDEMNATION OF CHINA AND THE MOST SEVERE CUBAN CRITICISM OF THE U.S. IN SEVERAL YEARS.

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-- 48. THE ANTI-CHINESE RHETORIC OF THE CUBANS CONTINUED TO ESCALATE WITH THE INITIATION OF FIGHTING BETWEEN VIETNAMESE AND CHINESE FORCES. STATEMENTS OF CUBAN WILLINGNESS TO "SHED BLOOD" TO HELP DEFEND VIETNAM WERE ACCOMPANIED BY NUMEROUS POLITICAL RALLIES AND AN INTENSE PRO-VIETNAMESE PROPAGANDA CAMPAIGN SUGGESTING THAT CUBA WAS PREPARED TO SEND AT LEAST A TOKEN MILITARY FORCE TO VIETNAM AS A DEMONSTRATION OF SOLIDARITY. THERE WERE NO INDICATIONS, HOWEVER, THAT HANOI EVER SOUGHT CUBAN ASSISTANCE, AND ANY CUBAN AID WOULD HAVE BEEN LARGELY SYMBOLIC.

-- 49. THE TURMOIL IN INDO-CHINA ALSO COMPLICATED CUBAN PREPARATIONS FOR THE NON-ALIGNED SUMMIT MEETING TO BE HELD IN HAVANA IN SEPTEMBER. CUBA'S CLOSE IDENTIFICATION WITH THE SOVIET AND VIETNAMESE POSITION ON KAMPUCHEA AGAIN RAISED QUESTIONS AMONG MODERATE MEMBERS OF THE MOVEMENT ABOUT CUBA'S CLAIM TO BE NON-ALIGNED. THE KAMPUCHEAN ISSUE WAS SIDETRACKED AT THE MAPUTO MEETING OF THE NAM COORDINATING BUREAU, BUT IT WILL ADD ANOTHER DIMENSION TO THE CONTINUING STRUGGLE BETWEEN CUBA AND YUGOSLAVIA OVER THE LEADERSHIP AND POLITICAL ORIENTATION OF THE MOVEMENT AS THE SUMMIT APPROACHES.

-- 50. THE CUBANS HAVE INDICATED THAT SAMORA MACHEL HAS ASKED FOR CUBAN TROOPS TO HELP DEFEND MOZAMBIQUE AGAINST RHODESIAN RAIDS, BUT HAVANA APPARENTLY HAS NOT YET AGREED TO SEND THEM. THE CUBANS ARE EVIDENTLY SEEKING TO CONVEY THE MESSAGE THAT UNLESS THE WESTERN POWERS ARE ABLE TO PRESSURE RHODESIA INTO ENDING THE RAIDS, CUBA WILL BE COMPELLED TO COMPLY WITH MACHEL'S REQUEST. THERE ARE PROBABLY OTHER REASONS FOR CUBA'S HESITATION, HOWEVER, INCLUDING A BELIEF THAT IMPROVED DEFENSE OF MOZAMBIQUE ALONE WOULD IMPROVE THE POSITION OF ZANU RELATIVE TO THAT OF THE PREFERRED SOVIET/CUBAN CLIENT, ZAPU.

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-- 51. CUBA MAY BE CONTEMPLATING A LIMITED TROOP DRAW-DOWN IN ANGOLA AND ETHIOPIA AS THE SECURITY SITUATION

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PERMITS, PERHAPS CALCULATING THAT SUCH A MOVE WOULD
CREATE A FAVORABLE IMPRESSION AMONG NON-ALIGNED MODERATES
CONCERNED ABOUT CUBAN INVOLVEMENT IN AFRICA. CONDITIONS
IN ETHIOPIA, WHERE CUBAN TROOPS HAVE BEEN RELATIVELY
INACTIVE FOR SEVERAL MONTHS, MAY BE SOMEWHAT MORE
FAVORABLE FOR A DRAWDOWN THAN ANGOLA, BUT A LARGE-SCALE
REMOVAL OF CUBANS FROM EITHER COUNTRY SEEMS UNLIKELY.

-- 52. THE CUBANS APPARENTLY ARE BECOMING CONCERNED BY
THE IMPLICATIONS OF RECENT CHANGES IN ANGOLA'S MPLA
HIERARCHY AND INDICATIONS THAT NETO IS INCREASINGLY
INTERESTED IN STRENGTHENING TIES WITH CHINA AND THE
WESTERN COUNTRIES. NETO'S JANUARY VISIT TO HAVANA
PROBABLY DEALT WITH THESE QUESTIONS AS WELL AS WITH THE
FUTURE OF THE CUBAN PRESENCE IN ANGOLA. THE PREVIOUSLY
ANNOUNCED EXPANSION IN THE NUMBER OF CUBAN CIVILIAN
ADVISERS WILL EVIDENTLY PROCEED AS PLANNED, HOWEVER.

E. NICARAGUA

-- 53. PRESIDENT SOMOZA HAS EMERGED FROM MONTHS OF
VIOLENCE IN A RELATIVELY STRONG POSITION. HE HAS EX-
PANDED THE NATIONAL GUARD WHILE THE UNITY OF THE

OPPOSITION HAS WEAKENED. THE FSLN CONTINUES TO LAUNCH
HIT-AND-RUN ATTACKS BUT IS INCAPABLE OF MOUNTING A MAJOR
ARMED OFFENSIVE AGAINST THE GUARD. THE LEVEL OF VIOLENCE
IN EARLY JANUARY AT THE TIME OF THE ANNIVERSARY OF THE
CHAMARRO MURDER WAS LOWER THAN HAD BEEN PREDICTED.

-- 54. RECENTLY SOMOZA HAS SEEN FIT TO CLAIM PUBLICLY
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THAT HE WILL TURN OVER POWER TO A CONSTITUTIONALLY
ELECTED SUCCESSOR IN 1981. WITH THIS IN MIND, HE HAS
ANNOUNCED A SERIES OF PROPOSED GOVERNMENT REFORMS
ALLEGEDLY DESIGNED TO MAKE THE POLITICAL SYSTEM MORE
DEMOCRATIC AND TO ENSURE THAT CIVIL RIGHTS ARE PROTECTED.
AMONG THE REFORMS ARE REVISION OF THE ELECTION LAWS, RE-
STRUCTURING THE JUDICIARY AND FORMATION OF A POLICE FORCE
INDEPENDENT OF THE GUARD. ALSO GOVERNMENT CONTROL OF THE
PRESS IS TO BE MODIFIED. FOR NOW THE OPPOSITION, OTHER
THAN THE FSLN, SEEMS TO HAVE BEEN OUTMANEUVERED AND IS
INCAPABLE OF FOCUSING EFFECTIVE PRESSURES ON THE
GOVERNMENT. HAVING FAILED IN 1978, BUSINESSMEN ARE
SIMPLY NOT IN A POSITION ECONOMICALLY TO MOUNT A SECOND

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CAMPAIGN AGAINST SOMOZA.

-- 55. ALTHOUGH DATA IS NOT YET AVAILABLE, IT IS PROBABLE THAT THE COUNTRY EXPERIENCED NEGATIVE ECONOMIC GROWTH IN 1978. CAPITAL FLIGHT RESULTING FROM THE POLITICAL VIOLENCE CAUSED A SEVERE FOREIGN RESERVE SHORTAGE. THE GOVERNMENT HAS BEEN FORCED TO RENEGOTIATE ITS FOREIGN DEBT. THE PRIVATE SECTOR, HEAVILY DEPENDENT ON FOREIGN CREDIT, HAS FOUND IT VERY DIFFICULT TO OBTAIN NEEDED FINANCING AT A TIME WHEN MONEY MARKETS ARE VERY TIGHT.

-- 56. IN AN EFFORT TO UNDERScore ITS OPPOSITION TO SOMOZA'S INTRANSIGENCE, THE UNITED STATES HAS WITHDRAWN SIGNIFICANT ELEMENTS FROM THE U.S. MISSION IN MANAGUA AND HAS DISCONTINUED ECONOMIC AND MILITARY ASSISTANCE EXCEPT FOR A FEW PROJECTS ALREADY UNDERWAY.

F. PERU

-- 57. THE CONSTITUENT ASSEMBLY INSTALLED ON JULY 28, 1978 HAS MADE SIGNIFICANT PROGRESS TOWARD DRAFTING A NEW CHARTER AND THE RETURN TO CIVILIAN, CONSTITUTIONAL RULE APPEARS TO BE SOLIDLY ON-TRACK. THE ASSEMBLY'S WELL-CONFIDENTIAL

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PUBLICIZED DELIBERATIONS AND ANTICIPATED NATIONAL ELECTIONS HAVE HELPED TO DEFUSE POPULAR DISCONTENT PROVOKED BY PERU'S SERIOUS ECONOMIC PROBLEMS. ASSEMBLY LEADERS EXPECT THE NEW CONSTITUTION TO BE COMPLETED AND APPROVED BY MID-1979 AND NATIONAL ELECTIONS COULD BE HELD AS EARLY AS OCTOBER, WITH THE INSTALLATION OF A

CONSTITUTIONAL REGIME ON DECEMBER 9.

-- 58. DESPITE THESE OPTIMISTIC FORECASTS, SEVERAL DIVISIVE CONSTITUTIONAL ISSUES REMAIN TO BE SOLVED. OPINION IS DIVIDED OVER GRANTING THE VOTE TO ILLITERATES. MANY APPARENTLY FEAR THAT NEWLY-ENFRANCHISED ILLITERATES WOULD VOTE OVERWHELMINGLY FOR THE LEFTIST PARTIES. DESPITE THESE FEARS, THE NATIONAL ELECTORAL TRIBUNAL, ACTING UNDER GOVERNMENT INSTRUCTIONS, HAS BEGUN THE VOLUNTARY REGISTRATION OF ILLITERATES.

-- 59. THE MAJOR POLITICAL PARTIES ARE ALSO DIVIDED ON THE METHOD OF ELECTING THE PRESIDENT, ESPECIALLY IF NO CANDIDATE RECEIVES AN ABSOLUTE MAJORITY IN THE FIRST

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ELECTORAL ROUND. THEY HAVE AGREED, HOWEVER, ON CONSTITUTIONAL PROVISIONS MERGING THE ARMED FORCES AND POLICE AND PLACING THE MILITARY -- AND PARTICULARLY THE MILITARY BUDGET -- UNDER STRICT CIVILIAN CONTROL. THE MILITARY OBJECTS TO THE INCLUSION OF THESE PROVISIONS IN THE NEW CHARTER, BUT THE OUTCOME OF THIS ISSUE IS UNCERTAIN.

-- 60. THE MILITARY GOVERNMENT STILL APPEARS GENERALLY COMMITTED TO CONSTITUTIONALIZATION, BUT IS DETERMINED TO RELINQUISH POWER ON ITS OWN TERMS. PRESIDENT MORALES BERMUDEZ HAS STATED THAT THE FOUNDATIONS OF FISCAL STABILITY AND ECONOMIC RECOVERY MUST BE FIRMLY LAID BEFORE THE

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TRANSFER OF POLITICAL POWER. MILITARY LEADERS WOULD PROBABLY PREFER TO POSTPONE THE TRANSFER UNTIL 1980, HOWEVER, TO AVOID COINCIDING WITH RISING REGIONAL POLITICAL TENSIONS RELATED TO THIS YEAR'S CENTENNIAL OF THE OUTBREAK OF THE WAR OF THE PACIFIC.

-- 61. IN THE MEANTIME, PRESIDENT MORALES BERMUDEZ' NEW PRIME MINISTER AND THE RECENTLY APPOINTED NAVY AND AIR FORCE MINISTERS AND ARMY CHIEF OF STAFF HAVE TAKEN A HARD LINE APPROACH TO POLITICAL OPPOSITION AND LABOR UNREST. A GENERAL STRIKE CALLED BY THE COMMUNIST-CONTROLLED LABOR FEDERATION IN JANUARY WAS DEALT WITH ENERGETICALLY AND FAILED. SEVERAL INDEPENDENT MAGAZINES THAT HAVE BEEN CRITICAL OF GOVERNMENT POLICIES HAVE BEEN CLOSED AND A STATE OF EMERGENCY WAS DECLARED IN JANUARY.

-- 62. THIS NEW HARD LINE IS ALSO REFLECTED IN PERU'S RELATIONS WITH NEIGHBORING COUNTRIES. IN LATE 1978 SEVERAL CHILEAN MILITARY OFFICERS ATTACHED TO THE CHILEAN EMBASSY IN LIMA WERE QUIETLY EXPELLED ON ESPIONAGE CHARGES AND IN JANUARY 1979 THE CHILEAN AMBASSADOR WAS DECLARED PERSONA NON GRATA TO PROTEST THE SPYING INCIDENTS. SIMULTANEOUSLY, PERU STRONGLY PROTESTED THE ALLEGED MISTREATMENT

OF SIX PERUVIAN STUDENTS AT THE HANDS OF ECUADOREAN MILITARY PERSONNEL IN THE NORTHERN BORDER REGION. THIS SUDDEN ESCALATION IN REGIONAL POLITICAL TENSIONS CONTRASTS WITH THE CAREFUL EFFORTS BY PRESIDENT MORALES BERMUDEZ TO AMELIORATE HISTORIC DIFFERENCES WITH ECUADOR AND CHILE. TENSIONS WILL PROBABLY RECEDE IN TIME, ALTHOUGH THE WAR OF THE PACIFIC CENTENNIAL AND PERU'S SIGNIFICANT ARMS ADVANTAGE OVER HER TWO NEIGHBORS WILL PLACE ADDED STRAIN

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ON REGIONAL TIES.

-- 63. PERU'S ECONOMIC SITUATION REMAINS VERY DELICATE,
BUT THERE ARE SIGNS THAT THE DEPTH OF THE CRISIS HAS
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PASSED. ECONOMY AND FINANCE MINISTER SILVA RUETE
SUCCESSFULLY COMPLETED A PARIS CLUB RENEGOTIATION OF PERU'S
FOREIGN DEBT IN NOVEMBER 1978. SILVA RUETE THUS FAR HAS
BEEN MODERATELY SUCCESSFUL IN IMPOSING BUDGETARY RESTRAINTS
IN ORDER TO COMPLY WITH THE TERMS OF THE IMF STANDBY
CREDIT. PERU'S RESERVE POSITION HAS BEGUN TO IMPROVE SOME-
WHAT AS A RESULT OF DEBT RELIEF, THE AUSTERITY PROGRAM,
AN UPSWING IN NON-TRADITIONAL EXPORTS AND IMPROVED
MINERALS PRICES, BUT THE HOPED-FOR UPSWING IN DOMESTIC AND
FOREIGN INVESTMENT HAS NOT YET MATERIALIZED. ANOTHER
BRIGHT SPOT ON THE ECONOMIC PICTURE IS THE DISCOVERY BY
OCCIDENTAL PETROLEUM OF SIGNIFICANT NEW OIL RESERVES IN
THE AMAZON REGION. HOWEVER, SERIOUS PROBLEMS OF INFLATION
AND UNEMPLOYMENT HAVE ERODED THE PERUVIAN WORKER'S
PURCHASING POWER TO THE POINT WHERE LABOR AND SOCIAL UNREST
STILL POSE A SERIOUS THREAT TO THE ON-GOING DEMOCRATIZATION
PROCESS.

G. CHILE

-- 64. TWO SEPARATE JUDICIAL PROCEEDINGS, ONE IN
WASHINGTON AND ONE IN SANTIAGO, WILL IN LARGE MEASURE
DETERMINE THE NATURE OF U.S.-CHILE TIES IN THE MEDIUM
TERM. IN FEBRUARY 1979 THREE ANTI-CASTRO CUBAN EXILES
WERE FOUND GUILTY IN A U.S. FEDERAL COURT OF THE BOMB
KILLING OF FORMER CHILEAN FOREIGN MINISTER AND AMBASSADOR
TO THE UNITED STATES, ORLANDO LETELIER, AN OUTSPOKEN CRITIC
OF THE PRESENT CHILEAN REGIME. THREE CHILEAN GOVERNMENT
OFFICIALS, INCLUDING THE FORMER CHIEF OF THE CHILEAN
INTELLIGENCE SERVICE DINA, ARE ALSO IMPLICATED IN THE
LETELIER CRIME, AND A U.S. GOVERNMENT REQUEST TO EXTRA-
DITE THE THREE OFFICIALS IS NOW IN THE FINAL STAGES OF
REVIEW BY THE PRESIDENT OF THE CHILEAN SUPREME COURT.
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THE CONVICTION OF THE THREE CUBAN EXILES WILL HAVE SOME

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WEIGHT, PERHAPS, IN THE CHILEAN COURT'S CONSIDERATION OF
THE AGONIZING LEGAL AND POLITICAL DILEMMA, AND THE

DOMESTIC STANDING OF THE PINOCHET GOVERNMENT COULD BE
ADVERSELY AFFECTED IF CONVINCING EVIDENCE OF HIGH-LEVEL
OFFICIAL INVOLVEMENT IN THE LETELIER CRIME IS DEMONSTRATED.

-- 65. IN INTERNAL POLITICAL AFFAIRS, THE LIBERALIZATION
POLICY BEGUN BY PRESIDENT PINOCHET IN 1978 HAS PICKED UP
MOMENTUM, AND THE CONSTITUTION NOW BEING DRAFTED BY A
HAND-PICKED COMMISSION IS SUPPOSED TO BE SUBMITTED TO A
PLEBISCITE THIS YEAR. AN AD-HOC OPPOSITION GROUP FORMED
TO MONITOR AND EVALUATE THE GOVERNMENT'S PLAN TO ESTABLISH
A "PROTECTED DEMOCRACY" AND TO DRAFT AN ALTERNATIVE
CONSTITUTION HAS BEEN INCREASINGLY CRITICAL, HOWEVER,
CALLING THE NEW GOVERNMENT-SPONSORED CONSTITUTION AN
EFFORT TO INSTITUTIONALIZE THE REPRESSIVE STATUS QUO.
THE INDEPENDENT MEDIA HAS ALSO EXPRESSED RESERVATIONS ABOUT
THE PROPOSED CONSTITUTION, BUT THE GOVERNMENT'S SCHEDULE
STILL CALLS FOR VAGUELY-DEFINED ELECTIONS AND A RETURN TO
SOME FORM OF CIVILIAN RULE BY 1985. ALTHOUGH ALL POLITICAL
PARTIES AND POLITICAL ACTIVITY ARE OFFICIALLY BANNED, THE
OLD PARTY STRUCTURES EXIST AND THE LEADERSHIP DELIBERATES.
THE CHRISTIAN DEMOCRATIC AND COMMUNIST PARTIES ESPECIALLY
ARE REASONABLY INTACT AND STILL HAVE THE CAPABILITY TO PLAY
LEADING ROLES IN THE EXPECTED POLITICAL OPENING TO COME.

-- 66. OFFICIAL LABOR POLICY IS ALSO IN THE PROCESS OF
BEGRUDGING AND SLOW LIBERALIZATION. TRADITIONAL LABOR
FREEDOMS REMAIN SEVERELY RESTRICTED BECAUSE OF THE
GOVERNMENT'S FEAR OF POLITICAL MANIPULATION OF UNIONS BY
POLITICAL GROUPS AND ITS DESIRE TO CONTROL LABOR COSTS IN
THE NEW ECONOMIC SYSTEM. HOWEVER, FACED WITH THE
POSSIBILITY OF A DAMAGING INTERNATIONAL TRANSPORTATION
BOYCOTT THREATENED IN NOVEMBER OF 1978 BY THE INTER-
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AMERICAN WORKERS ORGANIZATION (ORIT) WITH SUPPORT FROM
THE AFL/CIO, A NEW LABOR PLAN AS PROMISED IN JANUARY 1979
WHICH, IF IMPLEMENTED, WILL ALLOW UNIONS GREATER FREEDOM
TO ORGANIZE AND FUNCTION. THE THREAT OF A BOYCOTT STILL
EXISTS, HOWEVER, AND LABOR STABILITY IS THREATENED BY
CONTINUED GOVERNMENT REPRESSION OF LABOR UNION ACTIVITIES
AND RECENTLY ANNOUNCED MASSIVE LAYOFFS IN CERTAIN STATE
INDUSTRIES AND ENTERPRISES.

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-- 67. IN THE HUMAN RIGHTS AREA THERE ARE STILL NO EFFECTIVE GUARANTEES IN LAW OF INDIVIDUAL LIBERTIES. ABUSE OF INDIVIDUALS HAS BEEN REDUCED TO A LOW LEVEL OF FREQUENCY, HOWEVER, AS A RESULT OF THE GOVERNMENT'S ABILITY -- AFTER FIVE YEARS OF RULE -- TO CONTROL REAL OR POTENTIAL INTERNAL THREATS, AND BECAUSE OF DOMESTIC AND INTERNATIONAL CRITICISM AND PRESSURE. THE GOVERNMENT HAS

PERMITTED AN INDEPENDENT JUDICIAL INVESTIGATION THAT IS ATTEMPTING TO ESTABLISH THE IDENTITY OF SOME 16 BODIES DISCOVERED IN AN ABANDONED LIME KILN NEAR SANTIAGO IN LATE NOVEMBER 1978. MOST OF THE BODIES HAVE BEEN TENTATIVELY IDENTIFIED AS BEING THOSE OF PERSONS KNOWN TO HAVE BEEN ARRESTED AND HELD BY STATE SECURITY FORCES IN LATE 1973. ON THE NEGATIVE SIDE, THE POLITICAL AMNESTY DECREED IN APRIL 1978 -- AS IT CONCERNS EXILES -- HAS BEEN IMPLEMENTED ON A VERY RESTRICTIVE BASIS AND MANY EXILED CHILEANS WHO HAVE SOUGHT TO RETURN EITHER TEMPORARILY OR PERMANENTLY TO CHILE HAVE BEEN DENIED ADMITTANCE.

-- 68. UNDER THE AEGIS OF THE GOVERNMENT'S CIVILIAN ECONOMIC TEAM, THE CHILEAN ECONOMY CONTINUES TO RECOVER FROM THE CHAOS OF THE ALLENDE PERIOD, WITH THE PRINCIPAL

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EMPHASIS ON FURTHER REDUCING INFLATION. INFLATION FOR 1978 WAS 30 PERCENT, HISTORICALLY LOW BY CHILEAN STANDARDS. IN LARGE PART FOREIGN BORROWING AND INVESTMENT ARE RESPONSIBLE FOR CHILE'S ECONOMIC GROWTH, WITH THE U.S. PRIVATE SECTOR PLAYING THE LEADING ROLE IN PROVIDING FINANCIAL SERVICES. TOTAL FOREIGN INVESTMENT AUTHORIZED SINCE 1973 EXCEEDS 2.5 BILLION DOLLARS, WITH 500 MILLION DOLLARS ACTUALLY INVESTED, MOSTLY IN MINING. CHILE NOW ENJOYS AN EXCELLENT CREDIT RATING AND IS SLOWLY ATTRACTING MORE DIRECT INVESTMENT. VANCE UNQUOTE VANCE

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3. ECHOING A COMMONPLACE COMMENT HERE, A BRAZILIAN CATHOLIC INTELLECTUAL NOTED IN A PUBLISHED COMMENTARY ON THE PAPAL VISIT TO BRAZIL THAT "IT IS EXTREMELY EARLY FOR EXACT CONCLUSIONS ON THE CONSEQUENCES." THESE CONSEQUENCES, BOTH IN BRAZIL'S NATIONAL LIFE AND IN THE CHURCH, MUST WORK THEMSELVES OUT POLITICALLY OVER TIME. HOWEVER, WE CAN VENTURE SOME

INITIAL OBSERVATIONS, AND BY SEPTTEL WE PROVIDE A COLLECTION OF SIGNIFICANT EXCERPTS FROM THE POPE'S MANY STATEMENTS.

4. UNITING AND GUIDING THE CHURCH IN ITS REFORMIST ROLE
A. THE GREATEST IMPORTANCE OF THE VISIT WOULD SEEM TO BE RALLYING, SUPPORTING, EXPANDING, AND GUIDING THE BRAZILIAN CHURCH ITSELF, WHICH HAS THREE MAJOR GROUPINGS--PROGRESSIVES, CONSERVATIVES, AND AN IN-BETWEEN MAJORITY (JORNAL DO BRAZIL RECENTLY ESTIMATED THE PERCENTAGES OF BISHOPS IN THE THREE GROUPS AS 24, 19, AND 57 RESPECTIVELY)--AND WHICH MOST RECENTLY HAS HAD PROBLEMS WITH THE GOVERNMENT OVER ITS SUPPORT OF WHAT THE GOVERNMENT CONSIDERED A POLITICIZED STRIKE IN SAO PAULO.

B. A SENIOR OFFICIAL OF THE NATIONAL CONFERENCE OF BRAZILIAN BISHOPS (CNBB), TOLD EMBOFFS JULY 15 THAT THE POPE HAD GIVEN THE CONSERVATIVES A SENSE OF SOCIAL JUSTICE, THE PROGRESSIVES A SENSE OF THE PRIMACY OF SPIRITUAL VALUES. HOWEVER, THE OFFICIAL NOTED IN RESPONSE
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TO A QUESTION, THE RADICAL PRIESTS HAD DRAWN ENCOURAGEMENT FROM THE POPE'S STATEMENTS. THE PRIMATE OF BRAZIL, DOM AVELAR BRANDAO OF SALVADOR, TOLD THE PRESS JULY 10 THAT THE POPE IN SPEAKING TO THE EUCHARISTIC CONGRESS "DID NOT PLACE OR CONDUCT THE EPISCOPACY TOWARD THE

RIGHT OR THE LEFT, TOWARD THE PROGRESSIVE LINE OR THE CONSERVATIVE." BUT ELSEWHERE DURING THE VISIT, THE OVERALL MEANING OF THE POPE'S STATEMENTS AND GESTURES CLEARLY WAS AN EFFORT TO UNIFY THE CHURCH BEHIND AN EVANGELICAL MISSION THAT INCLUDES SUPPORT FOR PEACEFUL SOCIAL REFORM. AS A LOWER-RANKING CNBB OFFICIAL TOLD US JULY 14, THE VISIT ENCOURAGED THE IN-BETWEENS TO MOVE TO THE PROGRESSIVE SIDE.

C. THE VISIT SEEMS TO HAVE DISPELLED MUCH OF

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UNCERTAINTY LEFT BY THE PUEBLA CONFERENCE. THE SENIOR CNBB OFFICIAL TOLD US THAT "PUEBLA WAS THE POPE," AND THAT WHAT THE POPE SAID IN BRAZIL WAS A REAFFIRMATION OF THE PUEBLA RESULTS. FURTHERMORE, THE OFFICIAL OBSERVED, THE GUIDANCE THAT THE POPE PROVIDED HERE WAS NOT LIMITED TO THE BRAZILIAN CHURCH BUT WOULD HAVE AN IMPACT IN ALL THE LATIN AMERICAN CHURCHES AND WORLDWIDE.

D. THE POPE LEFT NO DOUBT THAT HE BACKED, IN THEORY AND IN PRACTICE, PUEBLA'S "PREFERENTIAL OPTION FOR THE POOR." HE CALLED ON THE CLERGY TO SUPPORT--AND WHERE APPROPRIATE, TO ADVOCATE--SOCIAL AND ECONOMIC

REFORMS TO MEET ESSENTIAL HUMAN NEEDS, AND HE GAVE A PERSONAL EXAMPLE OF SUCH ADVOCACY. BUT HE STOPPED SHORT OF THE MORE ACTIVIST VERSION OF THE "LIBERATION THEOLOGY" BY RULING OUT VIOLENCE, THE CLERGY'S PARTICIPATION IN POLITICS AS POLITICIANS OR LABOR LEADERS, AND THE ESPOUSAL OF POLITICAL, SOCIAL, AND ECONOMIC DOCTRINES. AS HE PUT IT IN HIS ADDRESS TO THE BISHOPS GATHERED FOR THE NATIONAL EUCHARISTIC

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CONGRESS STARTING JULY 10,. "YOUR VOCATION AS BISHOPS PROHIBITS YOU, WITH TOTAL CLARITY AND WITHOUT HALF A TONES, FROM ANYTHING THAT RESEMBLES POLITICAL PARTISANSHIP, (OR) SUBJECTION TO THIS OR THAT IDEOLOGY OR SYSTEM BUT IT DOES NOT PROHIBIT, RATHER, IT INVITES YOU TO BE CLOSE TO AND AT THE SERVICE OF ALL MEN, ESPECIALLY THOSE WHO ARE THE MOST HELPLESS AND NEEDY." HOWEVER, HE NOTED " (THE CHURCH) RESPECTS

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ACTION ARA-15

INFO OCT-01 ADS-00 HA-05 AID-07 PC-01 OMB-01 TRSE-00

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O P 152109Z JUL 80
 FM AMEMBASSY BRASILIA
 TO SECSTATE WASHDC NIACT IMMEDIATE 7366
 INFO AMCONSUL RIO DE JANEIRO PRIORITY
 AMCONSUL SAO PAULO
 AMEMBASSY ROME

C O N F I D E N T I A L SECTION 02 OF 03 BRASILIA 05270

DEPT PLEASE POUCH TO OTHER ARA POSTS AS DESIRED

CONSTITUTED AUTHORITY AND DOES NOT CEASE TO PROCLAIM
 THAT FOR THE GOOD OF SOCIETY ... AUTHORITY IS
 NECESSARY."

E. THE POPE ALSO MADE CLEAR HIS SUPPORT FOR BRAZIL'S
 BISHOPS, OF WHOM PRESIDENT FIGUEIREDO HAD SAID THAT
 THEY DID NOT REPRESENT THE CHURCH. THE POPE
 APPEARED WITH CARDINAL ARNS, THE MOST CONTRO-
 VERSIAL MEMBER OF BRAZIL'S EPISCOPACY, BECAUSE OF HIS
 PRO-STRIKE ACTIVITIES, AT A GATHERING FOR WORKERS IN SAO
 PAULO. THE POPE PRAISED THE NATIONAL CONFERENCE OF BRAZILIAN
 BISHOPS (CNBB) FOR PROJECTING AN IMAGE OF "POVERTY AND SIM-
 PPLICITY" AND TERMED IT "CAPABLE OF REPRESENTING THE
 BRAZILIAN EPISCOPACY WITH THE GREATEST POSSIBLE AUTHENTI-
 CITY." DOM HELDER CAMARA OF RECIFE COMMENTED TO THE PRESS
 JULY 10 THAT "THE HOLY FATHER COULD NOT HAVE GIVEN
 THE CNBB SUPPORT THAT WAS MORE OPEN OR CLEARER." CNBB
 SECGEN MENDES TOLD THE PRESS JUBILANTLY THAT "THE POPE
 IS WITH THE CNBB AND THE CNBB IS WITH THE POPE."

F. THE POLITICAL CONSEQUENCE OF THE OPOE'S DEMON-
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STRATION AND SUPPORT FOR THE CNBB AND FOR THE CHURCH'S
 INVOLVEMENT IN SOCIAL/POLITICAL ISSUES IS LIKELY TO
 BE A MORE AGGRESSIVELY POLITICAL BRAZILIAN CHURCH
 PRESSING THE GOVERNMENT MORE INSISTENTLY FOR REFORMS
 ON BEHALF OF BRAZIL'S POOR. WHETHER THE CHURCH'S
 POLITICAL ACTIVISM STRAINS ITS RELATIONS WITH THE GOV-
 ERNMENT DEPENDS VERY MUCH ON THE TACTICS IT EMPLOYS AND
 THE GOVERNMENT'S INTERPRETATION AND REACTION. PREACHING,
 PAMPHLETEERING, AND LOBBYING ARE ACCEPTABLE TO THE GOV-
 ERNMENT UNDER THE TACITLY ESTABLISHED GROUND RULES OF

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LIBERALIZATION; ORGANIZING STRIKES AND DEMONSTRATIONS FOR POLITICAL PURPOSES IS NOT, AND VIOLENCE AND DISORDER BRING STRONG COUNTERMEASURES. HERE THE POPE'S EXHORTATIONS AGAINST DIRECT INVOLVEMENT IN LEADING STRIKES MAY BE HELPFUL IN AVOIDING CHURCH-STATE COLLISIONS; HOWEVER, ACTIVITIES SUCH AS CARDINAL ARNS CARRIED ON IN SUPPORTING LAST APRIL'S SAO PAULO STRIKE, WHICH DREW A STRONG WARNING FROM THE GOVERNMENT, DO NOT SEEM PROHIBITED BY THE POPE'S STATEMENTS. ARNS WHATEVER HIS MATERIAL SUPPORT AND BEHIND-SCENES ROLE MAY HAVE BEEN, DID NOT HOLD UNION OFFICE.

G. MEANWHILE, THE ARMED FORCES' REACTION TO THE POPE'S ENCOURAGEMENT OF THE "PROGRESSIVES" HAS NOT YET BEEN MADE CLEAR. MANY SENIOR GENERALS HAVE LONG BEEN DEEPLY SUSPICIOUS THAT THE CATHOLIC CLERGY ARE INFILTRATED BY COMMUNISTS AND ARE FOLLOWING A LINE THAT HAS MUCH IN COMMON WITH MARXISM. CONSCIOUS OF THE CHURCH'S POWER, (THE ARMED FORCES THEMSELVES ARE "INFILTRATED" BY CATHOLICS), THE SENIOR MILITARY HAVE AVOIDED OPEN BATTLE BUT CLEARLY REGARD THE CHURCH AS A POTENTIAL SOURCE OF THREATS TO DOMESTIC ORDER. ON THE OTHER HAND, THERE IS SOME BELIEF AMONG THEM THAT THE POPE'S STRICTURES AGAINST THE CLERGY'S DIRECT PARTICIPATION IN

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POLITICS MAY OPEN OPPORTUNITIES FOR THE CHURCH AND ARMY TO WORK TOGETHER IN SOCIAL PROGRAMS AND RELIEF EFFORTS.

5. BROAD POLITICAL IMPACT

A. THROUGHOUT HIS VISIT, BOTH EXPLICITLY AND BY THE PLACES HE CHOSE TO VISIT, ONE OF THE POPE'S MAJOR AIMS SEEMS TO HAVE BEEN TO CALL ATTENTION TO THE DARK SIDE OF THE BRAZILIAN MIRACLE AND TO THE DUTY OF THE STATE AND ALL CITIZENS TOWARD THE LESS FORTUNATE. (HIS STRONGEST SPEECH WAS MADE IN A RIO FAVELA.) BEFORE THE VISIT, BRAZIL'S LIBERALIZATION PROVESS HAD MOVED THROUGH A PHASE OF RESTORING PERSONAL AND CIVIL RIGHTS, AND THERE WERE APPEALS TO MOVE ON INTO THE PHASE OF ASSURING ECONOMIC AND SOCIAL RIGHTS; IN FACT, ALL PARTY PROGRAMS REFLECT SUCH APPEALS. THE POPE SEEMS TO HAVE GIVEN A STRONG PUSH TO THE MOVEMENT FOR GIVING SOCIAL REFORMS PRIORITY IN THE NATIONAL AGENDA.

B. AS A SENIOR CNBB OFFICIAL OUTLINED THEM TO EMBOFFS, THE POPE'S HIGHEST PRIORITY REFORMS CONCERN INCOME DISTRIBUTION, THE PROBLEM OF RURAL MIGRANTS, LAND TENURE, AND WORKER PARTICIPATION IN MANAGEMENT. (THE POPE

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DID NOT, HOWEVER, ADDRESS THE QUESTION OF RESOURCES VS. POPULATION AS A FACTOR IN INCOME GENERATION AND DISTRIBUTION -- SEE PARA 5 REFTEL.) ANOTHER GENERAL AREA OF REFORM, ALTHOUGH NOT ON THE SAME LEVEL OF PRIORITY, WAS MENTIONED BY THE POPE IN EXPRESSING HIS HOPE THAT MULTIRACIAL BRAZIL COULD BECOME AN EXAMPLE IN THE TREATMENT OF ETHNIC MINORITIES.

C. THE POPE'S REFORM MESSAGE PROBABLY WAS GIVEN ADDED DOMESTIC FORCE BY A NEW POLITICAL FACTOR ESTABLISHED BY THE VISIT: THE ENORMOUS POPULAR ENTHUSIASM FOR THE POPE, WHO SEEMED TO COME ACROSS TO THE COMMON MAN AS BOTH "BROTHER JOAO" AND A POWERFUL AUTHORITY FIGURE, AND WHO COMMANDED CROWDS SUCH AS NO CURRENT POLITICAL FIGURE IN BRAZIL COULD DRAW. (ONE OF THE MOST FREQUENT COMMENTS WE HEARD IN CONVERSATIONS WITH BRAZILIANS

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DURING THE VISIT WAS ON THE IMPRESSIVENESS OF THE POPE'S STRENGTH AS A LEADER AND THE SHORTAGE OF LEADERS OF SUCH STATURE IN BRAZIL AND ELSEWHERE IN THE WORLD.) IN CHURCH-STATE RELATIONS, THE POPE'S DEMONSTRATED HOLD ON THE PEOPLE IS A FACTOR THAT THE GOVERNMENT MUST TAKE INTO ACCOUNT AND THAT SHOULD STRENGTHEN THE CHURCH'S POSITION VIS-A-VIS THE GOVERNMENT.

D. ONE POLITICAL PRODUCT OF THE POPE'S STATEMENTS MUST UNAVOIDABLY HAVE BEEN TO STIMULATE OR REINFORCE A SENSE OF INJUSTICE ON THE PART OF THE POOR, ALONG WITH AN ASSURANCE OF HIS OWN MORAL SUPPORT FOR PEACEFUL CORRECTION OF THEIR GRIEVANCES. HOWEVER, GIVEN THE ISOLATION OF THE VERY POOR FROM POLITICAL LIFE (SEE BRASILIA 05198), NO IMMEDIATE RESULTS SHOULD BE EXPECTED.

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ACTION ARA-15

INFO OCT-01 ADS-00 HA-05 AID-07 PC-01 OMB-01 TRSE-00

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 FM AMEMBASSY BRASILIA
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 INFO AMCONSUL SAO PAULO
 AMCONSUL RIO DE JANEIRO PRIORITY
 AMEMBASSY ROME

C O N F I D E N T I A L SECTION 03 OF 03 BRASILIA 05270

DEPT PLEASE POUCH TO OTHER ARA POSTS AS DESIRED

OF MORE PRACTICAL POLITICAL SIGNIFICANCE, PERHAPS, WAS
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 THE DEBATE MAY SHIFT TO REFORM LATER. MEANWHILE, THE ADMIN-
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PUBLIC COMMENT CAME IN A STATEMENT BY THE AIR FORCE
 MINISTER TO THE EFFECT THAT MANY OF THE POPE'S
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STATEMENTS WERE IN LINE WITH FIGUEIREDO'S OWN THOUGHTS
 'IN FACT, FIGUEIREDO HAS EXPRESSED PERSONAL SUPPORT
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 US HE WAS PESSIMISTIC THAT THE GOVERNMENT WOULD
 INITIATE ANY REFORMS.

F. A BASIC POLITICAL PROBLEM WITH SOCIAL AND ECONOMIC REFORMS

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IS OF COURSE THAT UNLIKE HUMAN RIGHTS REFORMS, THEY BEAR SPECIFIC COSTS IN MONEY AND POWER FOR SPECIFIC GROUPS AND INDIVIDUALS WHO NOW HAVE EITHER POWER OR INFLUENCE. SOMETHING MORE THAN PREACHING WILL LIKELY BE NECESSARY TO BRING THEM ABOUT -- A CONDITION WHICH MAY WELL BRING SOME ACTIVITIES IN THE CHURCH TO TEST THE POLITICAL LIMITS OF THE ROLE BROADLY DEFINED BY THE POPE.

6. PRIVATE SECTOR REACTION

A. THE CONSULATE GENERAL AT RIO OBSERVES THAT MOST BRAZILIAN BUSINESSMEN BELIEVE THAT THEY ARE IN THE VANGUARD OF PEOPLE WHO ARE REALLY DOING SOMETHING TO MAKE THINGS BETTER -- BY PROVIDING MORE JOBS, MORE GOODS, PAYING HIGHER WAGES, AND PROVIDING BETTER WORKING CONDITIONS. THE BUSINESS SECTOR'S PRINCIPAL REACTION IS LIKELY TO BE THAT IT COULD DO AN EVEN BETTER JOB IN THIS AREA IF THE GOVERNMENT WOULD LEAVE IT ALONG AND STOP CONTROLLING EVERYTHING. BUSINESSMEN, LIKE MOST OTHER PEOPLE, PROBABLY LISTENED SELECTIVELY TO THE POPE'S REMARKS AND PARTICULARLY REMEMBER THE ADMONITION FOR THE CLERGY TO CONCENTRATE ON SPIRITUAL MATTERS RATHER THAN PARTISAN POLITICS AND LEADING STRIKES. MOST BUSINESSMEN IN RIO HAS TALKED TO HAVE NO STRONG OBJECTION TO COLLECTIVE

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BARGAINING ITSELF SO MUCH AS UNCERTAINTY REGARDING THE STATE'S ROLE IN THE PROCESS.

B. THE VISIT PROBABLY PROVIDED SOME ASSISTANCE TO THE "DEVELOPMENTALISTS" IN THE GOB WHO EMPHASIZE EMPLOYMENT CREATION.

C. AS SAO PAULO'S COMMENTS WERE DELAYED IN TRANSMISSION, THEY ARE BEING REPEATED SEPARATELY TO THE DEPARTMENT.

7. FAMILY PLANNING

THE POPE TOLD HIGH GOVERNMENT OFFICIALS IN BRASILIA THAT COUPLES HAD A RIGHT TO HAVE THE CHILDREN THAT THEY DESIRE, RECEIVING AT THE SAME TIME AN INCOME SUFFICIENT TO RAISE THE CHILDREN PROPERLY. WHILE THE STATEMENT SEEMS CRYPTIC, HEALTH MINISTER ARCOVERDE SUBSEQUENTLY TOLD THE PRESS THAT HE AND THE CNBB HAD HAD A MEETING OF MINDS ON FAMILY PLANNING "WITHOUT COMPULSION, WITHOUT INDUCEMENTS, MERELY INSTRUCTING LOW-INCOME FAMILIES ON HOW THEY CAN CARRY OUT THEIR OWN CONTROL, LEAVING THE LAST WORD TO THE JUDGMENT OF THE COUPLES." OUR CONTACTS SUGGEST THAT THE GOVERNMENT WILL ANNOUNCE ITS FAMILY PLANNING PROGRAM IN

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SEPTEMBER.

8. EMBASSY WILL CONTINUE TO FOLLOW AND REPORT ON AFTERMATH
OF THE PAPAL VISIT.
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AMEMBASSY MANAGUA IMMEDIATE
AMEMBASSY PANAMA IMMEDIATE
AMEMBASSY BOGOTA IMMEDIATE
AMEMBASSY CARACAS IMMEDIATE
AMEMBASSY SANTO DOMINGO IMMEDIATE
AMEMBASSY LIMA IMMEDIATE
AMEMBASSY QUITO IMMEDIATE
AMEMBASSY BUENOS AIRES IMMEDIATE

C O N F I D E N T I A L STATE 189089

C O R R E C T E D C O P Y (NUMEROUS GARBLES IN TEXT)
FOLLOWING REPEAT BRASILIA 5270 SENT SECSTATE WASHDC RIO DE
JANEIRO ROME SAO PAULO DATED JULY 15, 1980.

QUOTE C O N F I D E N T I A L BRASILIA 5270

DEPT. PLEASE POUCH TO OTHER ARA POSTS AS DESIRED

.O. 12065: GDS 7/15/86 (MCFARLAND, GEORGE) OR-P
TAGS: PINT, SOCI, SHUM, PEPR, BR
SUBJECT: PAPAL VISIT TO BRAZIL; INITIAL ASSESSMENT

REF: STATE 182674
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1. (CENTIRE TEXT)

2. SUMMARY: POPE JOHN PAUL II'S VISIT TO BRAZIL, JUNE 30-
JULY 11, TURNED INTO AN UNEXPECTED TOUR DE FORCE, GENERATING
ENORMOUS POPULAR ENTHUSIASM AND FOCUSING ATTENTION ON NEEDS FOR
SOCIAL REFORM. THE GREATEST IMPACT PROBABLY WAS ON THE
BRAZILIAN CATHOLIC CHURCH, WHICH WAS ENCOURAGED TO PRESS FOR

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ALAN H FLANIGAN
DATE/CASE ID: 09 SEP 2008 200503114

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REFORM WITHOUT VIOLENCE AND WITHOUT THE CLERGY'S ACTING AS POLITICIANS OR LABOR LEADERS. A CATHOLIC LEADER HERE BELIEVES THE IMPACT WILL BE SIMILARLY FELT BY THE CHURCH IN THE HEMISPHERE AND WORLDWIDE. THE VISIT HAS NOT TRANSFORMED DOMESTIC POLITICAL DEBATE; REFORMS OBVIOUSLY WILL HAVE A POLITICAL PRICE, AND CHURCH-STATE RELATIONS MAY BE STRAINED, DEPENDING ON THE CHURCH'S POLITICAL TACTICS. THE PAPAL POSITION ON BIRTH CONTROL APPEARS TO OPEN THE DOOR TO A FAMILY PLANNING PROGRAM IN BRAZIL. END SUMMARY.

3. ECHOING A COMMONPLACE COMMENT HERE, A BRAZILIAN CATHOLIC INTELLECTUAL NOTED IN A PUBLISHED COMMENTARY ON THE PAPAL VISIT TO BRAZIL THAT "IT IS EXTREMELY EARLY FOR EXACT CONCLUSIONS ON THE CONSEQUENCES." THESE CONSEQUENCES, BOTH IN BRAZIL'S NATIONAL LIFE AND IN THE CHURCH, MUST WORK THEMSELVES OUT POLITICALLY OVER TIME. HOWEVER, WE CAN VENTURE SOME

INITIAL OBSERVATIONS, AND BY SEPTTEL WE PROVIDE A COLLECTION OF SIGNIFICANT EXCERPTS FROM THE POPE'S MANY STATEMENTS.

4. UNITING AND GUIDING THE CHURCH IN ITS REFORMIST ROLE
A. THE GREATEST IMPORTANCE OF THE VISIT WOULD SEEM TO
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BE RALLYING, SUPPORTING, EXPANDING, AND GUIDING THE BRAZILIAN CHURCH ITSELF, WHICH HAS THREE MAJOR GROUPINGS--PROGRESSIVES, CONSERVATIVES, AND AN IN-BETWEEN MAJORITY (JORNAL DO BRAZIL RECENTLY ESTIMATED THE PERCENTAGES OF BISHOPS IN THE THREE GROUPS AS 24, 19, AND 57 RESPECTIVELY)--AND WHICH MOST RECENTLY HAS HAD PROBLEMS WITH THE GOVERNMENT OVER ITS SUPPORT OF WHAT THE GOVERNMENT CONSIDERED A POLITICIZED STRIKE IN SAO PAULO.

B. A SENIOR OFFICIAL OF THE NATIONAL CONFERENCE OF BRAZILIAN BISHOPS (CNBB), TOLD EMBOFFS JULY 15 THAT THE POPE HAD GIVEN THE CONSERVATIVES A SENSE OF SOCIAL JUSTICE, THE PROGRESSIVES A SENSE OF THE PRIMACY OF SPIRITUAL VALUES. HOWEVER, THE OFFICIAL NOTED IN RESPONSE TO A QUESTION, THE RADICAL PRIESTS HAD DRAWN ENCOURAGEMENT FROM THE POPE'S STATEMENTS. THE PRIMATE OF BRAZIL, DOM AVELAR BRANDAO OF SALVADOR, TOLD THE PRESS JULY 10 THAT THE POPE IN SPEAKING TO THE EUCHARISTIC CONGRESS "DID NOT PLACE OR CONDUCT THE EPISCOPACY TOWARD THE RIGHT OR THE LEFT, TOWARD THE PROGRESSIVE LINE OR THE CONSERVATIVE." BUT ELSEWHERE DURING THE VISIT, THE

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OVERALL MEANING OF THE POPE'S STATEMENTS AND GESTURES CLEARLY WAS AN EFFORT TO UNIFY THE CHURCH BEHIND AN EVANGELICAL MISSION THAT INCLUDES SUPPORT FOR PEACEFUL SOCIAL REFORM. AS A LOWER-RANKING CNBB OFFICIAL TOLD US JULY 14, THE VISIT ENCOURAGED THE IN-BETWEENS TO MOVE TO THE PROGRESSIVE SIDE.

C. THE VISIT SEEMS TO HAVE DISPELLED MUCH OF UNCERTAINTY LEFT BY THE PUEBLA CONFERENCE. THE SENIOR CNBB OFFICIAL TOLD US THAT "PUEBLA WAS THE POPE," AND THAT WHAT THE POPE SAID IN BRAZIL WAS A REAFFIRMATION OF THE PUEBLA RESULTS. FURTHERMORE, THE OFFICIAL OBSERVED, THE GUIDANCE THAT THE POPE PROVIDED HERE WAS NOT LIMITED TO THE BRAZILIAN CHURCH BUT WOULD HAVE AN IMPACT IN ALL THE LATIN AMERICAN CHURCHES AND WORLDWIDE.

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D. THE POPE LEFT NO DOUBT THAT HE BACKED, IN THEORY AND IN PRACTICE, PUEBLA'S "PREFERENTIAL OPTION FOR THE POOR." HE CALLED ON THE CLERGY TO SUPPORT--AND WHERE APPROPRIATE, TO ADVOCATE--SOCIAL AND ECONOMIC REFORMS TO MEET ESSENTIAL HUMAN NEEDS, AND HE GAVE A PERSONAL EXAMPLE OF SUCH ADVOCACY. BUT HE STOPPED SHORT OF THE MORE ACTIVIST VERSION OF THE "LIVERTATION THEOLOGY" BY RULING OUT VIOLENCE, THE CLERGY'S PARTICIPATION IN POLITICS AS POLITICIANS OR LABOR LEADERS, AND THE ESPOUSAL OF POLITICAL, SOCIAL, AND ECONOMIC DOCTRINES. AS HE PUT IT IN HIS ADDRESS TO THE BISHOPS GATHERED FOR THE NATIONAL EUCHARISTIC CONGRESS STARTING JULY 10, "YOUR VOCATION AS BISHOPS PROHIBITS YOU, WITH TOTAL CLARITY AND WITHOUT HALF-JA TONES, FROM ANYTHING THAT RESEMBLES POLITICAL PARTISANSHIP, (OR) SUBJECTION TO THIS OR THAT IDEOLOGY OR SYSTEM BUT IT DOES NOT PROHIBIT, RATHER, IT

INVITES YOU TO BE CLOSE TO AND AT THE SERVICE OF ALL MEN, ESPECIALLY THOSE WHO ARE THE MOST HELPLESS AND NEEDY." HOWEVER, HE NOTED " (THE CHURCH) RESPECTS CONSTITUTED AUTHORITY AND DOES NOT CEASE TO PROCLAIM THAT FOR THE GOOD OF SOCIETY ... AUTHORITY IS NECESSARY."

E. THE POPE ALSO MADE CLEAR HIS SUPPORT FOR BRAZIL'S BISHOPS, OF WHOM PRESIDENT FIGUEIREDO HAD SAID THAT THEY DID NOT REPRESENT THE CHURCH. THE POPE APPEARED WITH CARDINAL ARNS, THE MOST CONTROVERSIAL MEMBER OF BRAZIL'S EPISCOPACY, BECAUSE OF HIS PRO-STRIKE ACTIVITIES, AT A GATHERING FOR WORKERS IN SAO PAULO. THE POPE PRAISED THE NATIONAL CONFERENCE OF BRAZILIAN

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BISHOPS (CNBB) FOR PROJECTING AN IMAGE OF "POVERTY AND SIMPLICITY" AND TERMED IT "CAPABLE OF REPRESENTING THE BRAZILIAN EPISCOPACY WITH THE GREATEST POSSIBLE AUTHENTICITY." DOM HELDER CAMARA OF RECIFE COMMENTED TO THE PRESS JULY 10 THAT "THE HOLY FATHER COULD NOT HAVE GIVEN THE CNBB SUPPORT THAT WAS MORE OPEN OR CLEARER." CNBB SECGEN MENDES TOLD THE PRESS JUBILANTLY THAT "THE POPE IS WITH THE CNBB AND THE CNBB IS WITH THE POPE."

F. THE POLITICAL CONSEQUENCE OF THE OPOE'S DEMONSTRATION AND SUPPORT FOR THE CNBB AND FOR THE CHURCH'S INVOLVEMENT IN SOCIAL/POLITICAL ISSUES IS LIKELY TO BE A MORE AGGRESSIVELY POLITICAL BRAZILIAN CHURCH PRESSING THE GOVERNMENT MORE INSISTENTLY FOR REFORMS

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BEHALF OF BRAZIL'S POOR. WHETHER THE CHURCH'S POLITICAL ACTIVISM STRAINS ITS RELATIONS WITH THE GOVERNMENT DEPENDS VERY MUCH ON THE TACTICS IT EMPLOYS AND THE GOVERNMENT'S INTERPRETATION AND REACTION. PREACHING, PAMPHLETEERING, AND LOBBYING ARE ACCEPTABLE TO THE GOVERNMENT UNDER THE TACITLY ESTABLISHED GROUND RULES OF LIBERALIZATION; ORGANIZING STRIKES AND DEMONSTRATIONS FOR POLITICAL PURPOSES IS NOT, AND VIOLENCE AND DISORDER BRING STRONG COUNTERMEASURES. HERE THE POPE'S EXHORTATIONS AGAINST DIRECT INVOLVEMENT IN LEADING STRIKES MAY BE HELPFUL IN AVOIDING CHURCH-STATE COLLISIONS; HOWEVER, ACTIVITIES SUCH AS CARDINAL ARNS CARRIED ON IN SUPPORTING LAST APRIL'S SAO PAULO STRIKE, WHICH DREW A STRONG WARNING FROM THE GOVERNMENT, DO NOT SEEM PROHIBITED BY THE POPE'S STATEMENTS. ARNS WHATEVER HIS MATERIAL SUPPORT AND BEHIND-SCENES ROLE MAY HAVE BEEN, DID NOT HOLD UNION OFFICE.

G. MEANWHILE, THE ARMED FORCES' REACTION TO THE POPE'S ENCOURAGEMENT OF THE "PROGRESSIVES" HAS NOT YET BEEN MADE CLEAR. MANY SENIOR GENERALS HAVE LONG BEEN DEEPLY SUSPICIOUS THAT THE CATHOLIC CLERGY ARE INFIL-

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TRATED BY COMMUNISTS AND ARE FOLLOWING A LINE THAT HAS MUCH IN COMMON WITH MARXISM. CONSCIOUS OF THE CHURCH'S POWER, (THE ARMED FORCES ARE)
EHEE
LES ARE "INFILTRATED" BY
CATHOLICS), THE SENIOR MILITARY HAVE AVOIDED OPEN

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BATTLE BUT CLEARLY REGARD THE CHURCH AS A POTENTIAL SOURCE OF THREATS TO DOMESTIC ORDER. ON THE OTHER HAND, THERE IS SOME BELIEF AMONG THEM THAT THE POPE'S STRICTURES AGAINST THE CLERGY'S DIRECT PARTICIPATION IN POLITICS MAY OPEN OPPORTUNITIES FOR THE CHURCH AND ARMY TO WORK TOGETHER IN SOCIAL PROGRAMS AND RELIEF EFFORTS.

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A. THROUGHOUT HIS VISIT, BOTH EXPLICITLY AND BY THE PLACES HE CHOSE TO VISIT, ONE OF THE POPE'S MAJOR AIMS SEEMS TO HAVE BEEN TO CALL ATTENTION TO THE DARK SIDE OF THE BRAZILIAN MIRACLE AND TO THE DUTY OF THE STATE AND ALL CITIZENS TOWARD THE LESS FORTUNATE. (HIS STRONGEST SPEECH WAS MADE IN A RIO FAVELA.) BEFORE THE VISIT, BRAZIL'S LIBERALIZATION PROVESS HAD MOVED THROUGH A PHASE OF RESTORING PERSONAL AND CIVIL RIGHTS, AND THERE WERE APPEALS TO MOVE ON INTO THE PHASE OF ASSURING ECONOMIC AND SOCIAL RIGHTS; IN FACT, ALL PARTY PROGRAMS REFLECT SUCH APPEALS. THE POPE SEEMS TO HAVE GIVEN A STRONG PUSH TO THE MOVEMENT FOR GIVING SOCIAL REFORMS PRIORITY IN THE NATIONAL AGENDA.

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THE POPE TOLD HIGH GOVERNMENT OFFICIALS IN BRASILIA THAT COUPLES HAD A RIGHT TO HAVE THE CHILDREN THAT THEY DESIRE, RECEIVING AT THE SAME TIME AN INCOME SUFFICIENT TO RAISE THE CHILDREN PROPERLY. WHILE THE STATEMENT SEEMS CRYPTIC, HEALTH MINISTER ARCOVERDE SUBSEQUENTLY TOLD THE PRESS THAT HE AND THE CNBB HAD HAD A MEETING OF MINDS ON FAMILY PLANNING "WITHOUT COMPULSION, WITHOUT INDUCEMENTS, MERELY INSTRUCTING LOW-INCOME FAMILIES ON HOW THEY CAN CARRY OUT THEIR OWN CONTROL, LEAVING THE LAST WORD TO THE JUDGMENT OF THE COUPLES." OUR CONTACTS SUGGEST THAT THE GOVERNMENT WILL ANNOUNCE ITS FAMILY PLANNING PROGRAM IN SEPTEMBER.

8. EMBASSY WILL CONTINUE TO FOLLOW AND REPORT ON AFTERMATH OF THE PAPAL VISIT.
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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 3165
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMCONSUL PORTO ALEGRE
AMCONSUL RECIFE POUCH
AMCONSUL SALVADOR DA BAHIA POUCH

C O N F I D E N T I A L SECTION 01 OF 04 BRASILIA 02031

E.O. 12356: DECL: OADR
TAGS: BR, PGOV
SUBJ: THE NORTHEAST IN BRAZILIAN POLITICS

1. (C - ENTIRE TEXT)
2. THIS CABLE IS THE RESULT OF COLLABORATION AMONG THE CONSULATES IN SALVADOR AND RECIFE AND THE EMBASSY.
3. SUMMARY: THE NORTHEAST LOOMS LARGE IN THE CURRENT PRESIDENTIAL ELECTION. THE POLITICAL MACHINERY HAS BEEN SKEWED TO PUT THIS POOREST OF BRAZIL'S REGIONS IN A POSITION OF UNACCUSTOMED INFLUENCE. THE REGION'S POLITICAL STRUCTURE IS DOMINATED BY AN ELITE WHICH HAS ITS SOURCE OF POWER PRINCIPALLY IN RURAL AREAS. THIS LONGSTANDING OLIGARCHY, OFTEN THE SCIONS OF FAMILIES WHO HAVE RUN THINGS IN THE NORTHEAST SINCE COLONIAL TIMES, CONTINUES TO CONTROL THE POLITICS OF THE REGION

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THROUGH A PATRON-CLIENT RELATIONSHIP WHICH HAS VESTIGES OF FEUDALISM: THE LEADERS OFFER PSYCHOLOGICAL, SOCIAL AND ECONOMIC BENEFITS TO THE RURAL MASSES, IN RETURN FOR UNQUESTIONING SUPPORT. THIS SYSTEM IS FAR FROM

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ALAN H FLANIGAN
DATE/CASE ID: 09 SEP 2008 200503114

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COMPLETE AND IS GRADUALLY BREAKING DOWN. ESPECIALLY IN THE CITIES, NEW NON-ESTABLISHMENT POLITICAL LEADERS DOMINATE THE SCENE. IN PARTY TERMS THIS MEANS THAT THE GOVERNMENT PDS CONTROLS MOST RURAL AREAS AND THE OPPOSITION PMDB PREDOMINATES IN THE CITIES. THE NET EFFECT IS PDS CONTROL OF EVERY STATE IN THE REGION. END SUMMARY.

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4. THE POLITICS OF BRAZIL'S NORTHEAST IS THE POLITICS OF DROUGHT, DEPRESSION, AND DESPAIR. SINCE THE IMPERIAL GOVERNMENT FIRST COMMISSIONED A BOARD OF INQUIRY TO STUDY THE EFFECTS OF THE DROUGHT THEN PLAGUING THE AREA (1856), BRAZIL'S CENTRAL AUTHORITIES HAVE CREATED A MULTITUDE OF ORGANIZATIONS DESIGNED TO ALLEVIATE THIS PERENNIAL PROBLEM. IT HAS NEVER BEEN ENOUGH, AND THE DIALOGUE OF DROUGHT CONTINUES TO PERVADE THE POLITICAL REPERTOIRE OF STATE AND FEDERAL ENTITIES MORE THAN ANY OTHER FACTOR. BETWEEN GIANT BAHIA WITH ITS INTRINSIC NATURAL WEALTH, AND THE NEWLY-ESTABLISHED BAUXITE/ALUMINA COMPLEX IN MARANHAO THERE LIES A VAST AREA POOR IN NATURAL RESOURCES, OVERPOPULATED, AND SAVE FOR AN INEFFICIENT BUT NEVERTHELESS IMPORTANT SUGAR CANE PRODUCTION BASE (PERNAMBUCO AND ALAGOAS), THE AREA HAS LITTLE INDUSTRY. THE LONG-TERM EFFECT OF THIS HAS BEEN TO IMBUE THE REGION'S LEADERSHIP AS WELL AS THE MASSES WITH AN ALMOST OVERWHELMING SENSE OF SELF-PITY, A SYNDROME WHICH SERVES TO STIFLE ACTION AND OFTEN SEEKS TO BLAME OUTSIDE FORCES FOR THE REGION'S PROBLEMS. THE POLITICAL RHETORIC THIS ENGENDERS IS

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NOT UNLIKE THAT OF THIRD WORLD COUNTRIES IN THEIR EXCHANGES WITH THE DEVELOPED NATIONS. IT IS IMPORTANT TO RECOGNIZE THIS LEITMOTIF IN THE NORTHEAST POLITICAL SCENE BEFORE ADDRESSING THE SPECIFIC EVENTS UNFOLDING IN THE AREA TODAY.

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5. THE NORTHEAST BECAUSE OF ITS ECONOMIC BACKWARDNESS AND ISOLATION HAS OFTEN HAD LITTLE INFLUENCE ON BRAZILIAN NATIONAL POLITICS. BUT IT MAY ENJOY A ROLE REVERSAL THIS YEAR. UNDER THE CURRENT RULES OF THE GAME THE NORTHEAST WILL HAVE A REPRESENTATION IN THE PDS CONVENTION AND IN THE PRESIDENTIAL ELECTORAL COLLEGE MUCH GREATER THAN THAT JUSTIFIED BY THE REGION'S POPULATION OR ECONOMIC IMPORTANCE. THIS SITUATION IS, OF COURSE, NOT ACCIDENTAL. SINCE THE PDS GETS AN

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INORDINATE AMOUNT OF ITS SUPPORT FROM THE PREDOMINANTLY
RURAL AND BACKWARD SMALLER STATES IN THE NORTH, THE
ELECTORAL COLLEGE WAS DESIGNED BY THE GOVERNMENT
LEADERS TO OVER-REPRESENT THE NORTHEAST (AND NOT
COINCIDENTALLY THE PDS, AS WELL). THIS OVER-
REPRESENTATION EXTENDS TO THE PDS CONVENTION. CEARA,
FOR EXAMPLE, HAS MORE CONVENTION DELEGATES THAN SAO
PAULO, DESPITE THE FACT THAT ITS POPULATION IS PERHAPS
A FOURTH AS LARGE.

6. THUS THE NORTHEAST HAS AN OPPORTUNITY FOR ITS
POLITICAL LEADERS (MOST PROMINENTLY BAHIA'S ANTONIO
CARLOS MAGALHAES AND PERNAMBUCO'S ROBERTO MAGALHAES
AND MARCO MACIEL) TO BE KING-MAKERS. IT SEEMS LIKELY,
HOWEVER, THAT THE OPPORTUNITY MAY BE LOST, FOR THE PDS,
THE MAIN PARTY OF THE LOCAL ELITES, IS INVARIABLY
DIVIDED. EACH PDS STATE ORGANIZATION HAS MORE THAN
ONE BOSS, WHO CAN HATE THEIR INTRA-PARTY RIVALS MORE
THAN THEY HATE THE OPPOSITION. IN THE REGION AS A

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INFO AMCONSUL RIO DE JANEIRO

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AMCONSUL SAO PAULO
AMCONSUL PORTO ALEGRE
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C O N F I D E N T I A L SECTION 02 OF 04 BRASILIA 02031

E.O. 12356: DECL: OADR
TAGS: BR, PGOV
SUBJ: THE NORTHEAST IN BRAZILIAN POLITICS

WHOLE AND IN MOST STATES, THERE SEEMS TO BE LITTLE
CAPACITY TO RALLY AROUND A SINGLE CANDIDATE.

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7. THE PDS'S STRENGTH IN THE NORTHEAST IS BASED ON THE
DYNAMICS OF POLITICAL POWER IN THE RURAL AREAS OF THE
REGION. NORTHEASTERN BRAZIL, DESPITE OVER 15 YEARS
OF OFTEN RAPID ECONOMIC DEVELOPMENT IN SOME AREAS,
(NAMELY THE MAJOR URBAN CENTERS OF SALVADOR, RECIFE,
NATAL, AND FORTALEZA) REMAINS LARGELY THE WAY IT HAS
BEEN FOR CENTURIES: A BACKWARD, RURAL, OLIGARCHIC
SOCIETY. THERE IS EXTENSIVE LITERATURE DESCRIBING
THE PATRON-CLIENT RELATIONSHIP IN THIS PART OF BRAZIL.
IT IS CHANGING, BUT ONLY SLOWLY. LOCAL ELITES, USUALLY
FAMILIES WITH LARGE LAND-HOLDINGS, DOMINATE. THESE
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LAND-HOLDINGS, IN ADDITION TO BEING THE BASIS OF THE
FAMILIES' WEALTH, ARE AN IMPORTANT SOURCE OF SPORADIC
EMPLOYMENT AND OFTEN PROVIDE THE ONLY LINK TO THE CASH
ECONOMY FOR THE RURAL POOR WHO OTHERWISE SURVIVE ON
SUBSISTENCE AGRICULTURE. THE ELITE'S CONTROL OF LOCAL
FINANCIAL AND GOVERNMENTAL INSTITUTIONS (E.G. BANKS,
AGRICULTURAL ASSISTANCE OPERATIONS) PROVIDE IMPORTANT
INFLUENCE OVER SMALLER LAND-HOLDERS AND PROFESSIONAL
AND COMMERCIAL PEOPLE. THE ELITES FORM THE POLITICAL
POWER BASE. A REGIONAL OR STATE POLITICIAN WILL NEED
THEIR SUPPORT IN ORDER TO GAIN OFFICE. THE LAYERING
BETWEEN STATE AND LOCAL LEADERS VARIES. IN A LARGE
STATE LIKE BAHIA THERE IS OFTEN AN INTERMEDIARY LEVEL
(E.G., FEDERAL DEPUTY) BETWEEN THE STATE-WIDE LEADER
(E.G., A SENATOR OR GOVERNOR) AND THE LOCAL POWER. IN
THE SMALL STATES THIS INTERMEDIATE STAGE MAY NOT EXIST.
IN SERGIPE FOR EXAMPLE, AUGUSTO FRANCO IS BOTH THE
STATE'S LEADING POLITICIAN--CURRENTLY HE IS A FEDERAL
DEPUTY AND HIS SON IS A SENATOR, FORMERLY HE WAS GOVERNOR

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--AND ALSO THE LOCAL POWER IN MUCH OF THE STATE. HE REPORTEDLY OWNS SOME 40 PERCENT OF THE STATE. OTHER OUTSTANDING, PERHAPS NOTORIOUS EXAMPLES OF NORTHEAST ELITISM EXIST IN CEARA AND RIO GRANDE DO NORTE. THE COLONELS" (POLITICAL BOSSES) OF CEARA ARE BY NOW POLITICAL CLICHES, AN ACCEPTED FACT OF LIFE IN THAT STATE'S POWER STRUCTURE. TWO CURRENTLY PROMINENT COLONELS, ADAUTO BEZERRA AND VIRGILIO TAVORA ARE ALSO BITTER RIVALS, THOUGH BOTH ARE PDS LEADERS. THE PRESENT GOVERNOR OF CEARA, LUIS DE GONZAGA MOTA BECAME HIS PARTY'S CANDIDATE ONLY AFTER A STRUGGLE BETWEEN THE COLONELS, IN WHICH A THIRD COLONEL - MINISTER OF MINES AND ENERGY CESAR CALS - MEDIATED. MOTA WAS PICKED FOR HIS NON-POLITICAL BACKGROUND AND LACK OF ASSOCIATION

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WITH EITHER BEZERRA OR TAVORA. MOTA, AS IT TURNS OUT HAS MAINTAINED AN INDEPENDENT LINE WHICH IRKS BOTH THE OLD STATE ESTABLISHMENT AND PLANALTO AS WELL, BEING AMONG THE FIRST HIGHLY VISIBLE PDS LEADERS TO UNEQUIVOCALLY SUPPORT DIRECT ELECTIONS FOR 1985, AND LAND REFORM WITHIN HIS STATE. IN RIO GRANDE DO NORTE THE MAIA FAMILY HAS REIGNED FOR THREE GENERATIONS AS GOVERNORS AND AS POWER BROKERS. THIS HAS LED TO RESENTMENT AMONG YOUNGER PDS ACTIVISTS, WHO COMPLAIN PRIVATELY ABOUT THE INCOMPETENCE IN GOVERNMENT ADMINISTRATION BROUGHT ON BY THE PLETHORA OF POLITICAL HANDOUTS OVER THE YEARS, AND WHICH CONTINUE TO BLEED THE STATE'S MEAGER RESOURCES. AS A FINAL POINT ON ELITISM ONE MIGHT ADD THAT THE HUE AND CRY FOR FEDERAL ASSISTANCE BY PDS LEADERS IS LARGELY A REQUEST FOR FUNDS TO PERPETUATE THE HANDOUT SYSTEM AT STATE AND LOCAL LEVELS.

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8. IN THE RURAL NORTHEAST THE EXACT POLITICAL PROCESS (I.E., ELECTIONS, SELECTION THROUGH CONSULTATION) IS NOT NECESSARILY IMPORTANT. ELECTIONS IN THESE AREAS, ESPECIALLY IN RURAL AREAS, DO NOT REFLECT THE INDIVIDUAL VOTER'S JUDGMENT OVER WHO IS THE BEST CANDIDATE BUT RATHER WHO THE LOCAL LEADER HAS DECIDED TO SUPPORT. AFTER THE 1982 ELECTIONS, A BAHIAN PMDB LEADER COMMENTED THAT WHEN THE CAMPAIGN WENT INTO THE INTERIOR THE TURNOUT AT RALLIES WAS LARGE AND ENTHUSIASTIC BUT ON ELECTION DAY THESE SAME PEOPLE VOTED PDS. IN 164 OF BAHIA'S 336 MUNICIPALITIES THE PMDB OPPOSITION TOOK LESS THAN 10 PERCENT OF THE VOTE. IN ONE DISTRICT 4,212 VOTES WENT FOR THE PDS, 3 FOR THE PMDB. A

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SIMILAR PATTERN OCCURRED IN PERNAMBUCO WHERE THE FIBS
RAN AHEAD OF THE PDS BY OVER 70 PERCENT IN RECIFE AND
ITS ENVIRONS BUT WAS WOEFULLY DEFEATED IN THE REST OF
THE STATE. THERE IS UNFORTUNATELY A SINISTER SIDE TO

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R 011227Z MAR 84
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 3167
INFO AMCONSUL RIO DE JANEIRO
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C O N F I D E N T I A L SECTION 03 OF 04 BRASILIA 02031

E.O. 12356: DECL: OADR
TAGS: BR, PGOV
SUBJ: THE NORTHEAST IN BRAZILIAN POLITICS

NORTHEAST RURAL POLITICS WHICH PLAYS A PART IN KEEPING
THE OPPOSITION OUT OF POWER. OPPOSING THE LOCAL PDS
CANDIDATE IN A TYPICAL INTERIOR VILLAGE CAN BE HAZARDOUS
TO ONE'S HEALTH. DURING THE 1982 CAMPAIGN IN PERNAMBUCO

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FOR EXAMPLE, 11 OPPOSITION (PMDB) CANDIDATES WERE SHOT AND MANY MORE WERE SHOT AT. THE MORE ELEMENTAL FORMS OF PERSUASION ARE WIDELY EMPLOYED IN THE NORTHEAST COUNTRYSIDE.

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9. THE 1982 ELECTION RESULTS WERE SKEWED SOMEWHAT BY THE VOTING REGULATIONS - STRAIGHT TICKET VOTING, POSSIBILITY OF LOCAL COMPETING TICKETS UNDER THE SAME PARTY BANNER - BUT NEVERTHELESS THE PARADOX REMAINS: IN THE POOREST AREAS OF THE NORTHEAST THE VOTING IS CONFIDENTIAL

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HEAVILY IN FAVOR OF THE ESTABLISHMENT PARTY.

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10. THE GOVERNMENT'S PRINCIPAL RESPONSE TO THE CURRENT NORTHEAST DROUGHT CRISIS SHOWS HOW A POTENTIALLY DISRUPTIVE NATURAL CALAMITY CAN BE USED TO REENFORCE THE STATUS QUO. WORK FRONTS AND WATER TRUCKS CAN BE EASILY CONTROLLED BY THE LOCAL LEADERS. THOSE MOST LIKELY TO GET WATER AND EMPLOYMENT ARE THOSE WHO ARE MOST COOPERATIVE. MAKE-WORK PROJECTS AND RURAL DEVELOPMENT SCHEMES WITH FLASHY SIGNS BEARING THE NAMES OF THE INCUMBENT (PDS) GOVERNOR PROVIDE YEAR-ROUND CAMPAIGN ADVERTISING. ON THE NATIONAL LEVEL, PRESIDENTIAL CANDIDATE MARIO ANDREAZZA, THE INTERIOR MINISTER, HAS FORGED A SIZEABLE WEDGE OF SUPPORT IN THE NORTHEAST BY HAVING PERSONIFIED THE WORK OF SUDENE, DNOCS, AND THE OTHER INTERIOR MINISTRY-CONTROLLED AID EFFORTS. HE CURRENTLY ENJOYS THE BACKING IN VARIOUS DEGREES OF MOST OF THE NORTHEAST'S GOVERNORS.

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11. THE PLACE WHICH THE CAMPAIGN RHETORIC OF ALL MAJOR PDS PRESIDENTIAL CANDIDATES ASSIGNS TO THE NORTHEAST IS INTERESTING. ALL HAVE PROMISED TO GIVE "PRIORITY" TO THE NORTHEAST. THEY HAVE COMMITTED THEMSELVES TO GREATLY INCREASED ASSISTANCE FOR DEVELOPMENT OF THE REGION. ON THE OTHER HAND, NONE OF THE CANDIDATES HAVE SPOKEN OF MORE EQUITABLE INCOME DISTRIBUTION, LAND REFORM, OR INDEED REFORM OF ANY DESCRIPTION. THE SOLUTION TO THE REGION'S PROBLEMS IS MORE PROGRAMS AND MORE MONEY FROM THE FEDERAL GOVERNMENT. THE MESSAGE IS CLEAR: THE NORTHEASTERN ELITES WHO WILL BE SO IMPORTANT IN CHOOSING BRAZIL'S NEXT PRESIDENT CAN BE ASSURED THAT THE LARGESSE FLOWING FROM THE CENTRAL GOVERNMENT FOR THEIR POLITICAL BENEFIT WILL CONTINUE, CONFIDENTIAL

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AND AT AN INCREASED LEVEL.

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12. THE "SYSTEM" AS DESCRIBED ABOVE IS NOT UNIFORM THROUGHOUT THE NORTHEAST AND IN MANY OF THE LARGE CITIES NO LONGER OPERATES AT ALL. URBAN RESIDENTS HAVE MORE FREEDOM IN SEEKING EMPLOYMENT. THEY ARE EXPOSED TO NEW WAYS OF THINKING ABOUT THEIR POLITICAL SITUATION AND HOW IT MIGHT BE CHANGED, AND THUS THEY WILL SUPPORT THE "OUTS". THE CITIES ARE ALSO WHERE THE MIDDLE-CLASS HAS ITS STRENGTH. SOME OF THE MIDDLE-CLASS COME FROM THE SOUTH (FOR EXAMPLE, IN THE BAHIAN CAMACARI PETRO-CHEMICAL COMPLEX), OTHERS WERE FORMED IN THE NORTHEAST AS THE NEED FOR SERVICE AND PROFESSIONS INCREASED WITH THE EXPANSION OF GOVERNMENT AND, IN GENERAL, URBAN AREAS. THESE SEGMENTS OFTEN CONSIDER THE PDS OBSTRUCTIVE AND OUT-OF-DATE. THE SUPPORT OF THE NORTHEAST URBAN POOR AND MIDDLE-CLASS FOR THE OPPOSITION (IN THE NORTHEAST THE OPPOSITION IS OVERWHELMINGLY THE PMDB WITH A MINISCULE PT) CAN OFTEN BE AS STRIKING AS THE PDS' HOLD ON THE COUNTRYSIDE. FOR EXAMPLE, IN SALVADOR, WITH A POPULATION OF NEARLY 2 MILLION, THE OPPOSITION TOOK OVER 80 PERCENT OF THE VOTE, AND THEIR POLITICAL RHETORIC IS POPULIST AND LEFTIST. BUT BAHIA IS STILL HEAVILY RURAL - LESS THAN 20 PERCENT OF THE STATE'S VOTES COME FROM SALVADOR. UNTIL THAT BALANCE SHIFTS THE NORTHEAST WILL BE CONTROLLED BY THE PEOPLE THAT HAVE BEEN IN CHARGE FOR DECADES.

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13. A RELATIVELY NEW ELEMENT IN THE NORTHEAST POLITICAL SCENE IS THE RE-EMERGENCE OF PEASANT UNIONS. (RURAL UNIONS AND PEASANT ASSOCIATIONS APPEARED TO BE VERY STRONG AND EVEN SOMETHING OF A THREAT TO THE STATUS QUO IN THE EARLY SIXTIES. THEY WERE, HOWEVER, EASILY SQUELCHED IN THE WAKE OF THE COUP OF 1964.) PERHAPS

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C O N F I D E N T I A L SECTION 04 OF 04 BRASILIA 02031

E.O. 12356: DECL: OADR
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SUBJ: THE NORTHEAST IN BRAZILIAN POLITICS

SOME THREE MILLION PEOPLE ARE ASSOCIATED WITH THESE
NASCENT ORGANIZATIONS AND THEIR EFFORTS ARE STRENGTHENED
BY TIES TO THE LIBERAL CATHOLIC CLERGY. ALTHOUGH MOST
MEMBERS ARE POOR AND HARASSED BY LANDOWNERS, THEY HAVE
HAD A FEW SUCCESSES--IMPROVED WORKING CONDITIONS ON
THE GOVERNMENT LABOR FRONTS AND HIGHER SALARIES FOR
SUGAR WORKERS. THE UNIONS, MOST OF WHICH ARE HIGHLY
CRITICAL OF A PDS THEY CHARACTERIZE AS FEUDALISTIC,
OFTEN FORM WORKING ALLIANCES WITH THE PMDB. AS YET
PEASANTS TALK OPPOSITION, BUT VOTE PDS. THE UNIONS
ARE, HOWEVER, POLITICIZING THEIR MEMBERS AND TRYING TO
SUBVERT THE PEASANTS' FATALISTIC ACCEPTANCE OF
LANDOWNERS' ORDERS.

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14. THE CATHOLIC CHURCH IS ALSO IMPORTANT IN THE NORTHEAST FOR THE POLITICAL AND SOCIAL ROLE THAT IT HAS PLAYED AND CONTINUES TO PLAY. CHURCH LIBERALS HAVE TRIED HARD TO SENSITIZE THE POOR, ESPECIALLY THE RURAL POOR, TO THE POSSIBILITY OF IMPROVING THEIR LOT. IN MANY AREAS THE CHURCH'S "BASE COMMUNITIES" (CEB'S) ARE THE ONLY CIVIC ORGANIZATIONS. BUT THE CHURCH HAS NOT CHANGED THE NORTHEAST'S FUNDAMENTAL SOCIAL STRUCTURE OR THE POLITICAL SYSTEM WHICH FLOWS FROM IT.

15. THE POLITICS OF BRAZIL'S NORTHEAST DEFY FACILE DESCRIPTION. THOUGH IT IS CLEAR THAT WIDE CULTURAL GAPS BETWEEN TOWN AND COUNTRY AND FEUDAL LAND-TENURE SYSTEMS EXPLAIN MUCH OF THE VOTING PATTERN, ANY CAREFUL ANALYSIS OF THE AREA MUST CONSIDER THE NORTHEASTERN SUB-CULTURE WHICH HAS DEVELOPED OVER THE PAST 400 YEARS. COMING OUT OF THIS CULTURE THERE IS ONE COMMON THREAD WHICH LINKS MOST OF THE NORTHEAST'S POLITICAL ACTORS, REGARDLESS OF PARTY AFFILIATION. THAT IS A PROFOUND SENSE OF BEING NEGLECTED BY THE CENTRAL GOVERNMENT, AND OF BEING LOOKED UPON BY OTHER BRAZILIANS WITH A COMBINATION OF PITY AND SCORN. THIS PERCEPTION SHARED BY PEOPLE OF EVERY SOCIAL STRATUM REINFORCES THE "COLONIALIST" MENTALITY OF THE NORTHEAST AND IS AN UNDENIABLE FACTOR IN THE PANOPLY OF BRAZILIAN POLITICS.

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AMEMBASSY GRENADA IMMEDIATE

AMEMBASSY LISBON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMCONSUL RIO DE JANEIRO IMMEDIATE

USMISSION USUN NEW YORK IMMEDIATE

USCINCSO QUARRY HTS PN IMMEDIATE

USCINCLANT NORFOLK VA IMMEDIATE

COMSFORCARIB KEY WEST FL IMMEDIATE

CDR 193D INFBDE FT CLAYTON PN

USAFSO HOWARD AFB PN/PAO

NAVSTA PANAMA CANAL RODMAN PN/PAO

INFO AMEMBASSY OTTAWA

AMCONSUL GUADALAJARA

USIA WASHDC

XMT AMEMBASSY NASSAU

AMEMBASSY PORT OF SPAIN

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E.O. 12356: N/A

TAGS: SOPN

SUBJECT: ARA NEWS ITEMS OF AUGUST 20, 1984

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ALAN H FLANIGAN
DATE/CASE ID: 09 SEP 2008 200503114

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1. HIGHLIGHTS OF AUGUST 17 T.V. NEWSCASTS AND PROGRAMS.

-- ABC WORLD NEWS TONIGHT --

NICARAGUA: ONCE AGAIN TODAY AMERICAN OFFICIALS ARE SAYING THAT NICARAGUA IS POSING A THREAT TO OTHER COUNTRIES IN CENTRAL AMERICA. (PETER JENNINGS)

THE U.S. TODAY RENEWED ITS WARNING TO THE SOVIETS AND CUBANS NOT TO SEND HIGH PERFORMANCE AIRCRAFT INTO NICARAGUA. (FOOTAGE OF JOHN HUGHES: "THE ADDITION OF ADVANCED COMBAT AIRCRAFT TO THE SANDINISTAS' POWERFUL MILITARY ARSENAL WOULD BE A SERIOUSLY DESTABILIZING DEVELOPMENT IN THE REGION.") ABC NEWS HAS LEARNED THAT TODAY'S WARNING WAS PROMPTED IN PART BY RECENT INTELLIGENCE REPORTS THAT PREPARATIONS MAY BE UNDERWAY TO SEND HALF A DOZEN CZECH-DESIGNED JET FIGHTERS TO NICARAGUA. THESE PLANES ARE NOT CONSIDERED HIGH PERFORMANCE, BUT ARE BETTER THAN ANYTHING NICARAGUA NOW HAS. AND ANOTHER FACTOR IN TODAY'S WARNING WAS A NEW NICARAGUAN AIR BASE OUTSIDE MANAGUA, WHICH SANDINISTA

OFFICIALS SHOWED OFF TO REPORTERS YESTERDAY. THE TWO NEW AIRSTRIPS OF 12,000 AND 13,000 FEET CAN ACCOMMODATE ANY AIRCRAFT IN THE SOVIET INVENTORY. OF PARTICULAR CONCERN TO THE U.S. ARE PERSISTENT RUMORS THAT NICARAGUA MIGHT GET MIG-21S FROM CUBA. A YEAR AGO IT WAS REPORTED THAT NICARAGUAN PILOTS WERE IN BULGARIA TRAINING TO FLY SUCH PLANES. (BARRIE DUNSMORE)

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HIGHLIGHTS OF AUGUST 18-19 T.V. NEWSCASTS AND PROGRAMS.

THERE WERE NO ARA TOPICS DISCUSSED.

2. PRESS SUMMARY, AUGUST 18-20, 1984

-- NEW YORK TIMES --

HAITI: SECOND OF THREE EDITS ("FEAR OF FREEDOM - IN HAITI") STATES THAT IN MAY, WHEN CONGRESS WAS REVIEWING AN AMERICAN AID PACKAGE OF \$54 MILLION, JEAN-CLAUDE DUVALIER "OPPORTUNELY PROMISED PRESS FREEDOM AND RESPECT FOR HUMAN RIGHTS. "BUT HIS WORD, WHEN TESTED, PROVED WORTHLESS. AT THE APPEARANCE OF CRITICAL NEWSPAPERS, HE SILENCED THEM BY DECREE AND BANNED ALL POLITICAL ACTIVITY EXCEPT HIS OWN."

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ABUSES OCCURRED, THE EDIT CONTINUES, "THE GOVERNMENT HUMAN-RIGHTS CERTIFICATION. AS SOON AS THE CERTIFICATION WAS COMPLETE, THE GOVERNMENT BEGAN CRACKING DOWN IN A "CAVALIER CONTEMPT FOR AMERICAN OPINION." A FOCUS OF THE EDIT IS SILVIO CLAUDE, LEADER OF THE SMALL CHRISTIAN DEMOCRATIC PARTY, WHOSE NEWSPAPER "WAS SILENCED. THE 50-YEAR-OLD MR. CLAUDE HAS BEEN TO JAIL SIX TIMES SINCE 1979, WHEN HE SPUNKILY RAN FOR PARLIAMENT IN ONE OF THE REGIME'S 'ELECTIONS.' HE HAS ENDURED TORTURE, DETENTION, HOUSE ARREST AND BANISHMENT; TWO SONS ARE IN EXILE; A DAUGHTER WAS RECENTLY MAULED BY SECURITY POLICE. EQUALLY SHAMEFUL HAS BEEN THE PERSECUTION OF GREGOIRE EUGENE, LEADER OF THE SOCIAL CHRISTIAN PARTY...."

"THESE AFFRONTS OCCURRED AFTER SECRETARY OF STATE SHULTZ HAD CERTIFIED TO CONGRESS THAT HUMAN RIGHTS WERE ADVANCING IN HAITI. HE CITED 'AN OPENING IN PRESS FREEDOM GREATER THAN HAS EXISTED SINCE 1980.' BUT HAVING OBTAINED THE VERDICT NECESSARY FOR AMERICAN AID, BABY DOC REPAID THE FAVOR BY MAKING NONSENSE OF MR. SHULTZ'S ASSURANCES."

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"PRESIDENT DUVALIER SHOWS A CAVALIER CONTEMPT FOR AMERICAN OPINION BECAUSE HE COUNTS ON INDIFFERENCE AND INATTENTION. AND BECAUSE HAITI'S PER CAPITA INCOME IS A MEAGER \$280 A YEAR, HE KNOWS CONGRESS IS RELUCTANT TO WITHHOLD ECONOMIC AID AND PUNISH A PEOPLE FOR THE SINS OF THE RULERS. BUT \$1.4 MILLION IS EARMARKED FOR MILITARY TRAINING AND SECURITY PROGRAMS. DELETING THAT SUM WOULD BE A USEFUL WAY OF SERVING NOTICE THAT THE UNITED STATES WILL NOT BE FOREVER TAKEN FOR GRANTED."

BRAZIL: ALAN RIDING'S FRONT PAGE REPORT FROM PETROPOLIS, BRAZIL ("BRAZILIAN FACES A VATICAN INQUIRY OVER SUPPORT FOR SOCIAL ACTIVISM") PROVIDES FEATURE STORY NOTING THAT A LEADING BRAZILIAN THEOLOGIAN, LEONARDO BOFF, A 44-YEAR-OLD FRANCISCAN FRIAR, HAS BEEN SUMMONED TO A FORMAL INTERROGATION AT THE VATICAN "TO ANSWER CHARGES THAT HE COMMITTED SERIOUS DOCTRINAL ERRORS WHILE DEFENDING THE SOCIAL ACTIVISM OF IMPORTANT SECTORS OF LATIN AMERICA'S ROMAN CATHOLIC CHURCH." THE PRINCIPAL COMPLAINT OF CONSERVATIVE PRELATES, ACCORDING TO RIDING, IS THAT BOFF USED MARXIST PARAMETERS TO ANALYZE CURRENT SOCIAL CONDITIONS AND, IN THE PROCESS, HAS SOUGHT TO LEGITIMIZE A "CLASS STRUGGLE" AS THE ONLY WAY OF BRINING ABOUT ECONOMIC

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AND POLITICAL CHANGE.

ARGENTINA/FALKLANDS: JO THOMAS' SPECIAL FROM LONDON ("A BRITON REVIVES A FALKLAND ISSUE: LABOR M.P. SAYS LONDON LIED WHEN IT DESCRIBED SINKING OF AN ARGENTINE CRUISER", P. 7) NOTES THAT LABOR MP, TAM DALYELL, "WHO HAS REPEATEDLY ACCUSED THE GOVERNMENT OF FAILING TO PROVIDE A SATISFACTORY EXPLANATION OF THE SINKING OF THE GENERAL BELGRANO," REPORTEDLY RECEIVED THREE CONFIDENTIAL DEFENSE MINISTRY DOCUMENTS ANNONYMOUSLY IN THE MAIL THAT HE HAS

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ASSERTED SHOW THAT THE GOVERNMENT WAS NOT TELLING THE TRUTH. HE CONTENDS THAT THE BELGRANO WAS ORDERED SUNK BY THE THATCHER GOVERNMENT IN AN EFFORT TO SABOTAGE A PERUVIAN PEACE INITIATIVE BEGUN BEFORE BRITISH TROOPS LANDED ON THE ISLANDS. "THE FALKLANDS WAR WAS ALL ABOUT BRITISH DOMESTIC POLITICS, NOT THE FUTURE OF THE FALKLAND ISLANDS," DALYELL CONTENDED. HE ASSERTED THAT HE HAD LEARNED THAT FONSEC FRANCIS PYM HAD REFUSED TO ACCEPT A TELEPHONE CALL FROM SECSTATE HAIG ON MAY 2 IN WHICH HAIG INTENDED TO EMPHASIZE THE IMPORTANCE OF THE PERUVIAN PEACE INITIATIVE. "IT WAS A CALCULATED DECEPTION OF THE UNITED STATES," DALYELL SAID OF THE BELGRANO INCIDENT.

PERU: INSIDE PAGE 8 REUTERS-LIMA NEWS BRIEF INDICATES THAT AT LEAST 12 BODIES HAVE BEEN FOUND IN HIDDEN GRAVES ON THE OUTSKIRTS OF THE CAPITAL OF THE AYACUCHO REGION. AT LEAST 100 PEOPLE HAVE REPORTEDLY DIED IN THE AREA THIS MONTH IN VIOLENCE LINKED TO AN ANTI-GOVERNMENT CAMPAIGN BEING WAGED BY MAOIST SHINING PATH GUERRILLAS.

CENTRAL AMERICA: ALDEN M. CUNNINGHAM, A LT. COL. WHO

DIRECTS AMERICAN STUDIES AT THE ARMY WAR COLLEGE, HAS LETTER-TO-THE-EDITOR IN RESPONSE TO SAUL LANDAU'S AUG. 7 OP-ED ARTICLE ("LATINS HAVE RIGHTS, TOO"). HE NOTES THAT LANDAU'S CONCLUSION, THAT THE PEOPLE OF THE SMALL NATIONS OF CENTRAL AMERICA "ALSO HAVE A RIGHT TO CHOOSE SOVEREIGNTY," FINDS AN INSTINCTIVE APPEAL. HE ADDS, HOWEVER, THAT "IN THE FINAL ANALYSIS, THE RIGHT OF THE REGION'S PEOPLE TO CHOOSE SOVEREIGNTY WILL BE BETTER PROTECTED BY FURTHERING U.S. STRATEGIC INTERESTS THROUGH CONSTRUCTIVE INVOLVEMENT RATHER THAN BY DISENGAGEMENT. VIA CUBA AND DIRECTLY, SOVIET INFLUENCE OVER NICARAGUA IS INDISPUTABLY DOMINANT. WHEN HAVE THE PEOPLE BEEN ABLE TO

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CHOOSE -- OR, BEYOND THAT, CHANGE -
MARXIST SOCIETIES?"

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-- NEW YORK TIMES, SATURDAY, AUGUST 18, 1984 --

PERU: MARLISE SIMONS'S FRONT-PAGE REPORT FROM AYACUCHO ("PERU ADOPTS SEVERE TACTICS TO COMBAT GUERRILLAS") NOTES THAT "MILITARY AND POLICE SOURCES SAY THEY HAVE ADOPTED A MORE SEVERE AND SYSTEMATIC COUNTERINSURGENCY STRATEGY AGAINST LEFTIST GUERRILLAS IN THIS ANDEAN REGION....PERUVIAN JUDICIAL AND CHURCH SOURCES SAY THE ARMED FORCES AND THE POLICE ARE INCREASINGLY RESORTING TO KIDNAPPINGS, TORTURE AND SUMMARY EXECUTIONS OF CIVILIANS IN THEIR FIGHT AGAINST THE GUERRILLAS, MEMBERS OF TH SHINING PATH MOVEMENT, WHO HAVE SAID THEY ARE STRUGGLING TO IMPOSE A CHINESE-STYLE POLITICAL SYSTEM IN PERU."

NICARAGUA: AP-WASHINGTON'S INSIDE PAGE 4 REPORT ("U.S. WARNS NICARAGUA ON AIRPORT") NOTES THAT AN ACQUISITION OF ADVANCED COMBAT AIRCRAFT BY NICARAGUA WOULD DISRUPT THE BALANCE OF POWER IN CENTRAL AMERICA AND INCREASE THE THREAT NICARAGUA POSES IN THE REGION, ACCORDING TO DEPARTMENT SPOKESMAN JOHN HUGHES ON FRIDAY. THE COMMENT WAS MADE "A DAY AFTER THE NICARAGUAN GOVERNMENT CONFIRMED REAGAN ADMINISTRATION ASSERTIONS THAT A MAJOR MILITARY AIRPORT WAS BEING BUILT NORTHEAST OF MANAGUA AND THAT COMBAT AIRCRAFT WOULD BE DELIVERED ONCE THE INSTALLATION IS COMPLETED IN 1985."

PANAMA: RICHARD HALLORAN'S SAME PAGE REPORT FROM WASHINGTON ("U.S. MILITARY SCHOOL TO QUIT PANAMA") INDICATES THAT THE U.S. SOUTHERN COMMAND HAS ANNOUNCED THAT IT WILL CLOSE ITS SCHOOL OF THE AMERICAS IN PANAMA ON SEPT. 30 AFTER A 38-YEAR HISTORY DURING WHICH 44,000 LATIN AMERICAN MILITARY OFFICERS WERE TRAINED. NOTING THAT THE

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SCHOOL "WILL BE RELOCATED TO A NEW SITE TO BE DETERMINED," THE ANNOUNCEMENT INDICATED THAT AFTER LONG NEGOTIATIONS

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"PANAMA AND THE UNITED STATES HAVE ~~BEEN UNABLE TO CONCLUDE~~ A MUTUALLY SATISFACTORY AGREEMENT." POSSIBLE RELOCATION SITES APPARENTLY INCLUDE HONDURAS, PUERTO RICO, FLORIDA OR GEORGIA, ALL OF WHICH HAVE EXTENSIVE MILITARY CENTERS. "THE REOPENING OF THE SCHOOL," HALLORAN REPORTS, "WOULD REQUIRE NEW APPROPRIATIONS OF MONEY THAT WOULD BRING THE SCHOOL UNDER THE SCRUTINY OF CONGRESS. MANY MEMBERS OF CONGRESS HAVE BEEN SKEPTICAL OF PRESIDENT REAGAN'S POLICIES IN CENTRAL AMERICA, PARTICULARLY HIS RELIANCE ON THE MILITARY."

-- NEW YORK TIMES, SUNDAY, AUGUST 19, 1984 --

EL SALVADOR: LYDIA CHAVEZ'S FRONT-PAGE REPORT FROM SAN SALVADOR ("SALVADOR MILITARY QUESTIONING THE U.S. ROLE") STATES THAT "SALVADORAN MILITARY OFFICIALS SAY THAT THEY ARE UNHAPPY WITH THE ROLE OF SOME UNITED STATES MILITARY ADVISERS HERE AND THAT THEY ARE ASKING THAT THE AMERICAS' MISSION BE REDEFINED TO EMPHASIZE BASIC TRAINING SKILLS. MOREOVER, SOME SALVADORAN OFFICERS SAY THERE IS NO NEED TO INCREASE THE NUMBER OF ADVISERS, AS HAS BEEN RECOMMENDED BY GEN. PAUL F. GORMAN, THE COMMANDER OF UNITED STATES MILITARY FORCES IN LATIN AMERICA. AMBASSADOR THOMAS R. PICKERING SAID OF THE SALVADORANS, 'I THINK THERE IS A STRONG FEELING THAT THEY WOULD LIKE TO DO AS MUCH THEMSELVES AS THEY CAN.'" THE PERSONAL RANK OF THE U.S. TRAINERS APPEARS TO BE A PARTICULAR FOCUS WITH SALVADORANS PREFERRING LOWER RANKED PERSONNEL, ACCORDING TO CHAVEZ.

JAMAICA: JOSEPH B. TREASTER'S PAGE 9 REPORT FROM KINGSTON ("JAMAICA CONSIDERS CASINOS TO HELP ECONOMY") OBSERVES THAT DESPITE RELIGIOUS LEADERS AND FORMER PRIME MINISTER MICHAEL MANLEY'S PEOPLE'S NATIONAL PARTY OPPOSITION, PRIME

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MINISTER EDWARD P.G. SEAGA HAS TOLD JAMAICANS THAT CASINO GAMBLING MIGHT HELP EASE THE COUNTRY'S ECONOMIC PROBLEMS. IN A NATIONALLY TELEVISED SPEECH EARLIER THIS YEAR, SEAGA AID THE GOVERNMENT HAD BEEN APPROACHED BY DEVELOPERS WHO OFFERED TO BUILD 3,000 NEW HOTEL ROOMS IN JAMAICA IF THEY COULD ALSO OPEN TWO CASINOS AND ANOTHER HORSE RACING TRACK.

BRAZIL: ALAN RIDING REPORTS FROM RIO DE JANEIRO ("BRAZILIAN CAMPAIGN OFFERS EVERYTHING BUT VOTERS", P. 14) THAT THE CAMPAIGN TO PICK BRAZIL'S FIRST CIVILIAN PRESIDENT IN 20 YEARS "HAS BEGUN WITH ALL THE TRAPPINGS OF

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DEMOCRACY EXCEPT THE PEOPLE'S RIGHT TO VOTE... THE
MORE PUZZLING, FOR MANY BRAZILIANS, IS THAT THE VERY
PURPOSE FOR WHICH BRAZIL'S GENERALS CREATED THE ELECTORAL
COLLEGE -- TO INSURE THE OFFICIAL CANDIDATE'S VICTORY --
NOW NO LONGER SEEMS RELEVANT: AT PRESENT, PRESIDENT

FIGUEIREDO SEEMS BOTH WILLING AND LIKELY TO HAND OVER
POWER NEXT MARCH 15 TO THE OPPOSITION CANDIDATE AND NOT TO
HIS OWN PARTY'S NOMINEE."

-- WALL STREET JOURNAL --

LATIN AMERICAN ECONOMIES: FRONT PAGE "THE OUTLOOK"
("LATIN ECONOMIES GAIN BUT PROBLEMS PERSIST") INDICATES
THAT "AMID THE GLOOM AND FEARS OF THE INTERNATIONAL DEBT
CRISIS, ECONOMISTS WHO WATCH LATIN AMERICA ARE SEEING AN
ENCOURAGING AND IN SOME WAYS SURPRISING UPTURN IN ECONOMIC
ACTIVITY. BUT THE FATE OF LATIN ECONOMIES REMAINS SO
VULNERABLE TO DEVELOPMENTS OUTSIDE THE REGION THAT
FORECASTERS ARE STILL LOATH TO EXPRESS MUCH OPTIMISM. 'I
THINK IN SOME RESPECTS THERE'S LIGHT AT THE END OF THE
TUNNEL, BUT IT'S A TUNNEL WITH A LOT OF CURVES IN IT,'
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SAYS FRED LEVY, THE WORLD BANK ECONOMIST WHO WATCHES LATIN
AMERICA."

THE ARTICLE NOTES THE PROJECTED \$9.1 BILLION BRAZILIAN
TRADE SURPLUS AND INDICATIONS FURTHER EXPORT GROWTH AND
THAT "MOST ECONOMISTS ALSO SEE A RECOVERY ON COURSE THIS
YEAR IN MEXICO AND GROWTH, ALBEIT HIGHLY PROBLEMATIC, IN
ARGENTINA." A LATIN AMERICA/OECD CHART OF PERCENTAGE OF
REAL GROWTH BASED ON 1975 PRICES AND EXCHANGE RATES
INDICATES THE FOLLOWING COMPARISONS FOR 1985-1989: 3.6
VS. 2.6, 2.7/1.1, 4.4/3.5, 4.0/3.0, 4.1/2.5. AMONG THE
QUALIFIERS FOR THIS LIMITED OPTIMISM ARE THAT "THE
GROWTH...COMES AFTER A PERIOD OF DRASTIC SHRINKAGE WHICH
HAS CUT LIVING STANDARDS AND RAISED POLITICAL TENSIONS,
CONTRIBUTING TO UNCERTAINTY ABOUT HOW LONG THE REBOUND CAN
LAST. FACTOR IN HIGH BIRTH RATES AND, SAYS MR. LARSEN
(FLEMMING LARSEN, DIRECTOR OF FORECASTING FOR WHARTON'S
WORLD SERVICE), 'I DOUBT THAT IN TERMS OF REAL PER CAPITAL
INCOME THESE (LATIN COUNTRIES) WILL BE BACK TO THE 1980
LEVEL BEFORE 1990.'"

BOLIVIA: SECOND SECTION PAGE 19 INTERNATIONAL PAGES

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("VOLIVIAN GOVERNMENT PARTIALLY DEVALUED THE PESO TO CURB INFLATION RATE") NOTES THAT "FACED WITH AN ANNUAL INFLATION RATE OF MORE THAN 1,000 , BOLIVIA'S GOVERNMENT PARTIALLY DEVALUED THE PESO AND TOOK STEPS TO ENCOURAGE EXPORTS AND SAVINGS....THE MOVE IS AIMED NOT ONLY AT CURBING INFLATION, BUT ALSO AT THE BLACK MARKET EXCHANGE RATE, WHICH ROSE TO AS HIGH AS 9,000 PESOS TO THE DOLLAR IN RECENT WEEKS (THE EXCHANGE RATE WAS RAISED FROM 2 TO 5,000 PESOS TO THE DOLLAR). MOST TRANSACTIONS HERE ARE BASED ON THE BLACK MARKET, NOT THE GOVERNMENT'S, EXCHANGE RATE."

-- MONDAY (8/20) WASHINGTON POST, NO ARA TOPICS --

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-- SUNDAY (8/19) WASHINGTON POST --

EL SALVADOR: ROBERT J. MCCARTNEY, P. 21 FROM SAN SALVADOR ("RIGHTS OFFICE ADMITS ERROR IN EL SALVADOR") SAYS, "THE ROMAN CATHOLIC CHURCH'S LEGAL PROTECTION OFFICE, OFTEN CITED AS ONE OF THE BEST SOURCES OF INFORMATION ON HUMAN RIGHTS ABUSES IN EL SALVADOR, ADMITTED THIS WEEK THAT IT HAD SUBSTANTIALLY OVERESTIMATED THE NUMBER OF CIVILIAN VICTIMS OF AN ARMY OPERATION SEVEN MONTHS AGO." THE US EMBASSY CALLED THE OFFICE'S ATTENTION TO THE ERROR, AND REPORTING PROCEDURES HAVE NOW BEEN CHANGED, ACCORDING TO THE DIRECTOR, MARIA JULIA HERNANDEZ. "BUT SHE DEFENDED OTHER FIGURES RELEASED BY HER OFFICE ON CIVILIAN CASUALTIES BETWEEN FEBRUARY AND MAY THAT LATER WERE CRITICIZED BY THE EMBASSY."

MCCARTNEY SAYS THE MISTAKE, INVOLVING THE PUBLICATION OF INITIAL, UNCONFIRMED FIGURES ON A DEC. 31 OPERATION IN CHALATENANGO WHERE 250 DEATHS WERE CLAIMED BUT ONLY 16 CONFIRMED, "WAS THE MOST SIGNIFICANT EVER ATTRIBUTED TO THE CHURCH'S OFFICE AND APPEARED LIKELY TO BLEMISH ITS GENERALLY GOOD REPUTATION AMONG HUMAN RIGHTS GROUPS, MANY JOURNALISTS AND US DIPLOMATS." THE LEGAL PROTECTION OFFICE ("TUTELA LEGAL") HAD CRITICIZED THE EMBASSY FOR USING ONLY KILLINGS REPORTED IN THE NEWSPAPERS, AND THE EMBASSY HAD ACKNOWLEDGED THAT TUTELA'S FIGURES "SEEMED TO BE THE MOST ACCURATE."

"NEVERTHELESS IN JUNE THE EMBASSY COMPILED A TWO-PAGE REPORT... CHALLENGING THE LEGAL PROTECTION OFFICE'S

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FIGURES FROM DECEMBER TO MAY, PARTICULARLY CRITICIZING
REPORTS OF 579 DEATHS THAT WERE ONLY SKETCHILY DESCRIBED.
THE EMBASSY ACCUSED THE OFFICE OF PICKING UP OFFICIAL ARMY
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TOLLS OF GUERRILLA CASUALTIES AND PRESENTING THEM AS
THOUGH THEY WERE PRIMARILY CIVILIAN VICTIMS OF ARMY
OPERATIONS." HERNANDEZ SAID TUTELA HAD NOW CREATED A NEW
CATEGORY "TO DESCRIBE VICTIMS OF MILITARY ACTIONS,
DISTINGUISHING BETWEEN THOSE WHO LIKELY WERE CIVILIANS AND
THOSE WHO LIKELY WERE GUERRILLAS. THE OFFICE ALSO WILL
MAKE CLEAR WHICH REPORTS WERE CONFIRMED AT THE SITE OF THE
KILLINGS.

NICARAGUA: JOHN LANTIGUA, P. 22 FROM MANAGUA ("NICARAGUAN
PRIESTS TOLD TO RESIGN CABINET POSTS BY AUG. 31; BISHOP
SAYS VATICAN TO DECIDE SANCTIONS") REPORTS STATEMENTS FROM

BISHOP PABLO ANTONIO VEGA, CHAIRMAN OF THE NICARAGUAN
BISHOPS CONFERENCE, "SAID THREE PRIESTS SERVING AS CABINET
MINISTERS IN THE SANDINISTA GOVERNMENT MUST RESIGN THEIR
POSTS BY AUG. 31 OR FACE SERIOUS SANCTIONS BY THE VATICAN,
WHICH COULD INCLUDE BEING EXPELLED FROM THE PRIESTHOOD."
A CANON LAW WHICH TOOK EFFECT LAST FALL PROHIBITS PRIESTS
FROM HOLDING PUBLIC OFFICE.

THE THREE PRIESTS IN THE CABINET ARE FOREIGN MINISTER
MIGUEL D'ESCOTO, EDUCATION MINISTER FERNANDO CARDENAL AND
CULTURE MINISTER ERNESTO CARDENAL. IN ADDITION, ANOTHER
PRIEST, EDGARD PARRALES, SERVES AS REPRESENTATIVE TO THE
OAS. "SO FAR, ERNESTO AND FERNANDO CARDENAL, WHO ARE
BROTHERS, HAVE STATED THEY WILL NOT RESIGN THEIR GOVERNMENT
POSITIONS. D'ESCOTO, WHO UNDERWENT SURGERY LAST MONTH,
HAS MADE NO PUBLIC STATEMENT."

NICARAGUA: AP ITEM, SAME PAGE ("SANDINISTA POLICIES SAID
NOT TO BE ANTI-SEMITIC") NOTES A STATEMENT FROM A GROUP
REPRESENTING THE NEW JEWISH AGENDA, WHICH HAS RECENTLY
RETURNED FROM A FIVE-DAY STAY IN NICARAGUA. THE STATEMENT
SAID, "THERE DOES NOT EXIST ANY POLICY THAT IS
ANTI-SEMITIC OR AGAINST THE JEWS ON THE PART OF ANY
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OFFICIAL ORGANIZATION."

-- SATURDAY (8/19) WASHINGTON POST --

DOMINICAN REPUBLIC: "AROUND THE WORLD" BRIEF, P. 25
("DOMINICAN TROOPS DEPLOYED") NOTES THAT TROOPS "SEALED
OFF THE LEGISLATURE AFTER A CONSTITUTIONAL WRANGLE BROUGHT
BUSINESS TO A HALT."

NICARAGUA/MEXICO: WILLIAM A. ORME JR, FROM MEXICO CITY,
P. 26 ("MEXICO TERMS 4TH SESSION OF US-NICARAGUAN TALKS
'SUBSTANTIVE'; HOSTS REBUT REPORTS OF COOLNESS TOWARD
SANDINISTAS") REPORTS A MEXICAN FOREIGN OFFICE STATEMENT
SAYING THE TWO-DAY SHLAUDEMAN/TINOCO TALKS HAD FOCUSED ON
"SUBSTANTIVE ISSUES". SPOKESMAN AUGUSTIN GUTIERREZ CALLED
THE TALKS "PROOF THAT MEXICO HAS NOT DISTANCED ITSELF FROM
NICARAGUA, AS SOME SPEAKERS HAVE ALLEGED" AND "PROOF OF
THE CONFIDENCE THAT BOTH PARTIES HAVE IN MEXICO."

ORME GIVES BACKGROUND ON MEXICAN RESPONSE TO ALLEGATIONS
THAT IT HAD COOLED TO NICARAGUA, DETAILS ON A DROP IN
PEMEX OIL SHIPMENTS TO NICARAGUA, WHICH IS NOW BELIEVED TO
BE GETTING THE BULK OF ITS OIL FROM THE SOVIET UNION.
MEXICAN OFFICIALS SAY FLUCTUATIONS IN THE SUPPLY ARE DUE
NOT TO MEXICAN POLITICAL DECISIONS BUT TO NICARAGUAN
ECONOMIC PROBLEMS. VENEZUELA HAD CUT OFF OIL TO NICARAGUA

IN 1982 BECAUSE OF LATE PAYMENTS.

EL SALVADOR: AP STORY, P. 27 ("EL SALVADOR BACKS U.S. IN
CASE AT WORLD COURT") REPORTS AN OFFICIAL SALVADORAN
"DECLARATION FOR INTERVENTION" SUPPORTING THE US CLAIM
THAT THE COURT DOES NOT HAVE JURISDICTION OVER THE
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US-NICARAGUAN DISPUTE.

PANAMA: ALINA GUERRERO, P. 27 FROM PANAMA CITY
("US-PANAMA TALKS FAIL TO SAVE ARMY'S SCHOOL OF THE
AMERICAS"; BOXED QUOTE: "THE DECISION TO CLOSE THE SCHOOL
IS PART OF A WIDER DISPUTE OVER THE 1977 TREATERS THAT
PROVIDE FOR THE PHASED TAKEOVER BY PANAMA OF THE OLD CANAL
ZONE AND OF THE CANAL ITSELF BY THE YEAR 2000.") SAYS THE
US ARMY SCHOOL OF THE AMERICAS WILL CLOSE SEPT. 30,
REPORTS A US SOUTHERN COMMAND ANNOUNCEMENT THAT "PANAMA AND

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THE US HAVE NOT BEEN ABLE TO FINALIZE A NOTICE OF
SATISFACTORY AGREEMENT FOR A SUCCESSOR INSTITUTION TO
CONTINUE IN PANAMA." GUERRERO SAYS ONE POINT OF
DISAGREEMENT HAS BEEN PANAMANIAN INSISTENCE ON NAMING THE
DIRECTOR AND CONTROLLING THE INSTITUTION. FORT GULICK,
WHERE THE SCHOOL IS LOCATED, WILL BE TURNED OVER TO PANAMA
ON OCT. 1, IN ACCORD WITH THE CANAL TREATIES.

-- BALTIMORE SUN, USA TODAY, NO ARA TOPICS --

-- WASHINGTON TIMES --

ARGENTINA: UP STORY, P. 7 ("BRITISH COVER-UP ALLEGED IN
ARGENTINE SHIP SINKING") SAYS THAT DOCUMENTS SENT
ANONYMOUSLY TO A LABOUR DEPUTY IN THE BRITISH PARLIAMENT
"SHOW BRITAIN ORDERED THE ARGENTINE CRUISER GENERAL
BELGRANO SUNK IN THE 1982 FALKLANDS WAR -- KILLING 368
CREWMEN -- KNOWING IT POSED NO THREAT TO BRITISH TROOPS
AND LATER PLANNED A COVER-UP," ACCORDING TO A LONDON
NEWSPAPER.

CARIBBEAN: GEORGIE ANNE GEYER OP-ED, P. 3C ("CARIBBEAN
TURNAROUND"; BOXED QUOTE: "THE LONG-TERM LESSON OF
GRENADA IS THAT WE CAN NO LONGER HOLD TO THE TRADITIONAL
DEFINITION OF THE CARIBBEAN.") FROM BRIDGETOWN, BARBADOS,
DISCUSSES THE EFFECT OF GRENADA ON THE REGION.

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CUBA/NICARAGUA: JOHN CHAMBERLAIN OP-ED, SAME PAGE
("UNNERVING SIGNS OF A SOVIET BUILDUP..."; BOXED QUOTE:
"WHAT IS GOING ON IN NICARAGUA FAR EXCEEDS THE RATE OF THE
ORIGINAL SOVIET BUILDUP IN CUBA.") WRITES ON THE SOVIET
BUILDUP IN NICARAGUA, INCLUDING THE PUNTA HUETE AIRSTRIP,
WITH BULGARIAN-TRAINED PILOTS TO OPERATE SOVIET MIGS NOW

IN CUBA. "THE US, WORKING WITH LATIN AMERICAN ALLIES,
COULD LEGALLY INTERFERE TO STOP THE COMMUNIST BUILDUP IN
CENTRAL AMERICA, BY INVOKING THE MONROE DOCTRINE, THE RIO
TREATY, THE OAS TREATY, AND EVEN THE UN CHARTER."

-- CHRISTIAN SCIENCE MONITOR --

NICARAGUA: "NEWS IN BRIEF," P. 2 ("US CONCERNED OVER
POSSIBLE MIG DELIVERIES TO NICARAGUA") NOTES A STATEMENT
FROM DEPT SPOKESMAN JOHN HUGHES, FOLLOWING CONFIRMATION

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THAT NICARAGUA IS BUILDING A MAJOR AIRCRAFT BASE, THAT THE ADDITION OF ADVANCED FIGHTER AIRCRAFT TO NICARAGUA'S ARMED FORCES "WOULD ALTER THE BALANCE OF POWER IN THE REGION."

CENTRAL AMERICA: SAME COLUMN ("CONTADORA GROUP MEETS TO DRAFT PEACE AGREEMENT") SAYS "VICE FOREIGN MINISTERS OF THE FOUR CONTADORA COUNTRIES MET SATURDAY (IN PANAMA) TO WORK ON A DRAFT PEACE AGREEMENT FOR CENTRAL AMERICA." THE DRAFT "CONTAINS PROVISIONS FOR ARMS REDUCTION, MONITORED BY INTERNATIONAL BODIES, AND FOR BORDER VIGILANCE COMMISSIONS. NICARAGUA HAS OBJECTED TO THE MONITORING CLAUSES, SAYING THEY AMOUNT TO INTERFERENCE IN ITS SOVEREIGN AFFAIRS."

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NICARAGUA: SAME COLUMN ("NICARAGUAN OPPOSITION PARTY GIVEN TIME TO FIELD CANDIDATES") SAYS "DESPITE THE EXPIRED AUG. 5 DEADLINE, NICARAGUA'S ELECTORAL COUNCIL HAS LEFT THE DOOR OPEN FOR PARTIES OPPOSED TO THE LEFTIST GOVERNMENT TO FIELD CANDIDATES IN THE NOVEMBER PRESIDENTIAL ELECTIONS. THE COUNCIL, WHICH HAD THE POWER TO REMOVE A PARTY'S LEGAL STATUS IF IT FAILED TO MEET THE REGISTRATION DEADLINE, ANNOUNCED LATE FRIDAY IT WOULD NOT MOVE AGAINST THREE PARTIES OF THE COUNTRY'S LARGEST OPPOSITION GROUP -- THE DEMOCRATIC COORDINATING COUNCIL."

EL SALVADOR: CHRIS HEDGES, P. 11 FROM SAN FRANCISCO GOTERA ("SMALL-TOWN MAYOR ON BATTLE LINES OF SALVADOREAN POLITICS; HE STRUGGLES TO CONTROL LOCAL AFFAIRS"; BOXED QUOTE: "THE COLONEL SERVES ON ALL THE TOWN COMMITTEES, AND EVERYONE KNOWS THAT WHAT THE MILITARY DECIDES IS LAW.") WRITES ON CHRISTIAN DEMOCRATIC MAYOR JOSE NEFTALI HERNANDEZ, WHO WAS DETAINED TEN MONTHS AGO FOR NINETY DAYS FOR WHAT HE CONTENTS WERE "PERSONAL DIFFERENCES BETWEEN HIMSELF AND FRIENDS OF THE LOCAL MILITARY COMMANDER." A DISPUTE HAD ARISEN WHEN THE GARRISON COMMANDER, COL JORGE ADALBERTO CRUZ, PROHIBITED THE SALE OF ALCOHOL IN THE PROVINCE, WHICH CUT THE TOWN'S TAX REVENUES. HERNANDEZ IS ALSO ANGERED BY ARMY REQUISITIONING OF TOWN FACILITIES.

CHRISTIAN DEMOCRATS HAVE BEEN TRYING TO OREAK THE INFLUENCE OF THE ARENA PARTY IN CAMPS FOR DISPLACED PERSONS IN THE AREA. "THE GOVERNOR AND MAYOR CONTEND THAT AID'S ROAD CONSTRUCTION PROJECTS, WHICH ARE DESIGNED TO

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GIVE EMPLOYMENT FOR THE DISPLACED, CONTINUED TO BE
MANIPULATED BY ARENA," AND THAT THE JOBS GO TO ARENA
SUPPORTERS. AID SAYS IT HAS INVESTIGATED AND FOUND "NO
SUBSTANCE TO THE CHARGES."

HONDURAS: DENNIS VOLMAN, P. 11 FROM TEGUCIGALPA
("HONDURAN CIVILIAN RULERS UNDER FIRE") WRITES THAT "SINCE
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THE OUSTER OF HONDURAN ARMED FORCES CHIEF GEN. GUSTAVO
ALBAREZ MARTINEZ LAST MARCH, THE HONDURAN GOVERNMENT HAS
BEEN CRITICIZED AND HOUNDED AS NEVER BEFORE. SO IT WAS NO
MAJOR SURPRISE WHEN PRES. ROBERTO SUAZO CORDOVA ASKED HIS
CABINET TO RESIGN LAST WEEK. GEN. ALVAREZ, WHO VIRTUALLY
RAN THE COUNTRY EVEN AFTER A CIVILIAN GOVERNMENT WAS
INAUGURATED LAST JANUARY, SERVED AS A MAGNET, DRAWING MOST
CRITICISM TO HIMSELF. BUT AFTER HIS DEPARTURE, ALL EYES
TURNED ON THE CIVILIAN GOVERNMENT. AND IT RAPIDLY BECAME
CLEAR THAT HONDURAS'S GOVERNMENTAL, POLITICAL, AND SOCIAL
SYSTEMS ARE INADEQUATE TO MEET THE NEEDS OF ITS
POVERTY-STRICKEN PEOPLE AND TO COPE WITH THE CHANGES
SWEEPING CENTRAL AMERICA, SAY HONDURAN AND WESTERN
DIPLOMATS."

VOLMAN SENSES A "GENERAL FEELING THAT TIME IS RUNNING OUT
FOR THIS COUNTRY," AND THAT, FACED WITH THE NICARAGUA
REGIME, THE SALVADORAN INSURGENCY, AND ITS POVERTY AND
LACK OF DEVELOPMENT, HONDURAS WILL BEFORE LONG HAVE ITS
OWN SERIOUS INSURGENCY. HE FINDS A GREAT DEAL OF
CRITICISM FROM EDUCATED HONDURANS, PARTICULARLY
BUSINESSMEN, BUT THINKS AN ARMY COJP UNLIKELY BEFORE NOV.
1985 ELECTIONS.

WHILE IT IS POSSIBLE THAT THE LIBERAL GOVERNMENT MAY BE
REELECTED, THE ECONOMIC CRISIS IS AGGRAVATING CRITICISM.
"WHEN HONDURANS ARE BEING ASKED TO MAKE ECONOMIC
SACRIFICES, GOVERNMENT INEFFICIENCIES, SPECIAL PRIVILEGES,
AND CORRUPTION BECOME ALL THE MORE NOTICEABLE." PROBLEMS
WERE INTENSIFIED RECENTLY BY "INCREASED TAXATION AND
AUSTERITY MEASURES TAKEN IN MAY IN ORDER TO OBTAIN IMF
HELP," PROVOKING STREET DEMONSTRATIONS AND A GENERAL
STRIKE.

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3. PREPARED PRESS GUIDANCES.

-- HAITI: DETERIORATION IN HUMAN RIGHTS SITUATION --

Q: AN EDITORIAL IN THE NYTIMES (8/20) CONTENDS THAT THE GOVERNMENT OF HAITI HAS CLOSED INDEPENDENT NEWSPAPERS AND ARRESTED OPPOSITION LEADERS SINCE SECRETARY SHULTZ CERTIFIED IN MAY THAT HUMAN RIGHTS WERE ADVANCING IN HAITI. WHAT IS THE STATE DEPARTMENT DOING ABOUT THIS?

A: WE HAVE EXPRESSED OUR STRONG CONCERNS TO THE GOVERNMENT OF HAITI, BOTH HERE AND IN PORT AU PRINCE, ABOUT THE ARRESTS OF OPPOSITION LEADERS AND THE CLOSURE OF SEVERAL INDEPENDENT PERIODICALS. TWO OF THOSE PERIODICALS, 'INFORMATION AND PETIT SAMEDI SOIR, ARE BEING PUBLISHED AGAIN, BUT OTHERS ARE STILL CLOSED DOWN, AND SEVERAL JOURNALISTS REMAIN IN JAIL OR UNDER HOUSE ARREST.

Q: WHAT WOULD THE \$1.4 MILLION REFERRED TO IN THE EDITORIAL FOR MILITARY TRAINING AND SECURITY PROGRAM AID BE USED FOR?

A: THE AUTHORIZATION BILL FOR FY 85 WOULD AUTHORIZE \$300,000 FOR THE MILITARY ASSISTANCE PROGRAM AND \$450,000 FOR MILITARY TRAINING. THESE APPROPRIATIONS WOULD BE USED TO PROCURE LIMITED QUANTITIES OF NON-LETHAL EQUIPMENT TO ALLOW THE HAITIAN NAVY TO CONTINUE TO MAINTAIN AND OPERATE THE SMALL COASTAL PATROL BOATS UTILIZED IN MIGRANT AND NARCOTICS INTERDICTION PROGRAMS. AS PART OF THE U.S. AID LEGISLATION, THE GOVERNMENT OF HAITI IS REQUIRED TO COOPERATE ON THESE PROGRAMS AS A CONDITION FOR CONTINUED ECONOMIC ASSISTANCE. SINCE 1981, GOVERNMENT OF HAITI COOPERATION IN THESE AREAS OF MIGRANT AND NARCOTIC INTERDICTION HAS BEEN EXCELLENT.

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4. SUMMARY OF NOON PRESS BRIEFING, 8/20/84 (ROMBERG)

ANY REACTION TO PINOCHET'S COMMENTS OVER THE PAST COUPLE OF WEEKS ON NO ELECTIONS FOR SEVERAL YEARS? NO. ANYTHING ON THE CLOSING OF THE SCHOOL OF THE AMERICAS? SPOKESMAN

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THOUGHT THAT SOUTHCOM HAD HAD SOMETHING ON THAT A FEW DAYS
BACK, BUT HAD NOTHING HIMSELF.

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AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 01 OF 05 BRASILIA 09288

EXDIS **DECAPTIONED**

E.O. 12356: DECL: OADR
TAGS: OVIP (KISSINGER, HENRY), BR
SUBJ: FORMER SECRETARY OF STATE HENRY KISSINGER'S
- MEETING WITH PRESIDENT FIGUEIREDO

1. (C - ENTIRE TEXT)

-

2. SUMMARY

HENRY KISSINGER SPOKE WITH PRESIDENT FIGUEIREDO FOR ONE
HOUR AND 40 MINUTES SEPTEMBER 21. PRESIDENT TOOK
ADVANTAGE OF THE OCCASION TO VENT SOME OF HIS FEELINGS
ABOUT THE BRAZILIAN POLITICAL SCENE. IN THE COURSE OF
IT HE CONFIRMED ATTITUDES HE HAS EXPRESSED TO OTHERS,
BUT SOME WERE SURPRISING, CONTRADICTORY, EVEN SHOCKING.

HE SAID THAT, THOUGH HE WAS SUPPORTING MALUF, THE
GOVERNMENT WOULD NOT PULL OUT ALL THE STOPS TO TRY TO
WIN OVER OR COERCE ELECTORS. HE HAD NO INTENTION OF
DISMISSING ANY CABINET MEMBERS BECAUSE OF THEIR LUKE-
WARMNESS TOWARD MALUF, UNLESS THEY SHOULD SUPPORT
TANCREDO NEVES. TANCREDO WAS AHEAD IN THE RACE, THOUGH
MALUF STILL HAS A CHANCE. FIGUEIREDO CONSIDERS TANCREDO
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A MODERATE, BUT BELIEVES HE WILL BE UNABLE TO CONTROL
LEFTISTS SURROUNDING HIM, IF ELECTED. FIGUEIREDO SAID
THAT THE ARMED FORCES ARE DIVIDED INTO TWO GROUPS--ONE
STRONGLY SUPPORTING A RETURN TO CIVILIAN RULE AND

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ALAN H FLANIGAN
DATE/CASE ID: 09 SEP 2008 200503114

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ANOTHER WHICH WOULD MOVE TO PREVENT A LEFTIST TAKEOVER OF BRAZIL. HE COUNTED HIMSELF IN THE SECOND GROUP. FIGUEIREDO DID NOT DISCOUNT THE POSSIBILITY THAT "SOMETHING COULD HAPPEN" EITHER BEFORE THE ELECTION OR AFTER, IF TANCREDO SHOULD BE THE WINNER. IN THE EVENT THE MILITARY SHOULD INTERVENE, HE THOUGHT A CIVIL WAR WAS POSSIBLE, AND HE WAS NOT SURE WHETHER THE MILITARY COULD PREVAIL IN THE LONG RUN. FIGUEIREDO SAID THAT HE HAD WARNED TANCREDO TO CAST OFF HIS LEFTIST SUPPORTERS AND STAY CLOSE TO THE MILITARY. HE WAS AT A LOSS TO EXPLAIN WHY MOST OF THE BUSINESSMEN KISSINGER HAD SPOKEN TO WERE PRO-TANCREDO, EXCEPT THAT THEY WERE INTERESTED ONLY IN MAKING A PROFIT. THE PRESIDENT ALSO ATTACKED A NUMBER OF INSTITUTIONS, MOST NOTABLY THE CHURCH, FOR THE STRONG LEFTIST INFILTRATION IN THEM.

WE HAVE RUN ACROSS NO ONE WITH QUITE AS GLOOMY A VIEW OF THE FUTURE AS PRESIDENT FIGUEIREDO SEEMS TO HAVE PAINTED FOR DR. KISSINGER. WHILE IT IS TRUE THAT THE MILITARY IS WORRIED ABOUT THE PROSPECT OF A TANCREDO GOVERNMENT, FEW SEE ANY POSSIBILITY OF A COUP, MUCH LESS A CIVIL WAR. THE PRESIDENT'S CONCERNS SHOULD NOT BE DISMISSED COMPLETELY AS THE EMBITTERED MUSINGS OF A FRUSTRATED LAME DUCK PRESIDENT, BUT NEITHER SHOULD THEY BE THE SOURCE OF UNTOWARD ALARM. END SUMMARY.

3. ON SEPTEMBER 21, 1984, FORMER SECRETARY OF STATE HENRY KISSINGER PAID A CALL ON PRESIDENT FIGUEIREDO IN SAO PAULO. THE EMBASSY'S FSN POLITICAL SPECIALIST ACTED AS CONFIDENTIAL

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INTERPRETER DURING THE MEETING. THE FOLLOWING IS HIS ACCOUNT OF THE PRESIDENT'S STATEMENTS TO KISSINGER:

I. THE PRESIDENTIAL SUCCESSION QUESTION

THE PRESIDENT STATED THAT BRAZIL IS GOING THROUGH A VERY DIFFICULT PERIOD, NOT ONLY IN THE ECONOMIC, BUT IN THE POLITICAL AREA AS WELL. HE STATED THAT EARLY IN THE SUCCESSION PROCESS, THE GOVERNMENT PARTY (PDS) ASKED HIM TO HELP IT FIND A CONSENSUS CANDIDATE, BECAUSE THEY HAD FAILED TO DO SO. ALTHOUGH HE KNEW THAT THEY HAD FAILED BECAUSE OF CONFLICTS OF PERSONAL INTERESTS, HE ACCEPTED THE CHARGE, BUT HE ALWAYS MADE IT CLEAR THAT HE WOULD ONLY "COORDINATE", NOT IMPOSE A CANDIDATE. THE PRESIDENT SAID THAT WHEN HE REALIZED THAT HIS MISSION

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WOULD BE IMPOSSIBLE, BECAUSE OF PERSONAL AMBITIONS, HE
THREW THE MATTER BACK TO THE PARTY AND HAS TRIED TO STAY
AWAY FROM THE QUESTION AS MUCH AS POSSIBLE.

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ASKED WHETHER HE WOULD HAVE BEEN ABLE TO ELECT HIS
CANDIDATE IF HE WANTED TO, PRESIDENT FIGUEIREDO REPLIED
AFFIRMATIVELY. HE SAID MOST PREVIOUS PRESIDENTS HAD
"MADE" THEIR SUCCESSORS. HE SAID HE DID NOT WANT TO
IMPOSE HIS CANDIDATE BECAUSE HE BELIEVES IN DEMOCRATIC
PRINCIPLES. CANDIDATES SHOULD BE NOMINATED BY POLITICAL
PARTIES, NOT IMPOSED ON THEM.

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FIGUEIREDO SAID THAT HIS PERSONAL CANDIDATE FOR PRESIDENT
WOULD HAVE BEEN VICE-PRESIDENT AURELIANO CHAVES IF HE HAD
NOT BEHAVED INAPPROPRIATELY WHEN HE ASSUMED THE

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EXDIS

E.O. 12356: DECL: OADR
TAGS: OVIP (KISSINGER, HENRY), BR
SUBJ: FORMER SECRETARY OF STATE HENRY KISSINGER'S

PRESIDENCY DURING FIGUEIREDO'S HEART SURGERY IN THE UNITED STATES IN 1983. HE REMARKED THAT THE VICE-PRESIDENT UNFORTUNATELY LET HIMSELF BE INFLUENCED BY THOSE WHO WANTED TO REMOVE HIM FROM THE SUCCESSION RACE BY THROWING HIM AGAINST THE PRESIDENT. THE PRESIDENT SAID THAT AURELIANO WOULD, FOR EXAMPLE, WORK LATE AT THE PALACE, AND THIS FACT WAS USED BY SOME TO INDICATE THAT THE PRESIDENT WAS LAZY. IN ANOTHER INSTANCE, A GROUP OF BUSINESSMEN HANDED A DOCUMENT TO AURELIANO CRITICIZING FIGUEIREDO'S ECONOMIC POLICY, AND INSTEAD OF TELLING THE GROUP TO DELIVER THE DOCUMENT TO THE PRESIDENT DIRECTLY WHEN HE RETURNED FROM THE U.S. AURELIANO RELEASED IT TO THE PRESS. FIGUEIREDO STATED THAT HE CALLED AURELIANO SEVERAL TIMES TO WARN HIM THAT HE WAS BEING USED BY THOSE WHO WANTED TO HIT HIS GOVERNMENT, BUT AURELIANO WAS SO IMPRESSED BY THE PUBLICITY HE WAS GETTING THAT HE WOULD NOT LISTEN. FOR THESE REASONS, THE PRESIDENT SAID, AURELIANO CHAVES LOST FIGUEIREDO'S CONFIDENCE.

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THE PRESIDENT SAID THAT PAULO MALUF WAS NOT HIS CANDIDATE, BUT THAT HE HAS SUPPORTED HIM AS THE CANDIDATE OF HIS PARTY, ALTHOUGH HE WILL NOT PLACE THE "STATE'S MACHINERY" AT HIS DISPOSAL. FIGUEIREDO SAID THAT HE HAS BEEN PRESSED TO PROVIDE GREATER SUPPORT FOR MALUF AND TO DISMISS SOME OF THE MEMBERS OF HIS CABINET WHO HAVE REFUSED TO SUPPORT MALUF. HE STATED, HOWEVER, THAT HE WILL NOT DO IT, UNLESS THEY OPENLY EXPRESS SUPPORT FOR THE OPPOSITION CANDIDATE. THE GREAT PROBLEM WITH MALUF, ACCORDING TO THE PRESIDENT, IS THAT HE DOES NOT HAVE POPULAR SUPPORT, AND THAT IF HE WINS THE ELECTION HE WILL HAVE GREAT DIFFICULTIES IN GOVERNING.

-
FIGUEIREDO BELIEVES THAT IF THE ELECTIONS FOR PRESIDENT WERE HELD TODAY, THE OPPOSITION CANDIDATE, TANCREDO NEVES, WOULD WIN. HE THINKS, HOWEVER, THAT MALUF MIGHT STILL OBTAIN THE NECESSARY VOTES TO WIN IN THE ELECTORAL COLLEGE, BECAUSE "HE IS A SMART AND PERSISTENT MAN".

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THE PRESIDENT STATED THAT TANCREDO NEVES IS A CAPABLE AND MODERATE PERSON, BUT THAT HE IS SURROUNDED AND SUPPORTED BY SO MANY RADICAL LEFTISTS THAT WHEN HE TAKES OFFICE (IF HE IS ELECTED) HE WOULD NOT BE ABLE TO CONTROL THEM. NOW THEY SUPPORT HIM, THE PRESIDENT SAID, BUT LATER THEY WILL MAKE DEMANDS. TANCREDO WILL NOT HAVE THE NECESSARY STRENGTH TO STOP THEM. WHAT IS HAPPENING IN THE STATES CONTROLLED BY THE OPPOSITION, ACCORDING TO THE PRESIDENT (WITH FEW EXCEPTIONS) IS WHAT COULD VERY WELL HAPPEN UNDER TANCREDO. IN MOST SUCH STATES, HE SAID, THE KEY FIGURES ARE FORMER BANK ROBBERS, MEMBERS OF LEFTIST CLANDESTINE ORGANIZATIONS WHO BENEFITED FROM THE AMNESTY LAW THAT HE INTRODUCED. THE STATE OF RIO

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DE JANEIRO OFFERS A GOOD EXAMPLE OF THIS. BRIZOLA DOES NOT DO ANY WORK. ALL HE DOES IS TO APPEAR ON TELEVISION AND WALK AROUND THE STREETS PREACHING DEMAGOGIC IDEAS, WHILE HIS GOVERNMENT IS RUN BY ALL TYPES OF RADICAL LEFTISTS.

-

THE PRESIDENT STATED THAT THE PARTICIPATION OF LEFTIST MOVEMENTS IN TANCREDO'S CAMPAIGN HAS CAUSED GREAT CONCERN TO THE MILITARY. HE NOTED THAT THE MILITARY IS DIVIDED INTO TWO GROUPS: ONE WHICH BELIEVES THAT THEY SHOULD RETURN TO THE BARRACKS AND LET THE CIVILIANS ASSUME POWER. THEY HOLD THE POSITION THAT IF THE PUBLIC THINKS THAT THEY ARE INCAPABLE AND ARE RESPONSIBLE FOR THE SITUATION IN WHICH BRAZIL FINDS ITSELF TODAY, THE PEOPLE SHOULD HAVE THE OPPORTUNITY TO JUDGE WHETHER THE CIVILIANS CAN DO BETTER. THE SECOND GROUP BELIEVES THAT THEY HAVE A CONSTITUTIONAL DUTY TO DEFEND THE INSTITUTIONS AND PREVENT THE COUNTRY FROM BEING TAKEN OVER BY THE LEFTISTS. THE PRESIDENT NOTED THAT DR. KISSINGER HIMSELF HAD STATED ON ONE OCCASION THAT ONCE LEFTISTS ASSUME POWER NO ONE CAN GET THEM OUT, AND THAT THE MILITARY WAS DETERMINED TO PREVENT IT FROM HAPPENING IN BRAZIL.

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ASKED BY DR. KISSINGER WHICH OF THESE TWO GROUPS THE PRESIDENT WAS WITH, FIGUEIREDO STATED THAT HE WAS WITH THE SECOND. HE SAID HE WOULD DO EVERYTHING WITHIN HIS POWER TO FULFILL HIS PROMISE TO TRANSFER THE GOVERNMENT TO WHOEVER IS ELECTED, BUT HE WAS "PREPARED TO ACCEPT SOME SACRIFICE TO MY COMMITMENT" SHOULD HE BECOME

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C O N F I D E N T I A L SECTION 03 OF 05 BRASILIA 09288

EXDIS

E.O. 12356: DECL: OADR
TAGS: OVIP (KISSINGER, HENRY), BR
SUBJ: FORMER SECRETARY OF STATE HENRY KISSINGER'SCONVINCED THAT THIS WOULD BE IN THE BEST INTERESTS OF
THE NATION.

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PRESIDENT FIGUEIREDO FURTHER STATED THAT AS A RESULT OF
HIS ADDRESS TO THE COUNTRY BY TELEVISION A FEW DAYS AGO
(IN WHICH HE WARNED THE PUBLIC OPINION AGAINST THE RISKS
OF RADICALISM IN THE ELECTORAL CAMPAIGN--SEE BRASILIA
9059), AND THE RECENT STATEMENTS TO THE SAME EFFECT BY
MINISTER OF THE ARMY WALTER PIRES AND MINISTER OF THE

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AIR FORCE DELIO JARDIM DE MATTOS, "REPRESENTING THE THINKING OF SIGNIFICANT SEGMENTS OF THE ARMED FORCES", HIGH LEVEL OFFICERS OF THE THREE FORCES WERE HOLDING MEETINGS TO DISCUSS THE SUCCESSION PROBLEM AND ANALYZE ITS THREATS TO THE NATIONAL SECURITY. (SEE BRASILIA 9157.)

-
ASKED BY DR. KISSINGER WHETHER HE THOUGHT THAT "SOMETHING COULD HAPPEN" BEFORE OR AFTER THE ELECTIONS IN JANUARY 1985, PRESIDENT FIGUEIREDO STATED THAT "YES, DEPENDING
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ON THE DEVELOPMENT OF EVENTS". HE REPEATED THAT THE ARMED FORCES WOULD NOT FAIL TO FULFILL ITS COMMITMENT TO PREVENT THE LEFTISTS FROM TAKING OVER THE COUNTRY. IF THE MILITARY HAD TO INTERVENE TO PREVENT IT, HE SAID, THE COUNTRY MIGHT BE LED TO A CIVIL WAR. A CONFLICT WOULD BE ESTABLISHED BETWEEN THE MILITARY AND PUBLIC OPINION, WHICH IS AGAINST THE GOVERNMENT AS A RESULT OF THE ECONOMIC CRISIS THE COUNTRY IS FACING, THE PRESIDENT NOTED.

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DR. KISSINGER ASKED WHETHER FIGUEIREDO THOUGHT THE MILITARY WOULD BE ABLE TO CONTROL THE SITUATION IN THE HYPOTHESIS OF A CIVIL WAR. THE PRESIDENT STATED THAT IN THE FIRST STAGES, YES, BUT THE FINAL OUTCOME WOULD BE UNPREDICTABLE. HE SAID THAT THE MILITARY TOOK FOUR YEARS TO ERADICATE A GUERRILLA OUTBREAK INVOLVING 350/400 MEN IN THE STATE OF PARA SOME YEARS AGO.

-
ASKED BY DR. KISSINGER HOW SUCH AN OUTCOME COULD BE PREVENTED, PRESIDENT FIGUEIREDO SAID THAT HE HAD MET WITH TANCREDO NEVES AND WARNED HIM AGAINST THE DANGER THAT THE ACTIVITIES OF HIS SUPPORTERS PRESENTED TO THE COUNTRY HE TOLD TANCREDO THAT IF HE WANTED TO AVOID SERIOUS DAMAGE TO THE DEMOCRATIC PROCESS, HE SHOULD WORK CLOSELY WITH THE MILITARY AND GET RID OF THE RADICAL LEFTISTS WHO NOW SAY THEY ARE SUPPORTING HIM, BUT WILL DO ANYTHING THEY CAN TO GET TO POWER LATER.

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PRESIDENT FIGUEIREDO SAID HE BELIEVES THAT RELATIONS BETWEEN BRAZIL AND THE UNITED STATES WOULD DETERIORATE IF TANCREDO NEVES IS ELECTED.

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- II. LEFTIST ACTIVITIES IN BRAZIL
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PRESIDENT FIGUEIREDO SAID THAT LEFTIST GROUPS HAVE INFILTRATED INTO PRACTICALLY ALL SEGMENTS OF BRAZILIAN SOCIETY TODAY. HE CITED THE CATHOLIC CHURCH, THE PRESS, THE CULTURAL AREA IN GENERAL, STUDENT ORGANIZATIONS, AND MOST OF THE OPPOSITION PARTIES.

-

THE PRESIDENT MADE SPECIAL REFERENCE TO THE CATHOLIC CHURCH, WHICH IN HIS OPINION IS VERY STRONG AND INFLUENTIAL BECAUSE PRIESTS HAVE A VERY DIRECT AND CLOSE CONTACT WITH LESS EDUCATED PEOPLE, PARTICULARLY IN THE INTERIOR. THE PRESIDENT SAID THAT WHEN THE POPE VISITED BRAZIL A FEW YEARS AGO HE DISCUSSED THE QUESTION OF LEFTIST INFILTRATION IN THE CHURCH IN LATIN AMERICA AND BRAZIL IN PARTICULAR. THE POPE, HE SAID, EXPRESSED GREAT CONCERN ABOUT THE PROBLEM DURING THEIR PRIVATE MEETING, BUT STRANGELY ENOUGH, IN PUBLIC, HE SHOWED GREATER AFFECTION TO THE VERY BRAZILIAN BISHOPS AND CARDINALS WHO ARE WELL KNOWN LEFTIST FIGURES. FIGUEIREDO SAID HE THOUGHT THE POPE FELT PRESSED BY THE LEFT WING OF THE CHURCH WHILE HE WAS IN BRAZIL, BUT HE ADDED THAT HE WAS GLAD TO SEE THAT HE SEEMS TO HAVE BECOME MORE INDEPENDENT NOW. THE RECENT VATICAN DOCUMENT DEALING WITH THE "THEOLOGY OF LIBERATION" IS A STEP IN THE RIGHT DIRECTION, HE SAID. THE PRESIDENT SAID HE WAS SURPRISED TO LEARN THAT THE LEADERS OF THE CATHOLIC CHURCH IN BRAZIL, SUCH AS CARDINALS PAULO EVARISTO ARNS, IVO LORSCHIEDER AND ALOISIO LORSCHIEDER HAVE PRINTED AND DISTRIBUTED THROUGHOUT BRAZIL MILLIONS OF PAMPHLETS STATING THAT THE VATICAN DOCUMENT IS IN ACCORDANCE WITH

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C O N F I D E N T I A L SECTION 04 OF 05 BRASILIA 09288

EXDIS

E.O. 12356: DECL: OADR
TAGS: OVIP (KISSINGER, HENRY), BR
SUBJ: FORMER SECRETARY OF STATE HENRY KISSINGER'S

"LIBERATION THEOLOGY."

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- III. POSITION OF BUSINESSMEN ON THE SUCCESSION QUESTION

ASKED BY DR. KISSINGER WHY HE THOUGHT THAT MOST OF THE
BUSINESSMEN HE HAS MET IN BRAZIL ARE IN FAVOR OF TANCREDO,
THE PRESIDENT STATED THAT "THEY ARE VERY SHORT-SIGHTED".
HE SAID THAT BECAUSE OF THE RECESSION THE BRAZILIAN
ECONOMY IS GOING THROUGH, ALL THEY NOW THINK ABOUT IS
MAKING MONEY. HE SAID THAT IN 1964 THE MILITARY CONVINCED
THE BUSINESS COMMUNITY THAT BRAZIL WAS UNDER THE THREAT
OF BECOMING A LEFTIST COUNTRY. HE SAID THAT A BIG
MISTAKE MADE BY THE MILITARY WAS IN FAILING TO CONTINUE
TO IMPROVE RELATIONS WITH BUSINESSMEN.

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- IV. ECONOMIC QUESTIONS

PRESIDENT FIGUEIREDO SAID THAT WHILE PART OF BRAZIL'S
DIFFICULTIES MAY HAVE BEEN CAUSED BY INTERNAL FACTORS
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(PARTICULARLY OVERSPENDING BY STATE CORPORATIONS AND THE GOVERNMENT IN GENERAL), HE IS CONVINCED THAT THEY HAVE BEEN CAUSED MOSTLY BY EXTERNAL FACTORS--INCREASE IN PETROLEUM PRICES AND THE INTEREST RATES IN PARTICULAR. HE NOTED THAT HE ONLY STARTED TWO MAJOR PROJECTS UNDER HIS ADMINISTRATION (THE CUIABA-RONDONIA HIGHWAY HE RECENTLY INAUGURATED, AND THE CARAJAS PROJECT). OTHERWISE, HE HAS ONLY CONTINUED PROJECTS STARTED BY PREVIOUS ADMINISTRATIONS.

ASKED BY DR. KISSINGER WHETHER HE THOUGHT THERE WAS ANYTHING THE U.S. COULD DO FOR BRAZIL NOW, THE PRESIDENT SAID THAT WHAT BRAZIL NEEDS BADLY NOW IS BETTER TERMS FOR PAYMENT OF ITS DEBT, SUCH AS A LONGER PERIOD FOR PAYMENT AND LOWER INTEREST RATES. HE SAID THAT BRAZIL HAS DONE ITS BEST TO INCREASE ITS EXPORTS IN ORDER TO BE ABLE TO PAY ITS DEBT AND TO CUT EXPENDITURES. HE REMARKED THAT MOST OF THE LARGE PROJECTS STARTED BY PREVIOUS ADMINISTRATIONS ARE BEING CONTINUED AT A SLOW PACE, JUST TO AVOID THEM FROM STOPPING. "WE CAN'T LET THEM STOP", HE SAID, "BECAUSE THE ECONOMIC AND SOCIAL CONSEQUENCES OF SUCH AN ACT WOULD BE WORSE."

V. PRESIDENT REAGAN

FIGUEIREDO ASKED DR. KISSINGER TO GIVE PRESIDENT REAGAN HIS BEST REGARDS. HE SAID THAT HE CONSIDERS PRESIDENT REAGAN A REAL FRIEND, AND THAT A GOOD EVIDENCE OF THIS FRIENDSHIP WAS DEMONSTRATED WHEN HE (FIGUEIREDO) GOT ON THE TELEPHONE TO ASK REAGAN FOR AN EMERGENCY LOAN OF 400 MILLION DOLLARS. HE KNEW THAT PRESIDENT REAGAN RAN INTO LEGAL PROBLEMS BUT NEVERTHELESS HE MADE THE LOAN.

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VI. COMMENT

IT WOULD BE TEMPTING TO COMMENT AT GREATER LENGTH ON THIS REMARKABLE OUTFLOWING. THERE ARE A NUMBER OF EVIDENT INTERNAL INCONSISTENCIES, CONTRADICTIONS, EXAGGERATIONS AND MISSTATEMENTS OF FACT IN WHAT THE PRESIDENT STATED. AT THE OUTSET, WE MUST MAKE CLEAR THAT (1) DIFFERENCES WITHIN THE MILITARY HAVE NOT APPROACHED A POINT OF CONFRONTATION, (2) THE LIKELIHOOD OF A MILITARY COUP IS EXCEEDINGLY REMOTE AND (3) THE

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CIVIL WAR SCENARIO IS QUITE BEYOND BELIEF. THERE CAN BE NO DOUBT THAT WITHIN THE MILITARY, PARTICULARLY SOME OF THE HIGHEST OFFICERS AND OTHERS WHO MAY BE VULNERABLE TO ANY SCRUTINY OF THEIR PASTS, THERE ARE THOSE WHO DO NOT RELISH THE THOUGHT OF A TANCREDO GOVERNMENT. CONCERN ABOUT A THREAT FROM THE LEFT (QUITE EXAGGERATED, IN OUR VIEW) IS DOUBTLESS SINCERE; BUT WE SUSPECT THAT THERE ARE MORE DEEP-SEATED REASONS FOR SOME OFFICERS' WORRIES. THEY DOUBTLESS FEAR THAT TANCREDO WOULD, AT THE VERY LEAST, STAND BY AND PERMIT INVESTIGATIONS INTO ALLEGATIONS OF CORRUPTION AND HUMAN RIGHTS VIOLATIONS BY MILITARY OFFICERS. THERE IS A CONSIDERABLE AMOUNT OF "MESSAGE SENDING" BY THOSE MILITARY IN POSITIONS OF HIGH POLITICAL RESPONSIBILITY. THE CONSENSUS AMONG POLITICIANS, HOWEVER, IS THAT THESE BENEFICIARIES OF THE CURRENT SYSTEM HAVE LITTLE BACKING BY THE MILITARY AS AN INSTITUTION.

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ALMOST AS MYSTERIOUS AS THE SUBSTANCE OF THE PRESIDENT'S REMARKS IS THE REASON WHY HE SHOULD HAVE MADE THESE

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C O N F I D E N T I A L SECTION 05 OF 05 BRASILIA 09288

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SUBJ: FORMER SECRETARY OF STATE HENRY KISSINGER'S

REMARKS TO HENRY KISSINGER IN THE PRESENCE OF AN AMERICAN
EMBASSY EMPLOYEE. (UNLESS FIGUEIREDO'S STAFF WORK IS
EXTREMELY BAD, HE KNEW THAT HIS INTERPRETER WORKED FOR
THE EMBASSY, SINCE THIS HAD BEEN A POINT OF DISCUSSION
NOT ONLY BY THE EMBASSY WITH THE PLANALTO BUT ALSO
BETWEEN KISSINGER AND MINISTER LEITAO DE ABREU.) IT
SEEMS TO BE AN IDIOSYNCRASY OF PRESIDENT FIGUEIREDO TO
MAKE RATHER OUTRAGEOUS REMARKS AND THEN BE HURT AND
SURPRISED WHEN THEY CAUSE A STIR. THE DEPARTMENT WILL
RECALL FIGUEIREDO'S NIGERIAN PRESS CONFERENCE IN THE
COURSE OF WHICH HE SPOKE FAVORABLY OF DIRECT ELECTIONS,
AS WELL AS HIS MADRID GAFFES IN THE SAME VEIN. WE
BELIEVE THAT FIGUEIREDO IS, MORE THAN EVER, TIRED OF
THE BURDENS OF OFFICE. HE IS COMING UNDER PRESSURE
BOTH FROM MALUF'S FORCES AND CERTAIN MILITARY ELEMENTS
TO TRY TO TURN THE TIDE AGAINST TANCREDO NEVES. THE
BEST EVIDENCE AT THIS TIME IS THAT HE WILL KEEP HIS
PROMISE AND TURN OVER POWER TO THE MAN WHO WINS IN THE
ELECTORAL COLLEGE ON JANUARY 15. END COMMENT.
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