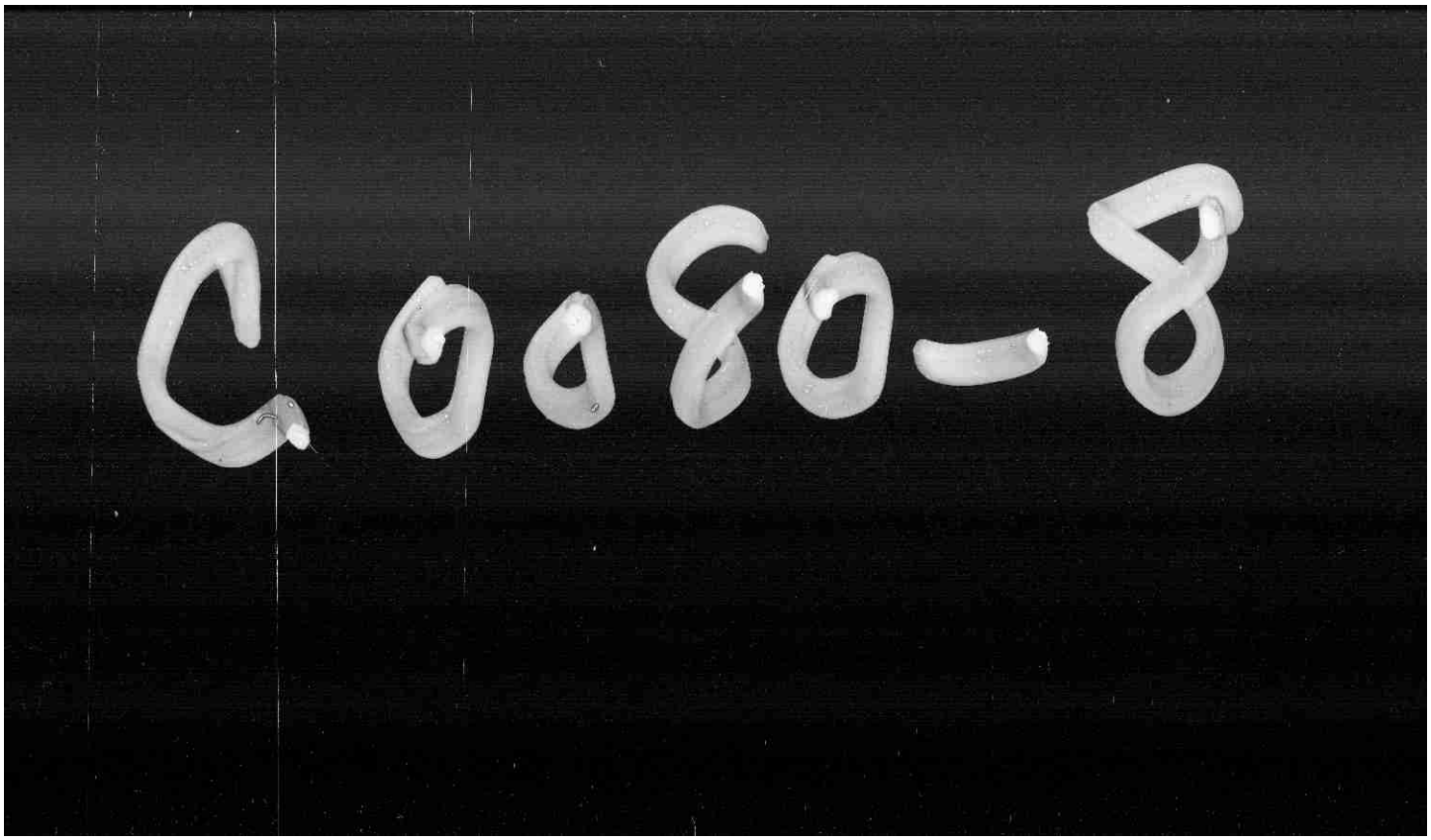

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START

ROLL 8

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Records of the U.S. Department of State Relating to Internal Affairs of Brazil, 1960-1963

Records of the U.S. Department of State
Relating to Internal Affairs of Brazil, 1960-1963

Department of State Decimal Files 732, 832, and 932

PUBLISHER'S NOTE

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ACKNOWLEDGMENT

This publication is produced with the cooperation of the National Archives and Records Administration.

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	Roll 9	832.00/10-1160-832.00/10-661
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	Roll 12	832.05111/2-1061-832.062/8-3160 (and: 832.05156/2-2260-832.10/4-2960)
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	Roll 14	832.10/2-2361-832.10/7-1162
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NUMERICAL-SUBJECT LISTING OF DOCUMENTS

IN CLASSES 7, 8, AND 9

CLASS 7

INTERNAL POLITICAL AND NATIONAL DEFENSE AFFAIRS

7**.00 Political affairs and conditions, Elections, Political parties and groups, Political refugees, Defectors, Amnesty, Revolutions, riots, disturbances, Civil war

.001 Communism, Bolshevism
.002 Fascism, Nazism
.003 Socialism
{For espionage, and subversive activities, see 7**.52##}

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.01## In country ##
.011## Immunities, privileges, exemption from taxation, etc. (in country##)

.02 Government, Recognition
.02A Advisors
.021 Mandates, Trusteeships
.022 Territory (including territorial waters, continental shelf), Geographical names, Maps, Aerial photography
.0221 Territory occupied by foreign military forces

.03 Constitution

.04 Flag
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.05 Seal, Coat of arms

.06 National anthem

.07 Political rights, Suffrage, Freedom of speech, Human rights

.08 Citizenship. For U.S. citizenship, see 130
.081 Passports, Certificates of identity. For U.S. passports, see 130

7**.10 Executive branch of government. For U.S., see Class 1

.11 Chief executive, President, King, Regent, Governor-General (including family)
.111 Governors of states and districts

.12 Vice president

.13 Cabinet, Ministry (including Foreign Office, and all other government agencies)

.14 Civil service, Salaries, Retirement

7**.20 Legislative branch of government

.21 Proceedings, Debates, Messages to legislative body

7**.30 Judicial branch of government

.31 National courts, Personnel, Rules
.311 Attorneys, Practice of law

.32 Proceedings, Judgments

.33 Jurisdiction
.331 Process issued for service abroad
.332 Rights of aliens to sue in national courts
.333 Absconding defendants and witnesses

.34 Laws, Statutes, Ordinances, Decrees, Acts, Codes
.341 Criminal
.342 Civil. For marriage and divorce, see 8**.4141
.343 Commercial
.344 Probate
.345 Bankruptcy
.346 Admiralty jurisdiction

.35 Procurement of evidence
.35## Procurement of evidence from country ## for use in country **

.36 Effect of judgments and decrees
.36## Effect of judgments and decrees of courts of country ## in country **

.37 Other judicial matters
.371 Authority to administer oaths
.372 Requirement of country regarding authentication of documents for use therein

7**.40 Mixed (international) courts

7**.50 National defense affairs, Army, Navy and Air (general)

.51 Fortifications, Defenses

.52 Intelligence activities, Subversive activities
.521 Biographical data (** nationality of individual)
.52## Intelligence activities, espionage, of country ** in country ##. For Communist activities, see 7**.001. Classify under individual cases where possible

.53 Military and naval courts, Law

.54 Maneuvers, Target practice, Troop movements (use 7**.54 if within territorial limits of country **)
.54## Movements of, and attacks upon, naval vessels and military and naval aircraft of country ## within territorial jurisdiction of country **, Overflights

.55 Organization
.551 Personnel (effectives), Commissioned and enlisted
.5511 Enlistment, Conscription, Draft, Discharge, Desertion

7**.5512 Pay, Subsistence, Retirement, Pensions
.552 Marine Corps
.553 Schools and academies
.553## Admission of nationals of country ## for visit or study (includes admission for observation to war industries, airplane plants, etc.)
.554 Auxiliary services,WACS,WAVES, WRENS, etc.

.56 Equipment and supplies
.561 Armaments, ordnance, arsenals, armories, tanks, trench mortars, flame throwers. For governmental control of arms traffic, see 4**.##8
.5611 Atomic bombs, Hydrogen bombs
.5612 Guided missiles, supersonic weapons, rockets
.5613 Poison gases, bacteriologicals, chemicals. For illegal or inhuman warfare, see 6**.##26
.5614 Small arms, bombs, grenades, rifles
.5615 Helium
.562 Ships,vessels and aircraft (including construction, etc.)
.5621 Battleships, cruisers, destroyers, other naval vessels (all types) (includes construction, purchase and sale, accidents etc.) For international negotiations, treaties, etc., in limitation of armaments, see 6**.##12
.5622 Aircraft, bombers, fighters, gliders, jet-propelled aircraft, all types of military or naval aircraft (includes construction, purchase, sale, accidents, etc.)
.563 Bases and posts
.563## Country in which located ## (includes air, land, and sea bases, landing fields, fueling stations of any type, navy yards, drydocks, etc.)
.564 Uniforms, Clothing, Insignia
.564## Exchange of uniforms with country ##, smaller country number
.5641 Unauthorized wearing of uniforms of country **

.57 Hospitals, Rest centers, Recreation centers, Commissaries, Post exchanges

.58 Missions (** country in which located)
.58## Visits, etc., of military, naval, or air force personnel and/or equipment of country ** to country ##. For admission of foreigners to study in or visit military, naval and air force schools and academics, see 7**.553##
.581 Entrance of naval vessels into the Great Lakes (** nationality of visiting naval forces)

.59 Civil defenses, Civilian (non-military) defense organizations, measures (Air-raid wardens, fire wardens, blackout measures, air-raid shelters; Protection against atomic bomb attacks)

7**.60 Stockpiling

.61 Rubber (natural and synthetic)

.62 Petroleum

.63 Minerals

.64 Drugs (all types of pharmaceuticals, etc.)

.65 Fibers

.69 Other commodities not listed above

CLASS 8

INTERNAL ECONOMIC, INDUSTRIAL, AND SOCIAL AFFAIRS

8**.00 Economic matters, Conditions (general)
.00A Economic adviser
.001 Statistics (general)
.002 Conservation of natural resources. Classify subjectively when possible

.01 Cost of living, Retail prices, Black markets (general). Classify subjectively when possible

.02 Housing, Rents, Building construction (includes commercial and industrial housing)
.021 City and country planning, Elimination of congested and slum areas, "Blighted" areas

.03 Food, Food conditions, Refrigeration, Food shortage, Rationing, Black markets, Hoarding

.04 Fuel, Fuel conditions, Fuel shortage (includes coal, wood, peat, oil, coke), Black markets

.05 Capital
.051## Investment of, or field for investment of, capital of country ** in country ##
.052 Cooperative systems, Rural credits
.053 Corporations, "Big" business (formulation, regulation, bond issues, stock certificates)
.054 Combinations in restraint of trade, Monopolies, Cartels, Trusts, Contracts. Classify subjectively when possible with XR to 8**.054
.055 Domestic trade conditions, Retail trade

.06 Labor, Labor conditions (general)
.061 Hours, Wages (for pensions, see 8**.07), Unemployment insurance and compensation
.062 Organizations, Unions, Relations with employers, Strikes, Lockouts, Slowdowns
.063 Female labor, Child labor
.064 Compulsory labor, Slave labor
.065 Hazardous employment, Accidents, Prevention of accidents
.0651 Employer's liability. For pensions, see 8**.07

.07 Pensions. For military pensions, see 7**.5512
.071 Industrial
.072 Old-age (social insurance)

.08 Insurance. For "social" insurance, see 8**.072
.081 Life
.082 Fire
.083 Accident (includes all types of accidents)
.084 Automobile
.085 Health
.086 Marine (includes war risk insurance)
.087 Aviation

8**.10 Financial matters (general), Budget, Debt, Bond issues, Loans, Public securities, Balance of payments. For war-time regulations, see 6**.##231
.10A Financial adviser

8**.11 Taxation
.111 Land, Realty
.112 Income. For double taxation treaties, see 6**.##921
.113 Personal property
.114 Inheritance

.12 Lotteries

.13 Monetary system, Coinage, Currency, Bullion, Mint
.131 Foreign exchange, Exchange rates
.132 Currency of revolutionary governments
.133 Counterfeit, Counterfeiting (** country whose currency is counterfeited)

.14 Banks, Banking. For war-time measures, see 6**.##231
.14## Branch banks of country ** in country ##
.141 Interest, Discount

.15 Exchanges, Commodity exchanges. For currency exchange, see 8**.131
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.152 Cotton
.153 Wool
.154 Livestock
.155 Grain
.156 Produce
.157 Coffee
.158 Sugar
.159 Other exchanges

.16 Lands
.16## Rights of nationals of country ## to hold or acquire real property in country **
.161## Colonization in country **

.17 Intellectual and industrial property (see also 6**.##233) (** indicate country in which protection is sought). For treaties, see 6**.##95
.171 Patents
.172 Trade-marks, Trade names
.173 Copyrights

.18 Immigration, Emigration. For immigration to the United States, see 150
.18## Immigration to country ** from country ##
.181 Residence, trade and travel of aliens in **, Foreign visas, Tourism, Foreign exit permits

.19 Industrial matters, Nationalization. Classify subjectively when possible. For monopolies, concessions, franchises, contracts, etc., see 8**.054
.1901 Atomic energy peaceful purposes. Classify subjectively when possible
.191 Expositions, Exhibitions, Fairs (see also 4**. ##174 and 5**.##2)

8**.20 Agriculture
.20A Agricultural adviser
.201 Agricultural clubs (4-H, etc.)

.21 Soil, Properties, Tillage
.211 Soil conservation; Drainage, reclamation, irrigation; Irrigation dams; "Dry farming," Fertilization

8**.22 Pests affecting plant life, Diseases, Blights, Insects, Methods of combating. For regulations governing importation of plants, etc., see Class 4

.23 Field crops
.231 Grains
.2311 Wheat
.2312 Buckwheat
.2313 Oats
.2314 Rye
.2315 Corn
.2316 Barley
.2317 Rice
.2318 Hops
.2319 Other field crops
.232 Fibers
.2321 Cotton
.2322 Hemp, Sunn
.2323 Flax
.2324 Jute
.2325 Ramie
.2326 Sisal, Cabuya
.2327 Abaca
.2328 Kapok
.233 Alkaloidal plants
.2331 Tobacco
.2332 Tea
.2333 Coffee
.2334 Cocoa, Cacao
.2335 Vanilla
.2336 Medicinal herbs, Ipecac
.234 Forage crops
.2341 Grasses
.2342 Alfalfa
.2343 Clovers
.2344 Cowpeas
.2345 Soya beans
.2346 Vetches
.235 Sugar-yielding plants
.2351 Cane
.2352 Sugar beet
{ For processing or manufacturing of food, etc., see 8**.31
.236 Garden crops (vegetables, such as Lettuce, Tomatoes, Potatoes, Pepper, Nutmeg, Spices, Pulses, Dandelion, etc.)
.237 Fruits
.2371 Citrus fruits
.2372 Berries, Currants
.2373 Grapes, Raisins
.2374 Figs
.2375 Olives
.2376 Bananas, Plantains
.2377 Nuts, Coconuts (Copra), Palm kernels
.2378 Other fruits, Apples, Apricots, Cherries, Dates, Nectarines, Peaches, Pears, Persimmons, Pineapples, Plums, Quinces
.238 Flowers, Bulbs

8**.239 Trees. For manufactures of wood products, see 8**.3 and 8**.391
.2391 Forestry, Fires, Fire prevention, Reforestation
.2392 Lumbering, Timber cutting
.2393 Barks, Cork, Cinchona
.2394 Saps, Resins, Gums, Turpentine, Naval stores
.2395 Rubber (includes all natural rubber). For manufactures of rubber products and synthetic rubber, see 8**.324

.24 Animal husbandry
.241 Practice of veterinary medicine, Outbreak or incidence of animal diseases where no question of exportation is involved
.242 Domestic animals
.2421 Beasts of burden
.2422 Stock raising
.24221 Cattle
.24222 Sheep
.24223 Swine
.24224 Poultry, Eggs
.24225 Ostriches, Ostrich farming
.2423 Dairying, Milk, Cream
.2424 Bee culture, Honey
.2425 Silk culture, Sericulture
.243 Wild animals, Game laws
.2431 Hunting and trapping industry
.2432 Birds
.244 Fur seals. For treaties, see 6**.##7
.245 Fisheries (including sponge fisheries). For treaties, see 6**.##6
.2451 Other products of the sea, Pearls, Pearl fishing
.246 Whaling. For treaties, see 6**.##8

.25 Mines, Mining
.251 Laws, Regulations
.252 Accidents, Prevention
.253 Precious metals and precious stones
.2531 Gold
.2532 Silver
.2533 Platinum
.2534 Radium
.2535 Diamonds
.2536 Other precious metals and stones
.254 Base metals
.2541 Iron
.2542 Copper
.2543 Lead
.2544 Tin
.2545 Zinc
.2546 Uranium, Other atomic minerals
.2547 Other base metals (chromium)
.255 Carbon, Graphite. For fuel conditions, see 8**.04
.2551 Peat, Lignite
.2552 Coal
.2553 Petroleum, Oil
.2554 Natural gas
.2555 Helium

8**.256 Other mining products
.2561 Salt
.2562 Sulphur
.2563 Potash
.2564 Sodium nitrate, Saltpeter
.2565 Asphalt
.2566 Lime and cement
.2567 Phosphates
.2568 Asbestos
.2569 Bauxite
.257 Quarries, Quarrying

.26 Engineering, Architecture. For housing, see 8**.02
.261 Public works, Public construction. For harbors, docks, and ports, see 9**.734
.2611 Buildings, Markets, Market places
.2612 Roads, Highways, Bridges. For railroads, see 9**.712
.2613 Parks, Playgrounds
.2614 Public utilities, Electricity, Water, Gas, Power dams
.2615 Sewerage, Disposal plants

8**.30 Manufactures, Manufacturing

.31 Foods
.311 Meat and slaughterhouse products, Meat packing
.312 Dairy, fish, fowl and game products, Ice cream. For milk, cream, and eggs, see 8**.2423 and 8**.24224 respectively
.313 Grain products and preparations, Flour, Cereals
.314 Nut products and preparations
.315 Vegetable and fruit products and preparations
.316 Beverages and beverage materials, alcoholic and non-alcoholic
Breweries, distilleries. For liquor traffic, see 8**.531
.317 Spices, Condiments, Flavorings, Leavening products, Extracts
.318 Sugar and related products, Candy. For honey, see 8**.2424
.319 Animal, fish and vegetable oils and fats, *edible*

.32 Animal and vegetable products, *inedible*
.321 Hides, Skins, Furs, Feathers. For trapping industry, see 8**.2431; for manufacture of wearing apparel, see 8**.351
.322 Leather and leather goods. For shoes, see 8**.3511
.323 Tobacco manufactures
.324 Rubber manufactures, including synthetic. For wearing apparel, see 8**.351
.325 Animal, fish and vegetable oils, fats and greases, *inedible*. For medicinal oils, see 8**.3971
.3251 Tung oil, Palm oil
.326 Miscellaneous animal products, *inedible*
.327 Miscellaneous vegetable products, *inedible*
.328 Cork and cork products

.33 Iron and steel and related industries, Building and paving materials and equipment
.331 Iron and steel, Steel mill products
.3311 Heavy machinery. For transportation and construction equipment, see 8**.333 and 8**.334
.3312 Light machinery, including agricultural and dairy. For household and office appliances, see 8**.343
.3313 Foundry and machine shop products not otherwise classifiable

8**.3314 Scrap metal
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.333 Transportation equipment (all types)
.3331 Automobiles, Trucks, Buses, Motorcycles
.3332 Railroad, Locomotives, Cars, Signalling devices
.3333 Aircraft. For military aircraft construction, see 7**.5622
.3334 Shipbuilding (all types, sizes, except naval). For construction of naval vessels, see 7**.5621
.334 Construction equipment (all types)
.335 Communications equipment (all types)

.34 Household, office and school furnishings and supplies. For silverware, see 8**.38; for glass and chinaware, see 8**.3931
.341 Furniture. For antiques, see 8**.38
.342 Floor coverings, rugs, carpets, linoleum, etc.
.343 Appliances (all types), Electrical and gas appliances
.344 Draperies, Curtains, Shades, Blinds, Venetian Blinds, Awnings
.345 Household linens, Beddings, Mattresses, Pillows, Cushions
.346 Other household, office and school furnishings and supplies
.3461 Kitchenware, Pots and pans
.347 Office machines, Adding machines, Calculators, Typewriters

.35 Clothing, Textile industry
.351 Wearing apparel (men's, women's, children's and infants')
.3511 Shoes, all kinds
.3512 Hats
.3513 Accessories
.352 Cotton manufactures, Thread, Piece goods
.353 Linen manufactures, Thread, Piece goods
.354 Wool manufactures, Thread, Piece goods
.355 Silk manufactures, Thread, Piece goods
.356 Hair manufactures. For beauticians' supplies, see 8**.395
.357 Jute, hemp, flax, coir yarn, reed and straw products, rope, burlap, baskets
.358 Synthetic fibers, Nylon, Rayon

.36 Sporting and athletic equipment, Recreational equipment, Toys and games, Musical supplies and equipment, Smokers' supplies, Theatrical supplies and equipment

.37 Photographic apparatus and supplies, Artists' supplies, Paintings, Pictures, Cameras, Printers' supplies

.38 Jewelry, Gold and silverware, Precious stones, Clocks and watches, Antiques. For mining of gold, silver, precious stones, etc., see 8**.253

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.392 Paper, Paper products not otherwise classifiable
Newsprint, Wood pulp
.393 Manufactured non-metallic minerals not otherwise classifiable
Marble, Lime and limestone, Asbestos, Slate. For mining, see 8**.25
.3931 Glass and clay products, Ceramics
.3932 Fuels and petroleum products, Refinery products. For oil, wells, oil-drilling, etc., see 8**.2553
.394 Metal manufactures not otherwise classifiable, Aluminum, Copper, Brass, Bronze, Lead, Tin, Zinc. For manufacture of iron and steel, see 8**.331

8**.395	Beautician and barber equipment and supplies
	Toilet preparations, Cosmetics
.396	Scientific and professional instruments and equipment (surgical, dental, optical, etc.)
.397	Chemicals and dyes, Industrial alcohol
.3971	Medicinal and pharmaceutical preparations, Drugs, Disinfectants. For illicit traffic in narcotics, see 8**.53
.3972	Fertilizers
.3973	Explosives (non-military) (see also 8**.36)
.3974	Paints and varnishes, Stains, Enamels
.3975	Soap, Cleaning compounds, Polishes
.3976	Chemical specialties, Plastics, Celluloids, Cellulose, Cellophane, Resins
.398	Notions and novelties, Flags, Pennants, Emblems, Badges, Pins
.399	Morticians' supplies and equipment
8**.40	Social matters, Conditions (general)
.401	Population, Statistics, Census
.41	People
.411	Race problems, Disturbances, Massacres, Pogroms, Displaced persons, Refugees. For political refugees, see 7**.00
.412	Language, Literature
.413	Religion, Church. For protection of religious missions, see 2**.##
.414	Manners and customs, Dress, Mode of life
.4141	Marriage, Divorce
.4142	Welfare of mother and child. For child labor, see 8**.063
.42	History
.421	Historical relics, Manuscripts
.422	Monuments, statues, memorials
.423	Public records
.424	Commemorative celebrations
.425	Holidays
.43	Education
.43A	Advisers
.431	Elementary education, Primary schools, High schools
.432	Advanced education, Universities, Colleges, etc.
.433	Technical, Commercial, Agricultural
.434	Education of the blind, physically handicapped
.435	Vocational
.436##	Reciprocal recognition of diplomas
.437	Libraries (see also 5**.##1)
.44	Fine arts
.441	Painting, Drawing
.442	Sculpture
.443	Architecture
.444	Engraving
.445	Photography
.446	Music

8**.45 Amusements, Sports, Recreation
.451 Theaters, Stage, Operas, Museums, Carnivals, Concerts
.452 Motion pictures
.453 Sports, Athletics, Indoor amusements
.4531 Olympic Games

.46 Societies (including social organizations)
.461 Better citizenship organizations
.4611 YMCA, YWCA
.4612 Boy Scouts, Girl Scouts, Camp Fire Girls
.4613 Military and veterans organizations

.47 Etiquette
.471 Ceremonials
.472 Precedence
.473 Salutes
.474## Ceremonial communications, New Year's greetings, Felicitation on national anniversaries, ## country sending felicitations

.48 Entertainment in country **
.481 By the country or its officials
.482 Audience with the chief executive or sovereign
.483 Presentation at Court
.484 By private persons and societies
.485 By resident officers of the United States
.486## By resident officers of other foreign countries, ## nationality

.49 Calamities, Disasters, Earthquakes, Tornadoes, Cyclones, Typhoons, Famines, Fire, Relief measures (see also 8**.03)

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.501 National and state police

.51 Municipal government
.511 Police organization
.512 Protection against fire

.52 Crime, Criminal organizations, Suspects

.53 Traffic in narcotics
.531 Liquors. For manufactures of liquors, see 8**.316

.54 Sex relations, Prostitution, Procurement, White slave traffic
.541 Traffic in obscene matters, literature, etc.

.55 Public health, Diseases
.551 Vital statistics, Birth, Marriage, Death
.552 Disposal of the dead, Cemeteries, Cremation
.556 Hygiene and sanitation, Quarantine against communicable diseases (home, school, vessels, aircraft)
.557 Supervision of food and drugs. For food and drug regulations, international trade, see 4**.##51. Materia medica
.558 Practice of medicine and surgery, dentistry, optometry, psychiatry, pharmacy, nursing, psychology

8**.56	Correction and punishment
.561	Prisons, reformatories, jails, penal colonies, farms, etc.
.57	Charities, Philanthropic organizations
.571	Red Cross
.572	Hospitals, Asylums
.573	Salvation Army
.574	Institutional homes, Almshouses, Orphanages
.575	Soldiers' and sailors' homes (military and naval)
.576	Seamens' homes (merchant marine)

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.02	Laws and regulations
.03	Censorship
9**.10	Postal
.101	Concessions, Contracts
.102	Laws and regulations
.103	Censorship
.104	Rates, Postage (domestic and foreign)
.105	Fraudulent use of the mails. For traffic in obscene matters, see 8**.541
.11##	Transportation of mail between country or area ** and ##. Use smaller number for **
.12	Parcel post
.12##	International parcel post transportation
.13	Money orders (domestic and foreign)
.14	Postal savings banks
.15	Complaints against service
.151	Nondelivery, Delay, Misrouting
.152	Loss, Theft, Damage, Tampering with mail
9**.20	Telegraph, Cable
.201	Concessions, Contracts
.202	Laws and regulations
.203	Censorship
.204	Rates (domestic and foreign)
.21##	Communication between country ** and country ##. Use smaller number for **
.22	Codes (commercial and governmental)
.25	Complaints against service
9**.30	Telephone
.301	Concessions, Contracts
.302	Laws and regulations
.303	Censorship
.304	Rates (domestic and foreign)
.31##	Communication between country ** and country ##. Use smaller number for **
.35	Complaints against service

9**.40 Radio, Radio broadcasting, Radio-telegraph, Reception, Monitoring (see also 5**.##4)
.401 Concessions, Contracts
.402 Laws and regulations
.403 Censorship

.41## Communication between country or area ** and country or area ##. Use smaller number for **

.42 Amateurs ("ham" operators)

9**.50 Television, Facsimile transmission
.501 Concessions, Contracts
.502 Laws and regulations
.503 Censorship

.51## Communication between country or area ** and country or area ##. Use smaller number for **

9**.60 Public press

.61 Newspapers, Clippings, Items

.62 Newsgathering agencies (including news broadcasting), Commentators
.62## Newsgathering agencies (** nationality of newspaper or magazine and ## country or area of operations)

.63 Magazines, Periodicals, Books, Book publishing

.64 Censorship of newspapers, books, and other printed material

9**.70 Transportation (land, air, and water)
.701 Laws and regulations (general)

.71 Land transportation
.71## Land transportation between country or area ** and country or area ##. Use smaller number for **
.711 Laws and regulations
.712 Railroad, Railways, Rates, Demurrage, Accidents
.712## Rail transportation between country or area ** and country or area ##. Use smaller number for **
.713 Street railways, Subways, Buses, Taxicabs and other land transport, Accidents, Rates
.714 Automobiles (privately owned and operated), Trucks, Motorcycles, Accidents, Rates

.72 Air transportation (all types, non-military aircraft). For air transportation reservations, see 9**.72-RES
.72## Air transportation between country or area ** and country or area ## (smaller country number for **) (includes regularly established airlines and non-scheduled flights, private flights [non-commercial], permission for flights). For movements of military aircraft, see 7**.58##
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.723 Accidents (** nationality of plane), Repairs
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9**.726 Sale, Purchase (** indicates nationality of purchaser), Charter, Registration, License, Libel

.727 Documentation and inspection, Cargo, Manifests, Bills of health, Entry and clearance

.73 Water transportation, Merchant vessels, Merchant marine, Yachts (includes all water transportation inland, coastwise or other). For water transportation reservations, see 9**.73-RES

.73## Water transportation between country or area ** and country or area ## (includes regularly scheduled steamship lines) (smaller country number for **)

.7301 Rivers, Canals, Flood prevention

.731 Laws and regulations

.732 Rates, Concessions, Contracts, Subsidies

.733 Accidents, Disabled wrecked or stranded vessels, Repairs (** indicates nationality of vessel; use name of vessel)

.734 Harbors, Docks, Ports, Port facilities, Maintenance items and services available to or rendered foreign vessels, Stevedoring

.735 Taxes on navigation, Tonnage, light, harbor and port dues, Other taxes

.736 Movements of vessels (** indicates registration of vessel)

.737 Fueling and provisioning (** indicates country fueling vessel)

.738 Documentation and inspection, Admeasurement, Cargo manifests, Bills of health, Ship's papers, Entry and clearance

.739 Sale, Purchase (** indicates nationality of purchaser), Charter, Registration, License, Libel. For construction of vessels, see 8**.3334. Use name of vessel for "libel" only

.74 Navigation (land, air, and water), inland, coastwise and other

.741 Aids and menaces to navigation, Signalling devices, Radar, Radio beacons, Light houses, Lightships. For "LORAN", see 900.741-LORAN

.75 Personnel, Crews, Seamen, Airmen

.751 Discipline, Insubordination, Mutiny, Illegal acts committed by the crew on vessels and aircraft (ill treatment of seamen, desertion, abandonment). For seamens' homes, see 8**.576

.753 Merchant marine schools and academies

.753## Admission of nationals of ## for visit or study

9**.80 Science (general)

.801 Research and development

.8011 Scientific institutions, Laboratories, Bodies

.8012 Scientific publications, Films

.8013 Scientific facilities and equipment

.8014 Utilization of scientific and technical personnel

.8015 Government's relation to science

.8016 Scientific training program

.81 Physical sciences

.811 Mathematics (arithmetic, algebra, geometry, trigonometry, calculus, differential equations, graphs, statistics)

.812 Astronomy (theoretical and practical, celestial bodies, tables and atlases, navigation)

.813 Physics, Rheology, Crystallography

.8131 General mechanics

.8132 Mechanics of fluids

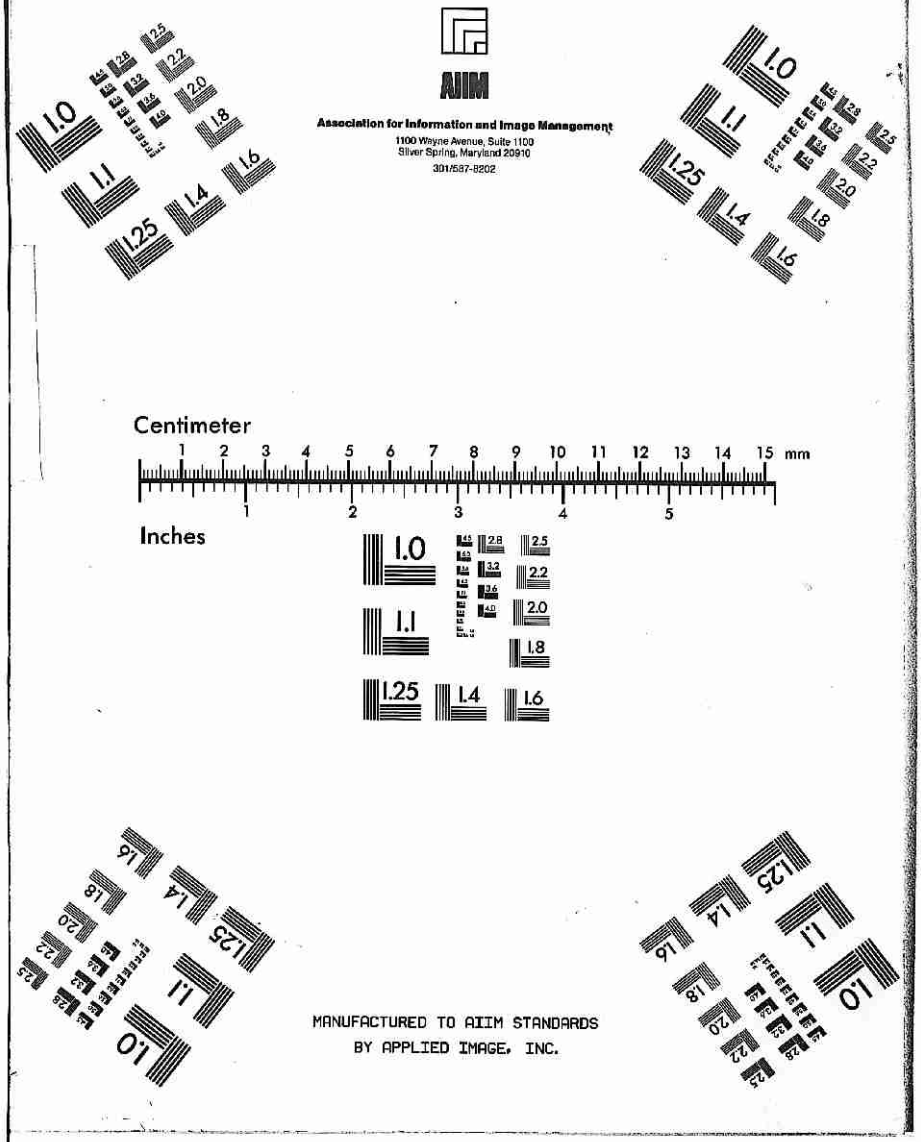
.8133 Mechanics of gases

9**.8134 Optics
.8135 Heat and Cold
.8136 Electricity and magnetism (gyroscopes)
.8137 Nuclear physics and nuclear chemistry, Cosmic rays, Heavy water
.8138 Atomic and molecular physics
.8139 Miscellaneous, Time, Calendar, Weights and measures
.814 Basic chemistry (analytical)
.815 Applied chemistry
.8151 Liquid fuels and lubricants
.8152 Resins, rubbers, plastics, auxiliary chemicals
.8153 Pharmaceuticals and antibiotics
.8154 High performance fuels (liquid monopropellants, solid propellants and explosives, bipropellants [fuels and oxidants], combustion and flame phenomena)
.8155 High temperature materials
.8156 Fats, fatty waxes, soap
.8157 Other industrial chemical products
.81571 Industrial explosives
.81572 Gases
.81573 Agricultural chemicals
.81574 Leather and glue
.81575 Inorganic NEC (potassium nitrate, sulfuric acid, etc.)
.8158 Chemical warfare
.816 Metallurgy

.82 Earth sciences. For travels, expeditions, and explorations, see 031.**##
.821 Geography
.8211 Geographical names
.8212 Mapping, map analysis, surveying
.822 Physical geography
.823 Geography of settlements
.824 Military geography
.825 Human geography
.826 Political geography
.827 Economic and commercial geography
.828 Geology
.829 Geophysics
.8291 Geodesy (size and shape of the earth, variation of gravity, etc.)
.8292 Geophysical prospecting for location of mineral resources
.8293 Hydrology (distribution of water, underground water sources, dams)
.8294 Meteorology
.8295 Oceanography, Oceanic organizations
.8296 Seismology
.8297 Terrestrial magnetism
.8298 Miscellaneous (vulcanology, tectonphysics, etc.)

.83 Natural sciences
.831 Biology
.8311 Biological warfare
.832 Botany
.833 Zoology

9**.84	Medical sciences (dentistry and human reactions to environmental elements, etc.)
.841	Medical aspects of radiology, radioscopy, chemistry, and biology including warfare
.85	Electronics (communications devices, radar, sonar, etc.)
.86	Engineering
.861	Civil engineering
.8611	Sanitary and public health engineering
.862	Mechanical engineering
.863	Electrical engineering
.864	Mining engineering
.865	Ordinance engineering (propellants, pyrotechnics, etc.)
.866	Aeronautical engineering (supersonic, etc.)
.867	Engineering, Power plants
.868	Chemical engineering
.89	Other sciences, Philosophy


AIIM
Association for Information and Image Management
1100 Wayne Avenue, Suite 1100
Silver Spring, Maryland 20910
301/587-8202
Centimeter
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 mm
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OSD 12	USIA	NSA 3

AMB
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Air Att.
JBUSMC (Col. Artwohl)
CF-3
Brasilia

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DEPARTMENT OF STATE

AIRGRAM

732-563/8-1662

FOR RM USE ONLY

(55)

A-196 NO. | SECRET | HANDLING INDICATOR

TO : Department of State
INFO: BOGOTA
USPOLAD/CINCARIB

This document consists of 1 page, No. 1 of copies, Series A.

This document consists of 1 pages number — of — copies, Series —

FROM : Amembassy Rio de Janeiro DATE: August 16, 1962

SUBJECT : Reported Development of Major Brazilian Air Base on Colombian Border

REF : CA-1328, August 3, 1962

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS AUG 23 1962 SERIES A

COPY NO. 1

In response to a similar query from CINCARIB, the Commander, U. S. Military Advisory Group, Brazil, on August 1, 1962, cabled that headquarters--with information copies to COMUSNAVCARIB and COMUSAIRCARIB--as follows:

"1. Reference CC 69474E DTG 272036Z Jul 62.

"2. No repeat no USAF Generals have visited area for survey nor has US participated in any survey in connection with development major Brazilian airbase across river from Leticia, Colombia. Quite possible your assumption para 2 regarding visit General Bogart and myself correct which as you know was in no way connected with subject raised in ref above.

"3. Have no knowledge of any current Brazilian plans to develop major airbase across river from Leticia."

The Embassy is going on the same assumption that the locality in question is "across river from Leticia" rather than "across river from Leguizamo". In any case, the Embassy has given no clearance for any Air Force officers to visit the area along the Brazilian-Colombian border.

For the Ambassador:

Charles C. Carson
Second Secretary of Embassy

SECRET

FORM DS-323 4-62

FOR DEPT. USE ONLY ☑ In ☐ Out

Drafted by: POL:CCCarson:rpc

Contents and Classification Approved by: Acting DCM:REakens

Clearances: Colonel Kalb - Air Attache (in substance) Col. Artwohl - JBUSMC (in substance)

SECRET

0003

CONFIDENTIAL

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

JAN 18 1960

In reply refer to: I-7903/9
INTERNATIONAL SECURITY AFFAIRS

Dear Mr. Merchant:

In his letter of October 14, 1959, Mr. Murphy indicated that for political reasons it would be preferable to defer until after January of 1961 any approach to the Brazilian Government concerning renewal of the Fernando de Noronha agreement, which expires in January of 1962. Also on the basis of political considerations, he further expressed the hope that renewal of the agreement would not in fact be required, and that in such case we might inform the Brazilian Government now of our intention not to seek renewal.

This matter has been studied carefully within the Department of Defense. We are in agreement that negotiations concerning renewal should not be initiated until after January of 1961. From the standpoint of military requirements, however, we are unable to confirm at this time that renewal of the agreement will not be needed.

Continued use of the station in support of the Atlas, Titan, and Minuteman programs will be required at least throughout the life of the current agreement. The facility permits us to obtain impact data accurate within five miles, rather than the fifty miles which would otherwise be the case, and there is no other suitable site in the 3000 mile gap between Antigua and Ascension. The requirement for the station beyond January of 1962 is not yet firm, although it will probably be needed in the development of certain quasi-ballistic and ballistic glide missiles. As an example, the Dyna Soar program requires certain facilities in the area concerned during the period 1962-1963. Whether from the military standpoint these new programs necessitate extended use of the Fernando de Noronha facilities is presently under review. The results of this review should be available by July of this year, and I can assure you that

CONFIDENTIAL

copy sent Embassy Rio by DS-4 2-4-60

732.5511/1-1860 FILED
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732.563 11/4-860

0004

the factor of Brazilian interest in grant military assistance will be given full consideration. Until this review brings into clearer focus the implications of programs still in planning or early development stages, we would recommend that a decision on the renewal of the agreement be postponed.

Sincerely yours,

Robert H. Knight
Acting Assistant Secretary

Honorable Livingston T. Merchant
Under Secretary of State for Political Affairs
Department of State

0005

RIMR

CONFIDENTIAL

February 18, 1960

This Document must be Returned to the RM/R Central Files

711.5632

732.56311/2-1860 CSBW

Dear Mr. Knight:

It is noted in your letter L-7903/9 of January 18, 1960, to Under Secretary Merchant that the Department of Defense may wish to seek extension beyond January 1962 of the agreement with the Government of Brazil on use of Fernando de Noronha, because of requirements in the development of certain quasi-ballistic and ballistic glide missiles. You state that, as an example, the Dyna Soar program requires certain facilities in the area during the period 1962-1963.

In view of the concern of this Department with problems associated with the Fernando de Noronha agreement and its possible extension, it would be appreciated if interested offices here could be informed concerning such programs and possible requirements. If you agree, we should be glad to receive a briefing on these, at a time and place which could be arranged between my office and an appropriate office of the Department of Defense.

Sincerely yours,

Philip J. Farley

The Honorable
Robert H. Knight,
Acting Assistant Secretary,
Department of Defense.

CLEARANCE:
[illegible]:ARA - Mr. Hemba
[illegible]

CONFIDENTIAL

S/AE:WCHenson:FConkey:cm
2/16/60

732.56311/2-1860

CLASSIFIED FILE

0006

C
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Y

CONFIDENTIAL

ASSISTANT SECRETARY OF DEFENSE
Washington 25, D. C.

In reply refer to: I-7903/9
International Security Affairs

January 13, 1960

Dear Mr. Merchant:

In his letter of October 14, 1959, Mr. Murphy indicated that for political reasons it would be preferable to defer until after January of 1961 any approach to the Brazilian Government concerning renewal of the Fernando de Noronha agreement, which expires in January of 1962. Also on the basis of political considerations, he further expressed the hope that renewal of the agreement would not in fact be required, and that in such case we might inform the Brazilian Government now of our intention not to seek renewal.

This matter has been studied carefully within the Department of Defense. We are in agreement that negotiations concerning renewal should not be initiated until after January of 1961. From the standpoint of military requirements, however, we are unable to confirm at this time that renewal of the agreement will not be needed.

Continued use of the station in support of the Atlas, Titan, and Minuteman programs will be required at least throughout the life of the current agreement. The facility permits us to obtain impact data accurate within five miles, rather than the fifty miles which would otherwise be the case, and there is no other suitable site in the 3000 mile gap between Antigua and Ascension. The requirement for the station beyond January of 1962 is not yet firm, although it will probably be needed in the development of certain quasi-ballistic and ballistic glide missiles. As an example, the Dyna Soar program requires certain facilities in the area concerned during the period 1962-1963. Whether from the military standpoint these new programs necessitate extended use of the Fernando de Noronha facilities is presently under review. The results of this review should be available by July of this year, and I can assure you that

0007

the factor of Brazilian interest in grant military assistance will be given full consideration. Until this review brings into clearer focus the implications of programs still in planning or early development stages, we would recommend that a decision on the renewal of the agreement be postponed.

Sincerely yours,

Robert H. Knight
Acting Assistant Secretary

Honorable Livingston T. Merchant
Under Secretary of State for Political Affairs
Department of State

0008

CONFIDENTIAL SAFGC/MComarow/ag/53645/15 Feb 60

41-53645

DEPARTMENT OF THE AIR FORCE
WASHINGTON

OFFICE OF THE SECRETARY

9 FEB 1960

X-56386

MEMORANDUM FOR MR. WILLIAM E. LANG, DIRECTOR, OFFICE OF FOREIGN MILITARY RIGHTS AFFAIRS, OASD/ISA

SUBJECT: Missile Launch Facility - Equator

1. The Air Force has been considering the possible advantage of establishing a missile launch facility somewhere on the Equator. Launches from the coastal areas of the U. S. now result in losses of about 20-30 percent of thrust in order to compensate for the revolution of the earth. A facility on the Equator would thus be of substantial value.

2. The matter is in its earliest planning stages; no authorization for the construction of such a site exists, nor have the necessary approvals been received for requesting such an authorization.

3. We hope to have a small survey team headed by Brigadier General H. A. Boushey and approximately ten others (including crew) visit the area of Macapa, Brazil about March 6, 1960. A State Department representative would be welcome; we would issue invitational travel orders so that State's expenses would be limited to per diem. Mr. Comarow has discussed this matter informally with the Officer in Charge of Brazilian affairs and are attaching a proposed State-Defense message to the Embassy in Rio de Janeiro which we hope can be transmitted without delay.

Signed

WILLIAM W. HANCOCK
Assistant General Counsel

1 Inclosure
Draft S-D message
to AmEmb Rio de Janeiro

cc: Mr. Alton W. Hemba
OIC Brazilian Affairs (EST)
Room 4218, New State

AFDAT (Major Howard)

RM/R
final 59
Rev.
Cat.

445364

CONFIDENTIAL

CLASSIFIED FILE

2-23-61 E.O. 11652 3-12-1960

CONFIDENTIAL

DRAFT - February 18, 1960

TO: Amembassy RIO DE JANEIRO

JOINT STATE-DEFENSE MESSAGE

Brigadier General H. A. Boushey, Director of Advanced Technology, USAF, and ten others desire to survey area of Macapa about March 6, 1960 to determine suitability of this area for possible construction of a research and development missile launch facility, related to the Atlantic Missile Test Range. Such a facility at Macapa or elsewhere on the Equator would be advantageous to the USAF in that launches from the coastal areas of the U. S. lose about 20-30 percent of thrust in compensating for revolution of the earth. No (repeat no) authorization exists for construction of such a site nor have necessary approvals been received for requesting authorization. If site acceptable, however, matter would be further considered.

Request you arrange with GOB for survey of area and furnish such assistance to General Boushey's party as you can. [Department planning to send Mr. _____.]

Embassy should not (repeat not) leave GOB with impression that decision to locate site at Macapa has been taken. Inform Department soonest your reaction.

CONFIDENTIAL

RMR 7 pkts
E&T/B: J Wilson-Dept
9-30-61.

CONFIDENTIAL

Office Memorandum • UNITED STATES GOVERNMENT

TO : DAS - Mr. Mallory

DATE: February 23, 1960

FROM : EST - Mr. Boonstra

SUBJECT: Recommendation that we Oppose Air Force Plans for a Missile Launching Facility in Brazil

The Air Force is requesting permission of the Office of the Secretary of Defense to explore the establishment of a missile launching facility in the area of Macapa, Brazil, near the equator. Embassy Rio would then be asked to obtain permission of the Brazilian Government for an Air Force party to visit Macapa in early March. The Air Force documents on the subject are attached. (TAB A).

If Defense approves the Air Force plan, EST believes that State will have to oppose it, for the following reasons:

1. We seriously doubt that the Brazilian Government would grant base rights for a new missile facility during the life of the present Government. It would be extremely difficult even to negotiate toward such an agreement during the current presidential election campaign. A similar agreement, by which the U.S. was given the right to establish a guided missile facility on the Island of Fernando de Noronha in 1957, was exploited by the Communists and ultra-nationalists in Brazil as an invasion of Brazilian sovereignty. U.S.-Brazilian relations suffered. The agitation of 1957 can be expected to occur again, but in greater intensity owing to the election campaign. The present Brazilian Government, which did nothing to protect the U.S. from charges in the Fernando de Noronha negotiations, would be even more sensitive to pressure during the election year. Agitation would come not only from the Communists and ultra-nationalists but also from the political opposition.

2. In order to obtain the Noronha Agreement in 1957, it was necessary for the U.S. to agree to provide Brazil with military assistance (estimated to cost $65.3 million over a five-year period).

3. The Air Force plan would mean an approach to Brazil almost immediately after President Eisenhower's visit to Brazil. This would certainly be played by unfriendly Brazilians as an attempt of the U.S. to exploit the President's visit.

4. Raising the question of the launching site at this time might solidify Brazilian opposition to it so that the site would ultimately be denied even if it proves, after further study by the Air Force, to be essential from a U.S. military point of view.

Because of the foregoing considerations, EST does not believe that any approach to the Brazilian Government this year could be productive. On the other hand, opening the issue could work very seriously against our interests. It would appear more practical this year for the Air Force to explore possibilities

ARA:EST/B A M Hamilton C A Boonstra

445365

CONFIDENTIAL 2/23/60

732.36311/2-2360

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APR 4 - 1961

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elsewhere and/or to study the Brazilian site on a preliminary basis not involving consulation with Brazil.

We are taking the foregoing line in conversations with the Air Force and the Department of Defense.

Approved _____

Disapproved _____

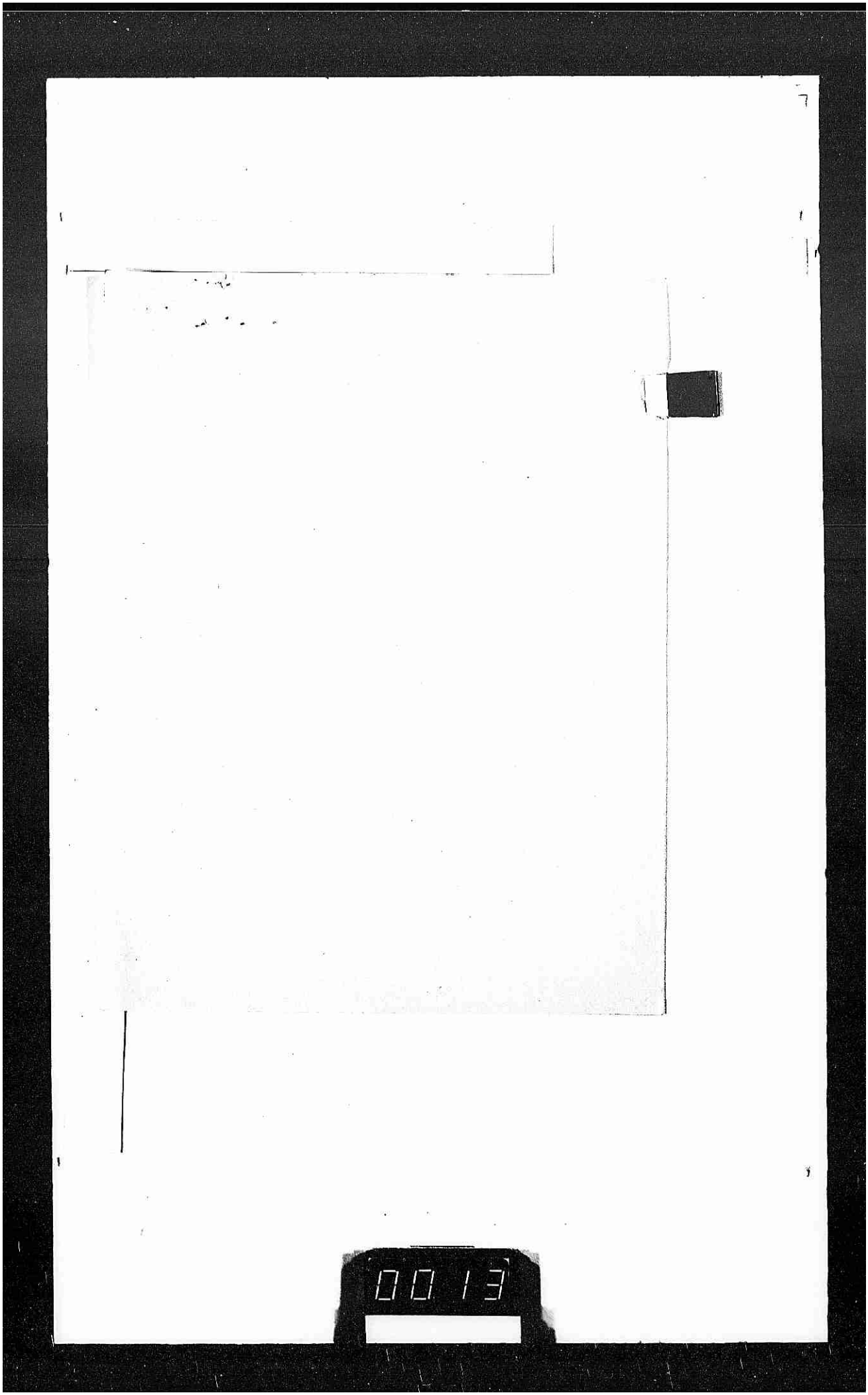
Attachments (TAB A):

1. CONFIDENTIAL Memorandum for Mr. William E. Lang, Director, Office of Foreign Military Rights Affairs, OASD/ISA 2/19/60, from William W. Hancock, Assistant General Counsel, Department of the Air Force, together with draft enclosure

cc: RPA - Mr. Spencer

Date
Copy made and sent to
S/AE: Mr. Rennie 2-24-60
AW Hemba: lms

ARA:EST/B:AWHemba:GABoonstra:lms 2/23/60


0013

In reply refer to ARA:EST

732.56311/3-260

March 15, 1960

This Document must be Returned to the RM/R Central Files

Dear Mr. Lang:

I refer to your letter of March 2, 1960, your reference I-1863/60, requesting that we seek permission of the Government of Brazil for personnel of the Department of Defense to operate, at Sao Paulo, Brazil, a passive receiving station for the TRANSIT Navigational Satellite Program.

This office has requested our Embassy at Rio de Janeiro to seek the necessary permission from the Brazilian authorities. I shall communicate with you further as soon as a reply is received from our Embassy.

Sincerely yours,

G. A. Bowdoin
Director
Office of East Coast Affairs

732.56311/3-260
C3/TJ

737.56311/3-260

Mr. William B. Lang,
Director,
Office of Foreign Military Rights Affairs,
Office of the Assistant Secretary of Defense,
Washington 25, D.C.

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S/S-CR
MAR 14 1960 P.M.

ARA:EST/B:AMHemba:lms 3/4/60

0014

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

In reply refer to: I-1863/60
INTERNATIONAL SECURITY AFFAIRS

2 March 1960

Reply drafted by EST/B:AWHamba
for signature CABoonstra 3/1[illegible]/60.

Dear Mr. Boonstra:

The Department of Defense is currently conducting a program, known as the TRANSIT Navigational Satellite Program, which is expected not only to produce basic scientific information of great importance, but ultimately to provide an all-weather navigational aid available to ships of all nations. In this connection, there is now an urgent requirement for a purely passive receiving station at a location in South America from which desired orbital data and other technical information can be obtained with respect to TRANSIT satellites. A survey of possible locations has disclosed that Sao Paulo, Brazil would be the most satisfactory site.

The contemplated receiving station would continue in operation for eighteen months or more from April 1, 1960. It would require only 150 square feet of enclosed floor space, for which any necessary leasing arrangements would be made by the appropriate Defense authorities. If the Brazilian authorities are prepared to approve the establishment of such a station, their assistance would be appreciated in locating a specific site in the Sao Paulo area meeting the following requirements: (a) a TV type receiving antenna must be installed, preferably within 50 feet but in any case not more than 100 feet from the receiver; (b) the location should be one which is or can be surveyed with a high degree of accuracy; (c) the location should be as remote as possible from the radiation fields of radio and radar transmitters; and (d) power of 1.5 to 2.5 kilowatts should be available at 115 volts, 60 cycles.

The receiving equipment would be contained in three small cabinets, weighing about 500 pounds in aggregate. The station would be operated by four civilian technicians, who would obtain suitable accommodations and subsistence in the Sao Paulo area at no expense to the Brazilian Government. Equipment and personnel would probably be brought into Brazil by a single transport aircraft.

Communications between the station and the program's control center in the United States would require a full duplex teletype-writer circuit.

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Existing commercial circuits, supplemented by existing U.S. governmental channels if necessary, would be adequate for this purpose. If the Brazilian Government approves the project, appropriate arrangements will be made in Washington with American Cable and Radio Systems for leased lines and the necessary terminal equipment in Sao Paulo.

To meet planned satellite launching schedules, it is desirable that the necessary equipment and personnel arrive in Sao Paulo not later than April 1, 1960. It would be greatly appreciated if you could take appropriate steps to secure early Brazilian approval of the operation, and authorization to introduce equipment and personnel by that date. We would ask only that the equipment needed for the station, which is U.S. Government property, should be exempted from any customs duties or taxes in connection with its introduction or its removal from Brazil upon completion of the project.

In approaching the Brazilian authorities it may be useful to emphasize that this program is unclassified and that the participation of Brazilian scientists and technicians in its scientific aspects would be most welcome. Such participation should afford Brazilian scientific personnel an early opportunity to make an important contribution to the development of satellite technology and man's conquest of space.

Sincerely,

William Lang

WILLIAM E. LANG
Director, Office of
Foreign Military Rights Affairs

Mr. Clarence A. Boonstra
Director, Office of East Coast Affairs, ARA
Department of State

0016

DEPARTMENT OF STATE INSTRUCTION

441

UNCLASSIFIED
(Security Classification)

FOR DC USE ONLY

NO.: A-244, March 4, 1960

SUBJECT: Request for Authorization to Establish at São Paulo, Brazil, a Receiving Station for the TRANSIT Navigational Satellite Program

TO: The American Embassy RIO DE JANEIRO

The Department of Defense is currently conducting a program, known as the TRANSIT Navigational Satellite Program, which is expected not only to produce basic scientific information of great importance, but ultimately to provide an all-weather navigational aid available to ships of all nations. In this connection, there is now an urgent requirement for a purely passive receiving station at a location in South America from which desired orbital data and other technical information can be obtained with respect to TRANSIT satellites. A survey of possible locations has disclosed that São Paulo, Brazil, would be the most satisfactory site.

The contemplated receiving station would continue in operation for eighteen months or more from April 1, 1960. It would require only 150 square feet of enclosed floor space, for which any necessary leasing arrangements would be made by the appropriate Defense authorities. If the Brazilian authorities are prepared to approve the establishment of such a station, their assistance would be appreciated in locating a specific site in the São Paulo area meeting the following requirements: (a) a TV type receiving antenna must be installed, preferably within 50 feet but in any case not more than 100 feet from the receiver; (b) the location should be one which is or can be surveyed with a high degree of accuracy; (c) the location should be as remote as possible from the radiation fields of radio and radar transmitters; and (d) power of 1.5 to 2.5 kilowatts should be available at 115 volts, 60 cycles.

The receiving equipment would be contained in three small cabinets, weighing about 500 pounds in aggregate. The station would be operated by four civilian technicians, who would obtain suitable accommodations and subsistence in the São Paulo area at no expense to the Brazilian Government. Equipment and personnel would probably be brought into Brazil by a single transport aircraft.

Communications between the station and the program's control center in the United States would require a full duplex teletypewriter circuit. Existing commercial circuits, supplemented by existing

732.5631/3-460 CS/CS

RE/R 73
Anal
Rev
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ES/S-CR

UNCLASSIFIED
(Security Classification)

MAR 4 1960 P.M.

DRAFTED BY: ARA:EST/B:AWHemba:lms 3/4/60

APPROVED BY: EST/B - Mr. Hemba

CLEARANCES:
EST - Mr. Boonstra
REA - Mr. McLean (by telephone)
U/MSC - Mr. Higgins (by telephone)
Defense - Wm. E. Lang (contents this instruction taken from Mr. Lang's letter 3/2/60 to Director of EST)

0017

existing U.S. governmental channels if necessary, would be adequate for this purpose. If the Brazilian Government approves the project, appropriate arrangements will be made at Washington with American Cable and Radio Systems for leased lines and the necessary terminal equipment at São Paulo.

To meet planned satellite launching schedules, it is desirable that the necessary equipment and personnel arrive at São Paulo not later than April 1, 1960.

Unless the Embassy has strong objections, it is requested to approach the appropriate Brazilian authorities to ask their approval of the operation and authorization to introduce equipment and personnel by April 1, 1960. The equipment needed for the station, which is U.S. Government property, should be exempted from any customs duties or taxes in connection with its introduction or its removal from Brazil upon completion of the project.

In approaching the Brazilian authorities it may be useful to emphasize that this program is unclassified and that the participation of Brazilian scientists and technicians in its scientific aspects would be most welcome. Such participation should afford Brazilian scientific personnel an early opportunity to make an important contribution to the development of satellite technology and man's conquest of space.

HERTER

0018

INCOMING TELEGRAM *Department of State*

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RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1387, March 14

PRIORITY

DEPINST A-244

Chief Political Department Foreign Office has advised me President gave verbal approval Friday our request cooperation transit program. Require soonest names four technicians and description all apparatus in order obtain free entry. Also technical information on Transit and copies any press releases suitable for local use. Scientific attache available for site survey if required. Despatch with text Embassy note follows. Request future communications this subject be repeated information Sao Paulo.

CABOT

EIS/8

NOTE: Mr. Wilgis (ARA) notified 5:30 p.m. 3/14/60 CWO-M

732.56311/3-1460 HBS

Mr. Bronez Defense 11-56387

FILED MAY 20 1960

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732.56311/3-1660
IR 701.56311

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON

March 16, 1960

MAR 21 1960

REF : Deptnst A-244, March 4, 1960; Embtel 1387, March 14, 1960.

20 For Dept. Use Only	ACTION ARA-4	DEPT. IN FO	RM/R-2 IRC-8 L-2 E-3 ICA-11 L-2 S/SA-2 IO-4
	REC'D 3-23-60	OTHER	CIA-10 USIA-10 OSD-4 ARMY-4 NAVY-3 AIR-6 AEC-4

SUBJECT: Brazilian Cooperation in Project Transit

Attached is copy of Embassy Note No. 545 of March 10 submitted to the Brazilian Foreign Ministry in accordance with Instruction A-244, March 4, 1960, concerning the proposed installation at São Paulo of a receiving station for the TRANSIT Navigational Satellite Program. As reported in Embtel 1387, Ambassador Pio Corrêa, the chief of the Political Department of the Foreign Ministry, informed Ambassador Cabot orally, less than 24 hours after receipt of the note, that President Kubitschek had given his approval to the project and to Brazilian assistance for it. It is believed that factors which contributed to the unusually quick action are: (1) the anticipated participation by Brazilian scientists, which the Embassy's note made a point of emphasizing; (2) the probable location of the station at an established Brazilian academic or scientific facility, a prospect specifically raised in the Embassy note; and (3) ultimate use of the navigational system by Brazilian vessels.

Subject to prompt receipt of information requested in Embtel 1387 it is believed that the target date of April 1, 1960, may be achieved. It would be helpful to the Embassy to have much more specific details concerning the overall communication requirements, especially the extent of dependence on the US Navy-operated communications station in Rio de Janeiro. For guidance of the Embassy service attachés, the Embassy also requests identification of the responsible military service.

For the Ambassador:

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 25 1960

Harry W. Wells
Scientific Attaché

Encl.

Approved:
Howard R. Cottam
Minister for Economic Affairs

cc: POL, Naval Attaché, Consulate General São Paulo

732.56311/3-1660
HBS

HWWells/JHCrimmins:rrl
REPORTER

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 898
From Rio de Janeiro

No. 545

The Ambassador of the United States of America presents his compliments to His Excellency the Minister for Foreign Affairs of the United States of Brazil and has the honor to inform him that:

1. A new satellite program of the Government of the United States of America is expected to produce basic scientific information of great importance and ultimately to establish an all-weather navigational aid available to all nations. The project is known as the TRANSIT Navigational Satellite Program, and is conducted by the U.S. Department of Defense.

2. Successful operation of the navigational system requires very precise knowledge of satellite orbits which are measured by passive, i.e., receiving only, stations. A survey of possible locations for such a station in South America has disclosed that São Paulo, Brazil, would be the most satisfactory site from which desired orbital data and other technical information may be obtained.

3. The contemplated receiving station would continue in operation for eighteen months or more. The requirements of floor space and power are very modest and the antenna for receiving has been described as a television-type.

4. Communications between the station and the program's control center in the United States would require a full duplex teletypewriter circuit. Existing commercial facilities possibly supplemented by existing United States governmental channels would be adequate for this purpose. The Government of the United States of America is prepared to make all arrangements with commercial entities for the leasing of lines and the provision of terminal equipment at São Paulo.

5. The proposed station would be staffed by a team of four civilian technicians and the participation of Brazilian scientists and technicians in the program would be most welcome at all times.

6. Equipment and personnel for the station would probably be brought into Brazil in a single transport aircraft.

7. To meet planned satellite launching schedules, it is desirable that the necessary equipment and personnel arrive at São Paulo not later than April 1, 1960.

The Ambassador of the United States of America recognizes that this project is being submitted to the consideration of the Brazilian

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authorities at a late date. He wishes to express the hope, however, that the Government of the United States of Brazil will find it possible to give its approval and support to this most worthwhile scientific undertaking. Approval by the Government of the United States of Brazil of the installation of the station described above would greatly expedite the successful achievement of project TRANSIT which has basic scientific applications and the practical goal of establishing a new navigation system for the use of vessels of all nations.

If the Government of the United States of Brazil approves the installation of the station in question, Brazilian guidance and assistance would be greatly appreciated in the selection of an appropriate site, which perhaps might be found at some established Brazilian academic or scientific facility. Technical details on site requirements will be supplied to the interested Brazilian personnel. Furthermore, the following authorizations by the Government of the United States of Brazil would be required: (a) for the introduction of personnel and equipment by April 1, 1960; and (b) for the exemption from any customs duties or taxes in connection with the introduction into or removal from Brazil of the equipment of the station, which is the property of the Government of the United States of America.

Endorsement of this program by the Government of the United States of Brazil and the subsequent participation in it by Brazilian scientific personnel should afford an early opportunity to make an important contribution to the development of satellite technology and man's conquest of space.

Embassy of the United States of America,
Rio de Janeiro, March 10, 1960

0022

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SENT TO: Amembassy RIO DE JANEIRO 1228

Mar 29 1 36 PM '60

Now anticipate Transit team will arrive approximately May 1. Details and D-898 information requested your 1387 to follow soon.

732.56311/3-1660
HERTER

732.56311/3-1660
HERTER
701.56311

Brazilian reply in Project Transit

RM/R 23 AUG 27 1960

Drafted by: ARA:EST/R:AWHamburger 3/28/60

Clearances: ARA - Mr. Rountree; ARA:RPA - Mr. McLeod; ARA:REA - Mr. Russell; S/AE - Mr. Nunns; S/SA - Mr. [illegible]; Defense - Mr. Brown (by telephone)

S/S-O
MAR 29 1960 AM

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0024

OUTGOING AIRGRAM

Department of State

600045

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NO.

SENT TO: Amembassy RIO DE JANEIRO G-79

RPTD INFO: Amconsul SAO PAULO G-11

Apr 4 2 PM '60

Page ___ of ___ Pages

JOINT STATE-DEFENSE MESSAGE.

Our 1228, ~ 732-56311

BEGIN UNCLASSIFIED. Following are names initial four-man operating team scheduled arrive São Paulo about May 1. William Baker, Neal Trimble, Harold Kinley, Kenneth Bryant. Alternates are: D. D. Stevenson, Leon Bryant, R. T. Morrison, F. M. Ashbrook. Equipment list: A. Five equipment cabinets, each about 30 inches cube. Three contain electronic equipment for station (receivers; oscillator; frequency synthesizing equipment, typing reperforator, electronic time clock; electronic data logic module). Fourth contains auxiliary power equipment. Fifth contains test equipment. B. Two-drawer filing cabinet with spare parts and stationery. C. Tape recorder. D. Three preamplifiers. E. Two helical antennas, each five feet long with five-foot diameter ground plane and with 50-foot wire. F. Four folding chairs. G. One 50-cycle to 60-cycle power converter. H. Teletype unit. I. Hamm Clark mod 250L receiver (telemetry). Total weight of equipment packed for shipment is about 4,000 pounds.

Appropriate availability Science Attaché for site survey and are preparing set of specifications for his guidance. END UNCLASSIFIED.

BEGIN OFFICIAL USE ONLY. Press kit suitable for local use, and containing technical background information, currently in final stages of preparation in connection with Transit satellite launch scheduled mid-April. This material under Official Use Only classification pending release if mid-April launch successful, but will be forwarded when available and could be used in Embassy's discretion for further explanation nature Transit program to appropriate Brazilian authorities and members Brazilian scientific community. Press release suitable for Transit satellites launch in which São Paulo station will operate, and which now scheduled for mid-May, will be made available prior that time. END OFFICIAL USE ONLY.

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Drafted by	Telephone number and authorized for release by
ARA/EST/RA:JMcSweeney:lms 4/1/60	ARA - Mr. G. A. Bordewich

ARA - Mr. Russell (in draft) ARA/EST - Mr. R. W. Brown, who supplied ... [illegible] ...
RPA - Mr. Mahoney ... [illegible] ... contents this airgram
S/AE - Mr. Palmer ... S/RA - Mr. Rowe

Telegram Branch

S/S-OUT
APR 4 1960 P.M.

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Control: 3700
Rec'd: July 6, 1960
7:03 PM

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ACTION:

FROM: Rio de Janeiro

TO: Secretary of State

NO: 45, July 6, 6 p.m.

Department circular 1622.

As previously pointed out (Raine letter Hemba December 11, 59) Embassy approves lease tug and drydock Brazilian navy. Dock would be available for commercial purposes thus increasing merchant ship repair and maintenance capability now seriously deficient.

BOND

DT

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732.56311/7-660

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December 21, 1960

732.56311/8-660.

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732.56311/8-660 CS/RA

Dear Mr. Irwin:

I refer to your letter of August 6, 1960, in which you state that the Department of Defense concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, that the United States does not intend to seek renewal of the agreement with Brazil concerning the use of the island of Fernando de Noronha for missile tracking facilities.

I note that, although you state the Department of Defense has no further requirement for facilities on the island of Fernando de Noronha, you also state that the Department of Defense considers it necessary to make arrangements for moving certain equipment from the island to the mainland at Recife in order to maintain effective communications between stations of the Atlantic Missile Range, particularly Cape Canaveral, and the Atlantic Missile Range aircraft operating from Recife, and that it appears likely the Dyna Soar program will generate requirements for the use of Brazilian territory at various times over the next few years, specifically at Fortaleza.

The substance of your letter of August 6, 1960, was conveyed to Ambassador Cabot at Rio de Janeiro and his comments have now been received. The Ambassador is in general agreement with the views and proposals of the Department of Defense with regard to the future need for the Fernando de Noronha and other installations in Brazil. In connection with your requirements at Recife, he does not foresee any serious problems if the matter is dealt with through appropriate channels and at a propitious time. However, he strongly recommends that no steps should be taken in this matter until after the installation of the new administration in Brazil and only after careful preliminary soundings at Rio de Janeiro and at Recife. He intends to provide country team recommendations as to procedure and time prior to December 30 of this year.

The Department of State agrees with the views expressed by the Ambassador. Also, the Department believes that there must be a careful coordination of the question of withdrawing from the island with the request to Brazil for establishment of additional facilities. A special

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The Honorable John H. Irwin, II,
Assistant Secretary of Defense (ISA),
Department of Defense.

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special effort should be made, if at all possible, to avoid the impression that the United States is leaving bases in Brazil, only to have such impression followed soon thereafter by a United States request for new base facilities.

With regard to the requirements of the Dyna Soar program, I wish to caution against the assumption that a site in Brazil will be easily available on terms which we consider reasonable. The Department is unable, on the basis of the information furnished concerning the program, to give a full and definitive evaluation of the prospects for fulfilling this requirement. I would, therefore, appreciate your arranging for the presentation of a complete Dyna Soar program description to the interested officers of the Department of State. I have asked Mr. Philip J. Farley, the Special Assistant to the Secretary of State for Atomic Energy and Outer Space, to coordinate these arrangements on behalf of the Department of State.

Sincerely yours,

Raymond A. Hare
Deputy Under Secretary

S-CR
Signed
DEC 20 1960 PM

ARA:RST/B:JWAllison:lms:jck:lms 12/20/60

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0028

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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

12/20/60

9456

Reply drafted 12/16/60
by ARA:EST/B:JWWilson AUG 6 1960
for signature of Mr. Hare.

etm

In reply refer to:
I-15090/60
INTERNATIONAL SECURITY AFFAIRS

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732.56311/8-660 CS/RA

732.56311/8-660

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Dear Mr. Merchant:

In a letter of October 14, 1959, Mr. Murphy requested that the Department of Defense review the military requirement for renewal of our Agreement with Brazil concerning the use of the island of Fernando de Noronha for missile tracking facilities. Failing renewal, the Agreement will expire in January of 1962. Mr. Murphy expressed the hope that renewal would not be necessary, and that the Department of Defense could concur in a notification to the Brazilian Government that renewal would not be sought.

In our interim reply of January 18, 1960, we were unable to make a definitive response on this point, inasmuch as the future need for Fernando de Noronha was still under thorough study in connection with certain quasi-ballistic and ballistic glide missile programs. This study has now been completed, and it is possible to confirm that there will be no Defense requirement for the Fernando de Noronha facilities after January of 1962. This Department concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, that the United States does not intend to seek renewal of the Agreement.

In connection with our withdrawal from Fernando de Noronha, it will be necessary to make arrangements for continued effective communications between stations of the Atlantic Missile Range, particularly Cape Canaveral, and the Atlantic Missile Range aircraft operating from Recife. The station at Fernando de Noronha has played an important part in this communications system and it is clear that commercial circuits would not be fully satisfactory from the technical standpoint. On the basis of informal discussion in service channels, there is every reason to believe that the present communications can not only be preserved but improved by relocating certain equipment from Fernando de Noronha to Recife, where it would be operated on our behalf by Brazilian Army authorities under a suitable service-to-service agreement. Unless you perceive objections, we would expect to make arrangements to this end in the relatively near future.

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In addition, it appears likely that the DYNA SOAR program will generate requirements for the use of Brazilian territory at various times over the next few years. The specific requirements and the timing are of course subject to change as the program develops, but the use of a 10,000 foot glider landing (skid) strip at Fort Aleza may be needed for one landing during October of 1963 and for three landings during the period of September-December, 1965. Such a strip would require about six months to grade and stabilize for skid landings. Its use would require short-term installation of certain communications and guidance equipment, and the presence of about 100 persons.

The probable requirement for a site at Fort Aleza has been examined carefully. There appears to be no alternative outside Brazil which meets the various technical specifications with respect to location and terrain. On the other hand, the requirement is still some distance in the future, and use of the site would probably be limited to two occasions of relatively short duration. It appears that when arrangements with Brazil become appropriate, it may be possible to conclude them without provoking extensive national attention in Brazil or a demand for quid pro quo.

Sincerely yours,

Hayden C. Williams

Acting Assistant Secretary

Honorable Livingston T. Merchant
Under Secretary of State for Political Affairs
Department of State

INCOMING AIRGRAM **Department of State**

EST - Wilson

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PAGE 1 OF 2 PAGES

Date Sent: August 30 1960
Rec'd: 1960 SEP 8 PM 00

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: A-68

ACTION TRANSFERRED to G - Mr. Newman, by ARA/EST/B:JWWilson: lms 10/18/60.

SEP 1 10 35 AM '60

1959

Re CA-9273, April 2[illegible] Circular 233, August 9,

The first annual report submitted by Despatch 127, July 31, 1959, remains essentially valid.

While Fernando de Noronha Agreement has been used as political issue by presidential candidate Janio Quadros in attempt discredit present administration, indicating that Agreement another of many acts of "entreguismo" Kubitschek's regime, there is no major threat US retention Fernando de Noronha installations. However, it is all but certain regardless who happens to be next President, GOB will ask good price for extension Agreement.

There is no strong objection, nevertheless, today to Fernando de Noronha operation and issue not being exploited by Communists. In area most directly connected Fernando de Noronha most people have no feeling disapproval US operation that island and believe such operation economically advantageous to region and constitutes continued and very strong tie with US reminding them of very friendly relations during World War II with American forces stationed that area.

Department's attention invited fact that Recife, though not officially or formally a base, is, in fact, the Embassy understands, of continuing importance to US operations. Believe immediate consideration should therefore be given formalizing use these facilities, preferably on military level negotiated here by JBUSMC, on following bases:

(a) Immediate utilization funds previously obligated on matching basis for repair runways (view fact Brazilians unable match US funds) and (b) appropriate agreement (military level) continued US use possibly on joint maintenance basis.

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2 G-68 Amembassy RIO DE JANEIRO

SECRET

Understand from local US military source that Defense reviewing continued requirements Fernando de Noronha and Recife air base.

CABOT

GRPhelanJr:rgaPRaine:gm

August 29, 1960

Cleared by Lt Col Wm P Renny, JEUSMG

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This document consists of 1 pages
Number 1 of 5 copies, Series A

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

American Embassy,
Rio de Janeiro,
October 14, 1960.

EST/B Room 6256
NS/E

SECRET

OFFICIAL-INFORMAL

Dear Jack:

In reply to your letter of October 11 and to Al Hemba's of September 9, I wish to indicate that in general I am in agreement with the views and proposals of the Defense Department concerning the future need for Fernando de Noronha and other installations in Brazil.

I do not foresee any serious problems in connection with USAF requirements at Recife if dealt with through appropriate channels and at a propitious time.

The installation of a new government on January 31 will probably mean a change in the area commanders who compose the military committee referred to in Al Hemba's letter. This committee, although charged with the responsibility for regional matters concerning the missile facility as a matter of practice, has referred all major problems to the War Ministry.

Accordingly, I strongly feel that no steps should be taken in this matter until after installation of the new government and only after careful preliminary soundings here and in Recife.

I will provide country team recommendations as to procedure and time prior to December 30.

Sincerely yours,

John M. Cabot

Jackson W. Wilson, Esquire,
Bureau of Inter-American Affairs,
Department of State,
Washington, D. C.

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DEPARTMENT OF STATE
ASSISTANT SECRETARY
ARA

This document consists of one page. Copy 1 of 11 copies. Series A.

14344

TO : G - Mr. Hare

December 13, 1960

THROUGH : S/S

FROM : ARA - Mr. Cobb

SUBJECT : Missile Tracking Facilities in Brazil

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732.56311/12-1360 CS/RA

Discussion

The Agreement with Brazil concerning the use of the island of Fernando de Noronha for missile tracking facilities expires in January 1962. In response to our request that the Department of Defense review the military requirement for renewal of the Agreement, Mr. Haydn Williams, Acting Assistant Secretary of Defense, wrote you on August 6, 1960 (TAB B) that the Department of Defense concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, of the intention of the United States not to seek renewal of the Agreement. However, he also stated (1) that the Department of Defense wishes to relocate certain essential communications equipment from the island to the Brazilian mainland (at Recife), where it would be operated for us by the Brazilians under a suitable service-to-service agreement and (2) that the DYNA SOAR program will generate requirements for the use of Brazilian territory at various times over the next few years. He indicated that, unless we perceive objections, the Department of Defense would expect to make arrangements for (1) above in the relatively near future and for (2) above when the arrangements should become appropriate.

The views of Ambassador Cabot were sought and are embodied in his informal letter of October 14, 1960 (TAB C). The Ambassador does not foresee any serious problems in connection with USAF requirements at Recife, if dealt with through the appropriate channels and at a propitious time. He believes that no steps should be taken in this matter until after installation of the new government in Brazil (January 31, 1961) and only after careful preliminary soundings with Brazilian authorities at Rio de Janeiro and at Recife. He has promised country team recommendations as to procedure and timing prior to December 30. ARA concurs in the Ambassador's views and, on this basis, has prepared the attached reply to the Department of Defense (TAB A) for your signature.

Recommendation

That you sign the letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, which is attached at TAB A.

DEC 10 FILED

732.56311/12-1360 CLASSIFIED FILE

Concurrence

S/AE - Mr. Farley

Attachments:

1. Letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, dated (TAB A).
2. Letter from Mr. Haydn Williams, Acting Assistant Secretary of Defense, dated 8/6/60 (TAB B).
3. Letter from Ambassador John M. Cabot dated 10/14/60 (TAB C).

ARA:ESTA:JWWilson:lms 12/9/60 SECRET

0034

SECRET S/S

This document consists of one page. Copy 2 of 11 copies. Series A.

ARA

14344

DEC 13 1960

TO : M - Mr. Merchant

THROUGH : S/S

FROM : ARA - Mr. Coerr

SUBJECT : Missile Tracking Facilities in Brasil

Discussion

The Agreement with Brasil concerning the use of the island of Fernando de Noronha for missile tracking facilities expires in January 1962. In response to our request that the Department of Defense review the military requirement for renewal of the Agreement, Mr. Haydn Williams, Acting Assistant Secretary of Defense, wrote you on August 6, 1960 (TAB B) that the Department of Defense concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, of the intention of the United States not to seek renewal of the Agreement. However, he also stated (1) that the Department of Defense wishes to relocate certain essential communications equipment from the island to the Brazilian mainland (at Recife), where it would be operated for us by the Brazilians under a suitable service-to-service agreement and (2) that the DYNA SOAR program will generate requirements for the use of Brazilian territory at various times over the next few years. He indicated that, unless we perceive objections, the Department of Defense would expect to make arrangements for (1) above in the relatively near future and for (2) above when the arrangements should become appropriate.

The views of Ambassador Cabot were sought and are embodied in his informal letter of October 14, 1960 (TAB C). The Ambassador does not foresee any serious problems in connection with USAF requirements at Recife, if dealt with through the appropriate channels and at a propitious time. He believes that no steps should be taken in this matter until after installation of the new government in Brasil (January 31, 1961) and only after careful preliminary soundings with Brazilian authorities at Rio de Janeiro and at Recife. He has promised country team recommendations as to procedure and timing prior to December 30. ARA concurs in the Ambassador's views and, on this basis, has prepared the attached reply to the Department of Defense (TAB A) for your signature.

Recommendation

That you sign the letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, which is attached at TAB A.

Concurrence

G - Mr. Bare S/AE - Mr. Farley

Attachments:

1. Letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, dated (TAB A).
2. Letter from Mr. Haydn Williams, Acting Assistant Secretary of Defense, dated 8/6/60 (TAB B).
3. Letter from Ambassador John M. Cabot dated 10/14/60 (TAB C).

ARA:EST/R,JWilson:lms 12/9/60 SECRET

0035

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S/S

This document consists of one page. Copy 3 of 11 copies. Series A.

ARA

14344

DEC 13 1960

TO : M - Mr. Merchant

THROUGH : S/S

FROM : ARA - Mr. Coerr

SUBJECT : Missile Tracking Facilities in Brazil

Discussion

The Agreement with Brazil concerning the use of the island of Fernando de Noronha for missile tracking facilities expires in January 1962. In response to our request that the Department of Defense review the military requirement for renewal of the Agreement, Mr. Haydn Williams, Acting Assistant Secretary of Defense, wrote you on August 6, 1960 (TAB B) that the Department of Defense concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, of the intention of the United States not to seek renewal of the Agreement. However, he also stated (1) that the Department of Defense wishes to relocate certain essential communications equipment from the island to the Brazilian mainland (at Recife), where it would be operated for us by the Brazilians under a suitable service-to-service agreement and (2) that the DYNA SOAR program will generate requirements for the use of Brazilian territory at various times over the next few years. He indicated that, unless we perceive objections, the Department of Defense would expect to make arrangements for (1) above in the relatively near future and for (2) above when the arrangements should become appropriate.

The views of Ambassador Cabot were sought and are embodied in his informal letter of October 14, 1960 (TAB C). The Ambassador does not foresee any serious problems in connection with USAF requirements at Recife, if dealt with through the appropriate channels and at a propitious time. He believes that no steps should be taken in this matter until after installation of the new government in Brazil (January 31, 1961) and only after careful preliminary soundings with Brazilian authorities at Rio de Janeiro and at Recife. He has promised country team recommendations as to procedure and timing prior to December 30. ARA concurs in the Ambassador's views and, on this basis, has prepared the attached reply to the Department of Defense (TAB A) for your signature.

Recommendation

That you sign the letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, which is attached at TAB A.

Concurrence

C - Mr. Hare

S/AE - Mr. Farley

Attachments:

1. Letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, dated (TAB A).
2. Letter from Mr. Haydn Williams, Acting Assistant Secretary of Defense, dated 8/6/60 (TAB B).
3. Letter from Ambassador John M. Cabot dated 10/14/60 (TAB C).

ARA:EST/B:JWWilson:ADM 12/9/60

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This document consists of one page. Copy 4 of 11 copies. Series A.

ARA

14344

TO : M - Mr. Merchant

THROUGH : S/S DEC 13 1960

FROM : ARA - Mr. Goerr

SUBJECT : Missile Tracking Facilities in Brazil

Discussion

The Agreement with Brazil concerning the use of the island of Fernando de Noronha for missile tracking facilities expires in January 1962. In response to our request that the Department of Defense review the military requirement for renewal of the Agreement, Mr. Haydn Williams, Acting Assistant Secretary of Defense, wrote you on August 6, 1960 (TAB B) that the Department of Defense concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, of the intention of the United States not to seek renewal of the Agreement. However, he also stated (1) that the Department of Defense wishes to relocate certain essential communications equipment from the island to the Brazilian mainland (at Recife), where it would be operated for us by the Brazilians under a suitable service-to-service agreement and (2) that the DYNA SOAR program will generate requirements for the use of Brazilian territory at various times over the next few years. He indicated that, unless we perceive objections, the Department of Defense would expect to make arrangements for (1) above in the relatively near future and for (2) above when the arrangements should become appropriate.

The views of Ambassador Cabot were sought and are embodied in his informal letter of October 14, 1960 (TAB C). The Ambassador does not foresee any serious problems in connection with USAF requirements at Recife, if dealt with through the appropriate channels and at a propitious time. He believes that no steps should be taken in this matter until after installation of the new government in Brazil (January 31, 1961) and only after careful preliminary soundings with Brazilian authorities at Rio de Janeiro and at Recife. He has promised country team recommendations as to procedure and timing prior to December 30. ARA concurs in the Ambassador's views and, on this basis, has prepared the attached reply to the Department of Defense (TAB A) for your signature.

Recommendation

That you sign the letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, which is attached at TAB A.

Concurrence

G - Mr. Hare S/AE - Mr. Farley

Attachments:

1. Letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, dated (TAB A).
2. Letter from Mr. Haydn Williams, Acting Assistant Secretary of Defense, dated 8/6/60 (TAB B).
3. Letter from Ambassador John M. Cabot dated 10/14/60 (TAB C).

ARA:EST/B,JWWilson:lms 12/9/60 SECRET

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EST/B - subject. Please return to Room 6256 NS/E

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ARA

TO : H - Mr. Merchant

THROUGH : S/S

DEC 13 1960

FROM : ARA - Mr. Goerr

SUBJECT : Missile Tracking Facilities in Brazil

Discussion

The Agreement with Brazil concerning the use of the island of Fernando de Noronha for missile tracking facilities expires in January 1962. In response to our request that the Department of Defense review the military requirement for renewal of the Agreement, Mr. Haydn Williams, Acting Assistant Secretary of Defense, wrote you on August 6, 1960 (TAB B) that the Department of Defense concurs in advising the Brazilian authorities, at such time as the Department of State considers appropriate, of the intention of the United States not to seek renewal of the Agreement. However, he also stated (1) that the Department of Defense wishes to relocate certain essential communications equipment from the island to the Brazilian mainland (at Recife), where it would be operated for us by the Brazilians under a suitable service-to-service agreement and (2) that the DYNA SOAR program will generate requirements for the use of Brazilian territory at various times over the next few years. He indicated that, unless we perceive objections, the Department of Defense would expect to make arrangements for (1) above in the relatively near future and for (2) above when the arrangements should become appropriate.

The views of Ambassador Cabot were sought and are embodied in his informal letter of October 14, 1960 (TAB C). The Ambassador does not foresee any serious problems in connection with USAF requirements at Recife, if dealt with through the appropriate channels and at a propitious time. He believes that no steps should be taken in this matter until after installation of the new government in Brazil (January 31, 1961) and only after careful preliminary soundings with Brazilian authorities at Rio de Janeiro and at Recife. He has promised country team recommendations as to procedure and timing prior to December 30. ARA concurs in the Ambassador's views and, on this basis, has prepared the attached reply to the Department of Defense (TAB A) for your signature.

Recommendation

That you sign the letter to Mr. John N. Irwin II, Assistant Secretary of Defense, which is attached at TAB A.

Concurrence

C - Mr. Rare

S/AE - Mr. Farley

Attachments:

1. Letter to Mr. John N. Irwin, II, Assistant Secretary of Defense, dated (TAB A).
2. Letter from Mr. Haydn Williams, Acting Assistant Secretary of Defense, dated 8/6/60 (TAB B).
3. Letter from Ambassador John M. Cabot dated 10/14/60 (TAB C).

ARA:EST/B:JWWilson:ms 12/9/60 SECRET

0038

OPTIONAL FORM NO. 10
5010-104
UNITED STATES GOVERNMENT

Memorandum

CONFIDENTIAL

TO : ARA - Mr. Mann

THROUGH: ARA - Mr. Cospe

FROM : EST - Mr. Hemba

DATE: December 22, 1960

SUBJECT: Brazilian Island of Fernando de Noronha

You requested more information on the Brazilian island of Fernando de Noronha on which is located a U.S. missile tracking station under a five year Agreement which expires in January, 1962.

The Island is a Federal Territory of the Republic of Brazil and is run by a Military Governor appointed by the President. It is located about 125 miles off the hump of Brazil, has an area of about 10 square miles and a population of about 600 inhabitants.

The local population apparently has never been resentful of the U.S. station. The station is headed by one USAF officer and includes about thirty U.S. civilian technicians and about thirty Brazilians. The Island has benefited by roads and other facilities constructed by the station.

On the mainland, however, consideration of the Agreement became a national issue when the Nationalist Parliamentary Front in the Congress and Communist papers opposed conclusion of the Agreement on the grounds that it would be a "forfeiture" of Brazilian sovereignty. To obtain approval of the Agreement, our military had to offer a "package" of military equipment to Brazil. This package is being delivered over a period of four years at a cost of more than $60 million.*

Last year, fearing that a renewal of the Agreement might touch off another anti-U.S. campaign in Brazil, we encouraged Defense to review its military need for the station beyond 1961. We made little progress with Defense until we pointed out that renewal could require another "package". Defense then decided it would not need the station after 1961. At the same time, however, Defense said it would wish to transfer some of the communications equipment to Recife (on the mainland) where it would be operated by Brazilians, under a Service-to-Service Agreement, in support of our over-all missile tracking activity in the area (includes Ascension Island facilities).

Defense believes that a Service-to-Service Agreement for operation of the radio equipment at Recife can be obtained in a routine way and without

CONFIDENTIAL

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without any quid pro quo for Brazil. There is at least some reason to doubt that it will be so easy and inexpensive. For one thing our last installment of the "package" will be delivered during the last year of the Fernando Agreement. The Brazilian military doubtless will be anxious to have similar equipment continued through one source or another.* Thus very careful handling seems to be indicated in requesting permission to operate the radio equipment at Recife and in notifying Brazil that we do not intend to renew the Fernando Agreement. Ambassador Cabot has suggested it might be difficult to get the outgoing Brazilian Government to focus on these matters in a binding way. The Ambassador prefers, and we agree, that he wait until after Quadros is installed to approach the Brazilian authorities. We are informing Defense of this timing.

A possible additional and complicating factor is a requirement of the Department of Defense for facilities (probably emergency landing strips) in Brazil for [redacted] returning from outer space under Operation DYNA SOAR. We understand, however, that facilities for DYNA SOAR may not be required before 1963.

*This package includes military equipment which, largely, is over and above what we otherwise would have supplied to Brazil during the four year period. While we hope to avoid future pay offs with similar packages, it is of course expected that a substantial part of any military program for Latin America would go to Brazil.

ARA:EST:AWHemba:ed

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

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1961 JAN 31 PM 11 10

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Origin

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SENT TO: Amembassy RIO DE JANEIRO 982

RPTD INFO: Amembassy PANAMA PASS CINCARIB 314

Defense now indicates it may have important new requirement for missile tracking facility on Fernando de Noronha requiring agreement be continued beyond termination date of January 21, 1962. In view this development, question of terminating agreement, or renewal, should not be raised with Brazilians pending further instructions from Department. Embassy should insure that US military representatives comply this instruction.

In view of nationalistic exploitation of anti-American issues in Brazil incident to negotiating present agreement and costs to US in terms of special military aid package, Department requests Embassy views soonest practicable on outlook for effecting renewal including possible new quid pro quo which Brazil might require.

Rusk

RUSK

RM/R
Anal.
Rev.
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Typed by: ARA:EPAiken:Spencer:hjb

Telegraphic transmission and classification approved by: ARA - Mr. Mann

Clearances: Defense-Mr. Brubeck (in draft); U/MSC-Mr. Higgins (in draft); EUR-Mr. Boonstra (in draft); Mr. Hemba (in draft); G-Mr. Wasson (in draft)

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Classification

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This document consists of 1 pages
Number 1 of 2 copies, Series A

G

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

ACTION is assigned to

APPA

In reply refer to:
I-17777/60
INTERNATIONAL SECURITY AFFAIRS

DEPUTY UNDER SECRETARY OF STATE
1961 FEB 7 PM 3 47

FEB 2 1961

S/AE

FEB 1 1961

DEPARTMENT OF STATE ACTION: EST RMTS
INFO:

Dear Mr. Hare:

I refer to your letter of December 21, 1960, concerning our future requirements for the use of Fernando de Noronha and other locations in Brazilian territory.

A possible continuing requirement for Fernando de Noronha has now arisen in connection with the use of the Atlantic Missile Range for further development of the Navy's POLARIS missile. The existence of such a possibility has been notified to working level officials in the Department of State, and the Air Force has been examining in detail the necessity of retaining Fernando de Noronha for the contemplated work. We would expect soon to be able either to confirm that renewal of the Fernando de Noronha Agreement is not required or to indicate more specifically the research and development problems which make an attempt at renewal necessary. Meanwhile, it is requested that no immediate action be taken to advise Brazilian authorities of our intention not to renew the Agreement.

We are of course pleased that Ambassador Cabot foresees no serious substantive problems in the possible relocation of certain communications equipment from Fernando de Noronha to Recife. The appropriate Air Force authorities have been advised that no further steps should be taken in this regard until the Ambassador's recommendations as to procedure and timing have been received and studied. There is also under preparation, in accordance with your request, a briefing for interested officers of the Department of State on the DYNA SOAR program and the requirements which it may generate for sites in Brazil. This office expects to be in touch with Mr. Farley in the near future to make specific arrangements for such a presentation.

Sincerely yours,

William P. Bundy

William P. Bundy
Deputy Assistant Secretary

Honorable Raymond A. Hare
Deputy Under Secretary for Political Affairs
Department of State

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MAR 6 - 1961

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732.56311/2-961

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Dear Mr. Williams:

I refer to your letter of February 9, 1961, regarding the decision to offer Brasil an Export-Import Bank credit of $100 million.

Our objective in offering this credit is to assure the new Brazilian Administration of our willingness to be helpful in the critical financial situation which it inherited from its predecessor. The credit, which would be used by Brazil for essential imports of capital goods from the United States, would provide interim emergency assistance and thus give President Quadros a breathing spell in which to survey his country's needs.

Through this positive step we hope to encourage the Quadros Government toward urgently needed financial reforms and also to help create a cordial relationship in the interest of our over all position in Brasil, including our military requirements in that country.

Under these circumstances, we believe the only condition which should be attached to the loan is the evidence, already reasonably clear, of the new Government's determination to take realistic and effective reforms in the financial field.

We recognize that the Department of Defense may have an important need for facilities on the Island of Fernando de Noronha after the expiration of the Fernando Agreement and that a substantial quid pro quo may be essential for obtaining continued access to these facilities. Should the Department of Defense requirement develop, we will, of course, give every consideration to the most advantageous means of meeting the requirements of the Department of Defense.

Sincerely yours,

732.56311/2-961

RM/R
Anal. [illegible]
Rev. [illegible]
Cat. [illegible]

March 7, 1961

Raymond A. Hare
Deputy Under Secretary

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S/S-CR
MAR 8 1961
5475 [illegible]

The Honorable
Mr. Haydn Williams,
Deputy Assistant Secretary for Defense,
International Security Affairs,
Department of Defense.

ARA:EST:[illegible]schh 2/27/61

ARA - Mr. Barall
B/FAC - Mr. Bell

CLASSIFIED FILE
MAR 6 1961 AM
Send copies 1, 2, 3, 4, 5, 6, 8, Series B only
MAR 7 1961 PM

0044

URGENT

Rec'd 3/9

0045

ARA ROUTING SLIP

**Please circulate the attached in the numerical order indicated after the office symbols.

**The action office is circled.

ROUTING		
Office	Routing Order	Copy to
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CMA		
CMA/		
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ACTION REQUESTED

1. For preparation of reply to be signed by: ARA ☑ DAS ☑
   Mr. Hare
2. No reply appears necessary ☐
3. For appropriate handling ☐
4. For information ☐
5. For clearance ☐
6. ☐
7. ☐

Please furnish ARA with copy of reply or inform this office of action taken.

COMMENTS:
Plse prepare app. reply. Mr Barall, Mr Coerr & TCM should see outgoing reply.

PROPOSED DUE DATE 11-27

Date 11-17 Initials JM

0046

SECRET

Title of Document: Letter dated 2/9/61 subject
Number of Pages: 3 Copies, Series A

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

ACTION
is assigned to
ARA

In reply refer to: I-12491/61
INTERNATIONAL SECURITY AFFAIRS

DEPUTY UNDER SECRETARY OF STATE FEB 9 1961

FEB 15 1961
DEPARTMENT OF STATE

Rec'd. 2/27/61
ARA: EST: AWHemb:sld

P/FAC
S/AF

Dear Mr. Hare:

At the meeting of the National Security Council on February 1, 1961, Mr. Dillon stated that the Departments of State and Treasury were agreed that it would be desirable to make an early offer to the new President of Brazil (Quadros) of a $100 million loan from the Export-Import Bank (NSC Action No. 2397-b).

In my letter to you on February 2, 1961, I outlined a possible continuing requirement for the tracking site on Fernando de Noronha, and perhaps a continuing need for other locations in Brazil.

In view of past experiences with the Brazilians in connection with the Noronha Package, it is suggested that the proposed $100 million Export-Import Bank loan to Brazil be considered in any quid-pro-quo arrangement which may develop in any future U. S. base negotiations with Brazil.

732.56311/2-961

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Sincerely,

Haydn Williams

Haydn Williams
Deputy Assistant Secretary

Honorable Raymond A. Hare
Deputy Under Secretary for
Political Affairs
Department of State

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SECRET — COPIES REC'D ARA
Classification Control: 11256
Rec'd: February 17, 1961
6:52 P.M.

FROM: Rio de Janeiro (Pls see ltr 5/23/61 to Defense - Mr. Nitze from Dep Under Secy U. Alexis Johnson).
TO: Secretary of State
NO: 1065, February 17, 4 p.m.
FILE. ARA:EST/B: JWAlson:ems 5-29-61

001

ACTION TRANSMITTED

SENT DEPARTMENT 1065, REPEATED INFORMATION PANAMA CITY 9

PANAMA CITY PASS CINCARIB

Department telegram 982 repeated Panama City 314

Question renewal Fernando de Noronha agreement will not be raised by US officials unless otherwise instructed. Embassy's assessment outlook for effecting renewal (discussed at Country Team meeting) summarized as follows:

1. View Quadros specific attacks Fernando Noronha agreement during election campaign renew almost certain be difficult. Nonetheless situation at time decision taken begin negotiations could change this prospect.

2. If decided seek renewal Embassy suggests JBUSMC take subject on exploratory confidential basis with Brazilian military rather than first approach by Embassy to Foreign Office. In no case should negotiations be considered for several months until Embassy has had fuller opportunity judge orientation new administration.

3. Embassy cannot now make useful estimate re quid pro quo but not likely be cheap.

CABOT

MM-10

732.56311/2-1761 HBS

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0048

INCOMING TELEGRAM *Department of State*

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Action

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Control: 9866

Rec'd: April 16, 1961
5:05 p.m.

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RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1400, April 14, 6 p.m.

NO DISTRIBUTION OUTSIDE DEPARTMENT

EMBTEL 1065

If need still exists for Fernando De Noronha facilities and effort to be made extend agreement, Embassy believes soundings should begin near future along lines outlined reference telegram. Recent high level personnel changes reflect recommendations General Cordeiro De Farias, Chief Armed Forces General Staff, and add considerably to his influence. Cordeiro De Farias believed to be as favorable to agreement as any top-ranking Brazilian military personnel.

Embassy also believes that even if we do not wish make financial aid now being requested by Brazilians, a quid pro quo for renewal agreement, desire for such aid likely make Brazilian Government more amenable renewal at this time.

CABOT

AAL/9

Message delayed in transmission.

732.56311/4-1461

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CONFIDENTIAL

NARA, Date 7-25-91/B
DW Carlson Chm
5-29-91

REGISTERED

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May 23, 1961

732.56311/4-2861

Dear Mr. Mitau:

I refer to Mr. Williams' letter of April 28, 1961, to the Under Secretary in which the Department of Defense requested that we initiate negotiations with the Brazilian Government to meet certain United States requirements. These requirements may be summarized as follows: a) a renewal of the 1956 Agreement under which the United States maintains a missile tracking facility on the Brazilian island of Fernando de Noronha; b) continued use of docking, warehouse, airport and other facilities at Recife, Brazil, which are used to support the Fernando facility, as well as other activities of the Atlantic Missile Range; c) an Agreement under which Brazil would grant the United States a landing and instrumentation site at Fortaleza, Brazil, for use in connection with the experimental DYNA SOAR manned military space flight program.

I note that, with regard to the facilities on Fernando de Noronha, Mr. Williams states that alternative arrangements could be developed but that the Department of Defense would prefer to avoid resort to this alternative unless Brazilian terms for the continued use of Fernando de Noronha should prove unreasonable.

Negotiation of the present Fernando de Noronha Agreement was a slow, arduous and expensive process. It became a national issue in Brazil when the Nationalist Parliamentary Front in the Brazilian Congress and Communist-oriented newspapers opposed conclusion of the Agreement on the grounds that it would "forfeit" Brazilian sovereignty. The Brazilian military capitalized on this anti-United States campaign to reinforce their desire for a substantial quid pro quo of equipment. In the end, to get Brazil's approval of the Agreement, we had to make a commitment to provide military equipment costing more than $40 million. Most of this equipment will have been delivered by January 21, 1962, the date on which the Agreement will terminate or require renewal.

Some members of our Congress termed this quid pro quo an exorbitant price to pay for the use of about ten square miles of foreign territory for a five-year period. Others expressed concern that our compensation, if such had to be paid, had taken the form of

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Mr. Paul H. Mitau,
Assistant Secretary of Defense
for International Security Affairs,
Department of Defense.

CONFIDENTIAL

0050

the form of military, rather than economic, assistance.

We believe that new negotiations with Brazil to seek a five-year extension of the Agreement would be difficult and might provoke a new nationalist campaign against the United States. During the Brazilian presidential campaign last fall, President Quadros reportedly said that he would not have "ceded" Fernando de Noronha to the Americans. If he should stand on this position, he might refuse all our requests. Such a stand would clearly be in line with his much-publicized desire to be independent of the United States in foreign affairs. We believe he would be willing to bargain only on such basis as to permit him to rationalize a shift in position. There is no assurance that he would consider the program of financial assistance we now have under consideration as an adequate justification.

Moreover, the Brazilian military may be expected to view new negotiations as an opportunity to extract further military assistance from the United States, especially since they will be aware that the deliveries of equipment under the previous commitment will be substantially completed in 1962. They may be expected to bring pressure to bear on President Quadros to make arrangements for continuing the flow of United States military aid. Though Quadros appears desirous of reducing the influence of the military in Brazil, in such a situation he might become their willing ally. Additional military assistance would gratify the military without significant cost to President Quadros' budget.

Under these circumstances, I am sure that you can understand our reluctance to initiate negotiations for continued use of the facilities on Fernando de Noronha if adequate alternative arrangements are open to our Government without serious damage to our military requirements, and in the absence of a clear indication that seeking these facilities would be a net advantage to the United States.

The foregoing considerations also apply in large measure to negotiations for the other requirements set forth in Mr. Williams' letter, although in their case we would not be faced with a publicly announced stand by President Quadros in opposition to granting them. We believe that the chances of attaining the requirement involving Fortaleza and of continuing satisfactory arrangements for use of facilities at Recife would be enhanced, although by no means assured, by association with a statement that we no longer require the use of the facilities on Fernando de Noronha.

In order



In order for the Department of State to make a decision on the initiation of negotiations for some or all of the requirements stated in Mr. Williams' letter, I should appreciate your reassessment of the priority of these requirements in the light of the existing adverse factors. It would also be helpful to have a statement of the availability of alternative arrangements for these requirements at Fortaleza and Recife.

After receiving your reassessment, we would then wish to determine whether the seeking of any of these facilities would be a net advantage to the United States and, if so, whether the United States would be prepared to pay compensation to Brazil should that become necessary.

Sincerely yours,

U. Alexis Johnson
Deputy Under Secretary

Clearances:

H - Mr. Schnee (in draft)
SA/E - Mr. Farley
B/FAC - Mr. Wilson (in draft)
seen in draft by Amb. Gardner

cc: Amembassy RIO DE JANEIRO
POLAD, CINCARIB - Mr. Boonstra

S/S CR
MAY 19 1961 PM
MAY 2[illegible] 1961

CONFIDENTIAL

ARA:EST:AWHemba:dhh:EST/B:JWWilson:jck:lms 5/19/61

0052

DEPARTMENT OF STATE
SPECIAL ASSISTANT TO THE UNDER SECRETARY

SECRET
ATTACHMENT

May 4, 1961

AAA - Mr. Coerr

Through - S/S

I am attaching for your information and reply a letter of April 28 to Mr. Bowles from the Defense Department concerning continued and future needs for military facilities in Brazil. I suggest a reply be drafted for Mr. Johnson's signature.

Charles E. Rogers

SECRET
ATTACHMENT

0053

This document consists of 3 pages
Copy 1 of 4 Copies, Series A

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D.C.

7340 U G

Prepared by ARA:EST/BWNewbo:
EST/IS:JWLarkin-lmm-
5-19-61.
Dated 5-23-61

ACTION
is assigned to
ARA

I-13,914/61
INTERNATIONAL SECURITY AFFAIRS

Dear Mr. Bowles:

In our letter of February 2, 1961, to Mr. Hare, concerning military requirements in Brazil, we indicated a possible continuing need for the facilities at Fernando de Noronha after the present agreement expires in January of 1962. We also raised the possibility that a site would be required in Brazil for the development of the DYNA SOAR glider. I should like now to confirm these requirements, and to emphasize their importance to the missile and space vehicle development programs being carried out on the Atlantic Missile Range.

The continued need for Fernando de Noronha arises from the existence there of an important underwater hydrophone system installed by the U.S. Access to this equipment is required through 1965 to provide target impact data for the development of the Navy's POLARIS AX-3 missile. The development of special instrumentation vessels, and their use as alternatives to the station, would be costly and time-consuming, and would be less reliable in operation. We would greatly prefer to avoid resort to this alternative unless Brazilian terms for the continued use of Fernando de Noronha should prove unreasonable.

In the circumstances, we would hope that a five-year renewal of the Fernando de Noronha Agreement could be negotiated with Brazil, extending the availability of the facility to January of 1967. We would also hope that this matter could be broached in time to take advantage of the favorable atmosphere which current economic assistance discussions may be expected to generate.

The DYNA SOAR requirement arises from a joint USAF-NASA effort to develop a manned research glider adequate for the exploration of flight problems beyond the X-15 capability, and up to orbital velocity and altitude. Such research is needed in preparation for the ultimate development of maneuverable manned space vehicles. To test the DYNA SOAR vehicle it is essential to have a landing and instrumentation site approximately 3,000 miles downrange from Cape Canaveral, Florida. It must therefore be

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located in Brazil, and the area of Fortaleza would be most suitable. About 2,000 acres of land, on which to construct a 10,000-foot skid strip and to install the necessary transportable communications, radar, and telemetry equipment would be needed. In tests achieving speeds and altitudes just short of those necessary for entry into orbit, the manned DYNA SOAR vehicle would maneuver to this site and land there.

The prospective use of Fortaleza in the DYNA SOAR development program is based on the following tentative schedule. In October or November of this year, surveys of landing sites would be conducted. In September of 1962, installation would begin of the communications, radar and telemetry equipment. (This would be used initially in 1964 for tests of unmanned gliders terminating in the open sea.) In April or May of 1963, construction would begin on the glider landing strip. In 1965 and 1966 landings, probably not more than 12 in number, would be made at Fortaleza. The maximum population at the site, to be reached about 1965, would be approximately 100 persons. Of these, only one would be a US military officer, although during the early stages of the operations there may be as many as 12 military personnel. The remainder would be civilian contractor employees. As on Fernando, there would be a number of employment opportunities for Brazilian nationals. I should emphasize that the foregoing is purely a scientific research plan for the development of a practical manned space vehicle. The use of Fortaleza would not involve the test of any military systems or concepts.

It would be appreciated if the Brazilian Government could be approached with a view to reaching agreement on the necessary DYNA SOAR facilities at Fortaleza. Because the possibility of technical program delays must be anticipated we would hope that such an agreement could run for several years beyond the tentative schedule indicated above.

Finally, I wish to mention the important facilities currently used in Recife, Brazil, by ships and aircraft of the Atlantic Missile Range engaged in downrange work in the South Atlantic and Indian Oceans. These facilities include (a) docking and warehouse space at the port which have been arranged locally by Pan-American World Airways, the range contractor; (b) the use of facilities at the Recife commercial airport, including hanger space, by range aircraft; and (c) the operation by the Brazilian military of U.S. communications equipment which links Recife to Fernando de Noronha. The activities at Recife involve approximately 88 persons, of whom one is a USAF officer, 18 are U.S. civilian contractor employees, and the remainder Brazilian national employees of the contractor.

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These operations are essential to the mission of the Atlantic Missile Range, and will continue to be so for an indefinite period, quite apart from our use of Fernando de Noronha or Fortaleza. At present, on the basis of informal or service-level arrangements, our use of Recife is fully satisfactory. We would not wish to disturb a satisfactory situation solely to formalize these arrangements at Governmental level, unless such a course offered distinct advantages for long-term retention of our privileges. We would appreciate your views as to whether, during possible detailed discussion of the Fernando and Fortaleza problems, it would be useful to raise the question of Recife, and in what fashion.

Each of the problems discussed above involves many details which would be inappropriate for this general statement. This office would be pleased to provide whatever further background information the Department of State may desire, and to assist in the preparation of any negotiating instructions or draft agreements which you may contemplate.

Sincerely yours,

Hayden Williams

Acting Assistant Secretary

Honorable Chester Bowles

Under Secretary of State

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0056

CONFIDENTIAL

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

I-4568/61
INTERNATIONAL SECURITY AFFAIRS

ACTION
As is assigned to

DEPUTY UNDER SECRETARY OF STATE

DEPARTMENT OF STATE

Dear Mr. Johnson:

I wish to acknowledge receipt of your letter of May 23, 1961, concerning the difficulties which would attend the negotiation of certain Defense requirements in Brazil. Your request for a reassessment of the priority of these requirements, in the light of the adverse factors involved, has been referred to the appropriate technical authorities in the Department of Defense. I hope soon to be in touch with you further about the matter.

Sincerely yours,

William P. Bundy
Assistant Secretary

Honorable U. Alexis Johnson
Deputy Under Secretary of State
Department of State

CLASSIFIED FILE

CONFIDENTIAL

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0057

INCOMING AIRGRAM **Department of State**

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~~This document consists of 2 page, Copy of copies, Series A.~~ ARA 13

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NUMBERED PAGE 1 OF 2 PAGES

FROM: Amembassy RIO DE JANEIRO

Date Sent: August 2, 1961

Rec'd 9:41 AM AUG 4 10 11 AM '61

732.56311/8-261

Info RMR S/S L S/P L E INR CIA USIA

TO: Secretary of State

NO: A-43

ARMY NAVY AIR OSD NSA

ARA/EST/B-9 no action file 8-10-61 ARA

RMR

COPY NO. 4 SERIES B

RM/R FILES

File. Repeated by DS-4 8/10/61 to POLAD CINCARIB. EST/B:JWWilson:lms 8/10/61

This document consists of 2 pages. Copy 8 of 9 copies. Series .

Embtel 246 July 28

Following is text Foreign Ministry secret note July 26, 1961, on Radio Rio.

(BEGIN QUOTE) The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and has the honor to acknowledge receipt of Note. No. 4 of July 6 of the current year, relative to cessation of the operation, by elements of the North American Navy, of the radio receiving and transmitting station known as Radio Rio.

In reply, the Ministry of Foreign Affairs considers it fitting to recall that Radio Rio, installed in a period of emergency, during the last World War, by means of a verbal, non-published agreement, had no reason to continue to function in the same manner, with peace having been established and the country reconstitutionalized. The old situation has always been maintained on a precarious basis, without any formal juridical agreement between the interested governments. It is not possible for the Brazilian government to consent that Radio Rio continue to be operated, under the previous conditions, by the American Naval Mission, and, on the other hand, it is not lawful for it to regularize the situation by an international agreement in view of the fact that /such an agreement/ would be contrary to legal and constitutional provisions presently in force.

The Ministry of Foreign Affairs wishes to make clear that such a decision need not affect the excellent relations and profitable cooperation which has existed between the Navies of Brazil and the United States of America, and expresses its confidence that the understandings between the naval authorities of the two countries, in Rio de Janeiro, regarding the execution of the decision of the Brazilian government, will come to a satisfactory conclusion. (END QUOTE)

732.56311/8-261

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0058

2 Amembassy RIO DE JANEIRO

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Portuguese text being sent separately.

CABOT

HAQuinn
POL:RHShields:gw
July 31, 1961

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0059

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Rec'd: August 14, 1961 ~~2:43~~ p.m.

1961 AUG 15

001/14

Action ARA

Info SS G SP L SAE BFAC PX IOP INR CIA NSA OSD ARMY NAVY AIR NASA RMR

FROM: Recife (Via Pouch)

TO: Secretary of State

NO: 40, August 9, 2 p.m.

ACTION:
INFO:
RM/R FILES

Date location
8 8 7 10 12 N Diana - Amm
8-15-61

ACTION RIO DE JANEIRO 52, INFORMATION DEPARTMENT 40

Understand that military agreement covering Fernando do Noronha missle tracking base will expire next January unless renewed. Interested American officers have queried Consulate in this regard in the past several weeks. Would appreciate learning whether renewal negotiations are underway or planned.

RABIDA

MM-1

732.56311/8-961

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0060

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"HANDLING INDICATOR

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732.56311/8-1661

AUG 18 1961

FOREIGN SERVICE DESPATCH — to Amconsul RECIFE

Reply airgram/drafted 51

FROM : Amcon Recife by EST/B:JWWilson:
ORD:ILL:EWKelly 11/2/61.

COPY NO. 10 SERIES A

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 16, 1961
DATE

REF : Contel 40 August 9, 1961 (sent Rio 52)

For Dept. Use Only	ACTION	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
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	REC'D 8-22			AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA	NASA				

SUBJECT: Query Regarding Property Disposal

Mr. Frank Winner, property disposal officer at Patrick Air Force Base in Florida, visited the Consulate on August 16, 1961, accompanied by Mr. Joseph F. Hart, Recife base manager of the guided missile division of Pan American Airways. He stated that if the agreement pertaining to the base at Fernando do Noronho is not extended beyond its expiration date of January 1962, certain property there would become available for surplus disposal. He was informed that the Consulate was not in a position to provide any information in this regard as all of the negotiations incident to base agreements such as that applicable to Fernando do Noronho were handled by the appropriate authorities at Washington. With reference to Paragraph 2a, Chapter 13, Volume VI, of Air Force Manual 67-1, concerning the determination of the foreign policy aspects of disposal, he was informed that the Department's advice would be requested.

Mr. Winner provided the attached list of the property in mind. He requested that his Chief, Mr. Fred Edge, Redistribution and Marketing (MTRED), Patrick Air Force Base, Florida, be informed of the policy relating to possible disposal of the premises. He recommended that the policy be to donate in accordance with AF Manual 67-1 the more valuable property to deserving official or charitable agencies at Recife through the Consulate as the medium for donation (with publicity impact and general aid projects in mind), permitting as feasible the sale of impractical items to local dealers. The Consulate concurs in this recommendation if any property should become available for disposal. Customs duties and other cost factors probably would make impractical the donation of property to unofficial agencies including many worthy charities, but good publicity and related considerations probably would flow from the donation.

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FORM 6-61 FS-439 GPO 912595

This document consists of 2 pages. Number 1 of 5 copies, Series A

DEPARTMENT OF STATE — BUREAU OF INTER-AMERICAN AFFAIRS — AUG 28 1961 — File

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ACTION	ACTION TAKEN	
ASSIGNED TO:		
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

CENTRAL FILE

0061

of useful and valuable items to the federal agency for development in the northeast, SUDENE, and/or to the state development agency, CODEP. This is especially pertinent in view of the delays that are likely to occur in the realization of any development impact projects in the area.

Accordingly, if circumstances should be such as to require the disposal of any property at Fernando do Noronho, the Department's authorization to permit the Consulate to accept disposable property from the appropriate USAF officials and to arrange in the light of the most propitious possibilities to donate it to SUDENE or CODEP would be appreciated. It also would be appreciated if the Department would inform Mr. Edge and Mr. Winner at the Patrick Air Force Base of the decision and policy that may, depending upon the negotiations relating to Fernando do Noronho, be taken in this regard.

In addition to the items on the attached list the disposal of which is contingent upon other developments, Mr. Winner stated that in Recife itself at present and now available for disposal are a 1955 Chevrolet 29 passenger bus and a 3/4 ton cargo truck. He proposes to turn these over to the Consulate immediately if the Consulate is permitted to accept them and to donate them either to SUDENE or CODEP. In view of a certain souring taking place in the thinking of Governor Cid Sampaio (see D-67 of June 30, 1961), the Consulate would like to offer both of these items to him for CODEP or other use that he may have for them. If this is agreeable to the Department, the Consulate can take the necessary action immediately upon receipt of the Department's telegraphic approval.

The Department's advice and guidance will be appreciated.

Albert A. Rabida
American Consul

Attachment:
List from Mr. Winner

cc: Amemb Rio de Janeiro (2)

This document consists of 2 pages Number 1 of 5 copies, Series

0062

FORM FS-439a
6-1-49

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Page 1 of
Encl. No. 1
Desp. No. 51
From Recife

List furnished by Mr. Winner - further particulars not available.

2 Jeeps
2 2½ ton 4 x 4 M37s (trucks)
2 2½ ton 6 x 6 M35s (trucks)
1 Forklift
1 Tar kettle for surfacing
1 D7 Cat tractor
1 Towed sweeper for street cleaning
1 Fuel-a-plane trailer (tank car for gas or water)
1 Water trailer
2 grass mowers
1 outboard "mule" (engine)
1 pontoon barge 35' x 42'
4 Cleaver-Brooks Water distillation units
2 Carter water pumps
1 Air conditioner unit

Possibly other items including teletype machines, radio transmitters and receivers, etc.

This document contains 1 pages. Num 1 of 2 copies, Series

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0063

Department of State

Cont'd 2 dest: EM/S

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Classification

NO. copy no

ACTION: Amconsul RECIFE A-6

INFO: Amembassy RIO DE JANEIRO A-83

Nov 3 6 19 PM '61

Page of Pages

Reference: Recife D-51, August 16, 1961

No final decision has been reached by the United States Government with regard to the continued need for use of the facilities on Fernando de Noronha. Therefore, no action with regard to property disposal should be taken at this time which could be construed as an indication that a decision has been reached that these facilities are to be abandoned.

The Department perceives no foreign policy objection to the donation of surplus property as recommended by the Consulate at the appropriate time and subject to the concurrence of Embassy Rio de Janeiro. However, it should be noted that the actual donation of any such property would require a determination within the Department of Defense, in accordance with existing statutes and regulations, that the property is available for this purpose.

Paragraph 13, Air Force Manual 67-1, Volume VI, Chapter 13 provides in part that property will be donated upon a written finding by disposal officer and approved by a reviewing authority that property has no commercial value, or that estimated cost of its care and handling (including selling costs) would exceed estimated proceeds from sale. Provision of law underlying foregoing requirement appears in FPC-261, Appendix A, Section 402. It is not yet known whether such a finding is feasible with regard to the items described in the referenced despatch, or whether the estimated proceeds from any sale would exceed the total cost of sale.

Should any donations be approved, it would then be necessary that appropriate Air Force official give Consulate delegation of authority for donation, itemizing property precisely and indicating donee (to allow flexibility donee might be identified as an agency or agencies of the Government of Brazil). Property would remain that of Air Force until donation accomplished. Except for property which is to be donated, Department assumes Consulate would not be involved in any disposal operations.

The referenced despatch and the Department's lack of objection from the foreign policy standpoint have been brought to the attention of the Department.

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Drafted by: ARA/BR:JWHeimann:OFD:LL:EMMurphy:
Phone ext. 71203

Approved for release and classification approved by: EST - Mr. Hembe

Clearances:
ARA - Mr. Spencer (in draft)
OFD/LL - Mr. Murphy (in draft)
EUR - Mr. Brewer (in draft)

S/S-CR
NOV 3 1961 PM

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CIA

1) Air Force - AFRES-CO

2) Patrick AF Base (MITREO) Florida

Send via Wash HS Kelly

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Classification

Department of Defense, in order that they may be available for use in connection with any disposal action to be taken at Fernando de Noronha.

Bowles

BOWLES, ACTING

0065

INCOMING AIRGRAM **Department of State**

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PAGE 1 OF 1 PAGES

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19 Action

AKA Info

Date Sent: 8/21/1961

Rec'd: YR 932.40

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State
FILE.

NO: A-69 Repeated by DS-4 8/24/61 to POLAD GINCARIB.
By EST/B:JWWilson:lms
8/24/61.

ACTION
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COPY NO. SERIES B

Ref: Embtel 360

Following is text note delivered Foreign Office August 14 re Radio Rio:

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to refer to the Ministry's note verbale of July 26, 1961, with regard to Radio Rio. The Department of State has instructed the Embassy to inform the Ministry that, by virtue of the decision of the Brazilian government communicated in the Ministry's note, the United States Government is making commercial arrangements for its communications and is preparing to remove the radio equipment which has been utilized by Radio Rio as well as to reassign the facility's personnel.

The Embassy wishes to express its appreciation of the friendly and profitable cooperation which the Brazilian Navy long has extended to the United States Navy and its confidence in the continued fruitful collaboration of the two navies.

CABOT BCND

POL:RHShields:gw
August 17, 1961

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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D.C.

14360

I-15836/61
INTERNATIONAL SECURITY AFFAIRS

DEPUTY UNDER SECRETARY OF STATE SEP 8 1961

SEP 11 1961

DEPARTMENT OF STATE

D 9/8/61

Defense Dept. from — Williams

Dear Mr. Johnson:

In a letter of May 23, 1961 you outlined the political difficulties attending the negotiation of military rights in Brazil and asked that, in light of these adverse circumstances, we reassess certain requirements expressed in our letter of April 28, 1961 to Mr. Bowles. I believe that it would be useful to set forth the results of our reassessment to date, despite the fact that the outcome of the present contest for power in Brazil is unclear. In this respect, I want only to emphasize that in our re-evaluation, we assumed that the environment for the negotiation of military rights in Brazil would continue to be inhospitable for a considerable period. If present events in Brazil should produce a different atmosphere, we would of course wish to reconsider our plans in that light.

With respect to the future use of Fernando de Noronha, we plan to employ a ship-attended hydrophone system in the forthcoming development tests of the long-range POLARIS missile. This development will make it unnecessary from the military standpoint to seek renewal of the Fernando de Noronha Agreement which expires next January. While it is expected that the alternative system will be available by January, such a system has yet to be tested in practice and we cannot completely exclude the possibility of some delay, perhaps as much as six months. This delay could seriously retard the POLARIS program, if its other elements are on schedule at the time. 711.5/12

We shall know by December 1st whether the alternative will be operational on time, and would hope that notification of our intention not to renew the Agreement could be withheld from the Brazilians until then. If this appears to be impracticable, we would be grateful for your views on the possibility of continuing to use the Fernando hydrophone facilities on an informal basis for a few months in early 1962 should this prove necessary. 711.56 3-3262/9-558

Our reassessment has confirmed the continuing importance of the facilities at Recife for instrumentation ships and aircraft of the Atlantic Missile Range, as described in our letter of April 28, 1961. The city is well-located to give ships and aircraft ready access to various operating areas of the Atlantic Missile Range, and for technical

SECRET

Hayden C. Williams
Deputy Assistant Secretary

733.56 3-1/9-861 711.56/12

0067

stops by aircraft in transit between the northern and southern ends of the range. If Recife were not available, the search for an alternative site would be complicated by the fact that Brazil's long coastline includes most of the theoretically suitable locations. Insofar as the instrumentation vessels are concerned, the effect upon range testing programs would depend upon the added travel time between the range operating areas and a new home port elsewhere in South America, or in the Caribbean area or Africa. With respect to the range aircraft, which are unable to fly non-stop from the Caribbean area to Ascension Island, loss of Recife (presuming that no other Brazilian airfields could be utilized) would create serious operational problems. It would be necessary either to use circuitous routes to reach Ascension Island via the Cape Verde Islands or the West African coast, or to re-equip the Atlantic Missile Range with such long-range aircraft as the KC-135 and make major improvement to the Ascension Island runways to accommodate these aircraft.

We would hope that the support operations at Recife can continue on their present informal but very satisfactory basis. Much of this activity occurs in the context of commercial arrangements made for the Atlantic Missile Range by its contractor, Pan-American, and has the character of ship and aircraft transit which might reasonably be expected as a matter of international comity.

With respect to the requirement for a landing strip and associated communications facilities at Fortaleza to support the first phase of the DYNASOAR program, the situation is not yet completely clear. However, in an effort to circumvent the need for this site, we are currently studying a possible reorganization of the program. Specifically, we are studying the feasibility of eliminating from the development schedule those tests which would, by their very nature, require a landing site on the northeast coast of Brazil. Insofar as tests of the manned glider are concerned, we would proceed directly from shorter range tests, with landings at St. Lucia, to tests at orbital velocities resulting in landings from orbit in the United States.

I should emphasize that the technical alternative we have in mind for the DYNASOAR program involves major reorientation of a complex development program, and extensive study will be required before its feasibility can be evaluated. We expect to reach a decision on the matter within about two months however, and I would expect then to advise you further concerning the need for the Fortaleza site.

Sincerely yours,

Haydn Williams

Haydn Williams
Deputy Assistant Secretary

Honorable U. Alexis Johnson
Deputy Under Secretary of State

0068

SECRET

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

In reply refer to: I-16,497/61
INTERNATIONAL SECURITY AFFAIRS

15 September 1961

MEMORANDUM FOR MR. ALTON W. HEMBA, EST, DEPARTMENT OF STATE

SUBJECT: Requirements in Brazil

I would like to bring you up to date on the way these matters have developed since we discussed them in your office on August 7, 1961.

With regard to the AMR's use of Fernando de Noronha, Recife, and Fortaleza, we have now sent to Mr. Johnson the reassessment of the requirements which he requested in his letter of May 23, 1961. In substance, it is the position I outlined on August 7th.

As for the AFTAC requirements, you will recall that this had two aspects: (a) the possibility of conducting surveys in four South American countries, one of them to be Brazil, looking toward the establishment of a single Very Low Frequency (VLF) experimental facility on that continent; and (b) the possibility of expanding the present USAF weather facility operated by AFTAC at Recife to accommodate additional covert atomic detection capabilities.

With respect to the VLF experimental facility, it appears that you are the victim, probably the willing victim, of technological unemployment. AFTAC has re-examined the entire project and has decided to seek survey rights only in Chile.

The proposed augmentation of the Recife weather facility involved, you will recall, two specific systems, described in AFTAC's letter of August 4, 1961 to Col. Williams in S/AE: (1) an atmospheric fluorescence detection facility, which consists of a box about the size of an office desk and would be installed at the USAF weather facility, and (2) a telluric current facility, which would require not only the installation of certain equipment at the facility, but the laying of lines to buried electrodes through property adjoining the site. These requirements are now under re-examination. I am advised by AFTAC that Col. Williams has been requested to withhold any action on the August 4th letter and that, if it is desired to go forward with the augmentation after review, the requirements will be expressed de novo by AFTAC at the time.

Finally, there is the broader question discussed at our August 7th meeting: whether the existence of the weather facility at Recife might so jeopardize other USAF operations there that an alternate location

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for it should be sought. Upon investigation it appears that the weather facility has been operating at Recife Airport for over ten years. Its covert aspect is completely passive, involving collection of air samples from a simple piece of equipment whose use rather than nature or presence is the classified point. More important, perhaps, the weather facility in fact operates as such, providing to USAF, the Brazilian Air Force, and commercial aircraft the only weather service available in Recife. Thus,the "cover" for the AFTAC mission in fact plays an independent role which is not merely plausible and normal, considering USAF's use of Recife Airport, but is of service to other airport users and is valued by Brazilian military authorities. It appears that the weather facility occupies such a normal position at Recife that its removal could well be more conspicuous than its continued presence. Removal might even provoke the misunderstanding that the AMR (and MATS) use of Recife for aircraft and ship transit was being discontinued.

As for alternative sites, I am told that the primary value of the sampling done at any such station lies in the statistical record of past sampling at the same location, and that from this standpoint relocation of the Recife station would mean a significant loss in data.

The foregoing, plus the new emphasis which recent events place upon our capability to detect and analyze nuclear events, suggest that it is in the U.S. interest to leave the weather station in place as long as possible. It has been pointed out to AFTAC and other Air Force authorities that the weather facility, without its covert aspect even coming to light, could nevertheless be affected by actions which the Brazilian Government may take with respect to our general position in Recife.

R. W. BRONEZ
Deputy Director
Foreign Military Rights Affairs

rec'd 10-27-61

(21)

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

732.5 JWW

SECRET

OFFICIAL-INFORMAL

American Embassy,
Rio de Janeiro, Brazil,
October 16, 1961.

(1)

This document consists of 3 pages

Number 1 of 8 copies, Series A

Dear Jack:

We have pondered the possibly far-reaching implications of your letter of September 29, and after duly consulting JBUSMC have the following recommendations to make, which have been approved by the Ambassador:

1. We see no problem in postponing notification of non-renewal of the Fernando de Noronha Agreement until December 1. There may, in fact, be some advantage to delaying the notification until the new regime is more firmly entrenched.

2. From the present temper of the Brazilian Government, we would anticipate no problems in continuing to use the Fernando hydrophone facilities on an informal basis for a few months in early 1962, should the alternative not be operational. JBUSMC believes also that the problem could and should be arranged through military channels and that the Army Minister, the present Chiefs of JBUSMC, the Armed Forces General Staff, and the 4th Army Area would readily support such a request.

3. Some potential trouble areas may be expected regarding continued access to facilities at Recife. I understand the present Air Force Commander, a holdover from the past regime, has requested that the hangar now being used by MATS and other U. S. services be turned back to the FAB, but JBUSMC expects to be able to straighten that out without difficulty. The other and more important aspect of the problem is that the major portion of the activities in Recife have been carried out under the broad coverage of the Fernando de Noronha Agreement. Most of the problems concerning operations, customs clearance, communications, taxes, etc. have been resolved by a committee (CAPRONE) consisting of the Army, Navy, and Air Force Commanders in

Rio de Janeiro from — Bond

732.56311 10-1661

(2)

J. W. Wilson, Esquire,
Officer-in-Charge of Brazilian Affairs,
Bureau of Inter-American Affairs, ARA,
Department of State,
Washington 25, D. C.

(signed)
Niles W. Bond
Deputy Chief of Mission

SECRET

0071

in the area which was established by Presidential decree to act on local problems arising out of the Agreement. This committee will dissolve with the termination of the Agreement as will the current rights and privileges inherent therein.

The Recife problem can be broken down into the following separate areas:

a. First, and by far the most important: the continued use of runways and facilities at the Air Base at Recife. If it is possible to do so, arrangements will best be made on a service-to-service basis. The present Air Minister can be expected to give favorable consideration to continued U. S. use of Recife facilities. However, if the United States is to continue the very considerable use of these facilities over an indefinite period of time there is no question but that the Brazilian Air Force would expect consideration to be given to its most pressing problems. Foremost in this category is the mounting pressure by the Air Force against acceptance of the programmed C-119 troop transport aircraft in favor of more modern and expensive transport types. This would likely be the first expensive quid pro quo put forward.

b. Picket ship activities. Relations with the Naval District and Port Commanders have been excellent and it is anticipated that ship support would continue without problems since this is a pay-as-you-go operation and requires no permanent Navy facilities.

c. Communications which are currently being operated by the Brazilian Army should be established on a military site under an appropriate agreement which would probably be acceptable if, at the end of a specified period, the equipment would revert to Brazilian ownership.

d. Status of personnel, customs clearance, police, immigration, etc. Loss of rights and privileges currently enjoyed under the broad coverage of the Military Assistance Agreement (to which the Fernando de Noronha Agreement is a supplement) would have a

serious

serious effect on the entire operation and would create major problems in dealing with municipal, state, and federal civil agencies. This could largely be remedied by attaching personnel currently functioning in connection with down-range programs to the U. S. Delegation to JBUSMC. Such action should be with the knowledge and approval of appropriate Brazilian authorities, and would best be approached through military commission channels. This would require close scrutiny to assure the retention of the minimum personnel required to accomplish the functions.

4. While you do not ask a question on DYNASOAR, it may nevertheless be appropriate to indicate that neither we nor JBUSMC anticipate a serious problem regarding that project if it can be presented as largely scientific in concept. Brazil might, in fact, be happy to be associated with a project of this imaginative nature.

Sincerely yours,

Niles W. Bond
Deputy Chief of Mission

0073

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NUMBER:

Control: 5255
Rec'd: 9 AM 8:43

November 9, 1961
6:21 AM

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1159, November 8, 6 P.M.

Embassy refers correspondence on renewal Fernando de Noronha Agreement. At meeting here with General Sands, CO Patrick Field, was agreed that in view developments (1) request from Brazilian military authorities to US Delegation JBUSMC for indication US intentions regarding renewal agreement and (2) possibility hydrophone facilities may be required for several years, we should not delay in informing Brazilian Government of our intention not to renew. For this purpose was agreed note of following tenor should be submitted to Foreign Office:

Excellency:

"I have the honor to refer to the agreement concluded between our two governments, by an exchange of notes of January 21, 1957, for the establishment of a guided missiles tracking facility on the Island of Fernando de Noronha. As Your Excellency is aware, this agreement will terminate on January 21, 1962.

"I have been instructed to inform Your Excellency that my government will not request an extension of this agreement and plans, as provided in the agreement, to turn over to the Brazilian Government, as of January 21, 1962, the construction and fixed improvements which have been made on the inland in connection with the technical installation to which the agreement refers, together with certain additional materials as noted in the attached inventory. My government would like, however, to leave temporarily on the island, until certain facilities now being constructed elsewhere are completed, a small residual

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Department of State

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Control: 5422
Rec'd: Dec 9 1961
11:30 pm

FROM: Rio-de-Janeiro

TO: Secretary of State

NO: 1378, December 8, 6 p.m.

PASS CINCARIB FOR INFORMATION.

JOINT STATE-DEFENSE MESSAGE

Re EMBTEL 1159.

Embassy reiterates request for authority take actions noted in reference telegram re Fernando de Noronha. Delay in replying official Brazilian query as to US intentions re renewal agreement may give Brazilians impression there something difficult or unusual involved in US decision thus arousing suspicions which could prejudice eventual settlement accordance US needs. Believe matter should be broached immediately through both note Foreign Office and informal discussions JBUSMC. President JBUSMC scheduled visit Noronha installation January 9. Would be helpful if at that time arrangements for US requirements well under way.

GORDON

DMJ/14

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OUTGOING TELEGRAM Department of State

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Origin

Info

ACTION: Amembassy RIO DE JANEIRO 1638

RIO 1638 611.327/12-561 XP 732.56311

Your 1378. Will reply upon receipt Defense position expected shortly.

BALL

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Drafted by: 12/12 ARA:EST/BJWall:nld

Telegraphic transmission and classification approved by: EST - Mr. Hemba aust

Clearances:

DOD - Mr. [illegible] (substance)

RPA - Mr. Sprague (in substance)

CONFIDENTIAL
Classification

FORM DS-322

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32

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

SECRET
Classification

9267

Origin

Info

RIO 1717

ACTION: AmEmbassy, RIO DE JANEIRO

PASS CINCARIB FOR INFO

JOINT STATE/DEFENSE MESSAGE.

Your 1378.

Exhaustive Defense study indicates continuing need certain facilities Fernando de Noronha for use determining impact areas during program development longer range Polaris missile over next four years and for certain launches Minuteman, Atlas, and Titan missiles. Facilities involve only use missile impact landing system building and equipment tied into hydrophone facilities. Activity can be carried out by 4 PAN AM personnel with small number Brazilian assistants.

Alternative to Fernando would be installation new hydrophone facilities used conjunction shipborne capability. Drawbacks are 1) less precision measurements, 2) lack immediately available funds, and 3) time develop new capability.

Accordingly, we wish continue limited use Fernando facilities provided does not entail excessive Brazilian quid pro quo. Arrangements with Brazilian military along lines suggested note contained Embtel 1159 would appear meet our needs. However, before presenting note which would be definitive statement US does not intend seek renewal Fernando agreement, would wish anticipate whether this likely prejudice subsequent arrangements with Brazilian military retain limited use Fernando facilities; and effect, if any, would have on use facilities

(2)

Drafted by: ARA:EST/B:JRWilson:DOD:R/Brodez:mlb 12-19-61

Telegraphic transmission and classification approved by: ARA - Mr. Darail

Clearances:
EST - Mr. Hemb
G - Mr. Newman
RPA - Mr. Spencer

SECRET
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FORM 6-61 DS-322

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INCOMING TELEGRAM *Department of State* ACTION COPY
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SECRET

57
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Control: 16443
Rec'd: December 28, 1961
11:30 p.m.

RIO 1516

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1516, December 28, 4 p.m.

DEPARTMENT PASS POLAD CINCARIB AND DEFENSE.

Re DEPTEL 1717.

General Mather, Chairman US Delegation JBUSMC, December 26 orally informed General Oliveira, President JBUSMC (1) apparently there no US requirement for extension Noronha agreement, (2) fixed installations on Noronha will be turned over to GOB on our about January 21, 1962, (3) though tracking activities will cease as of that date, US missile program would benefit if continued use could be made of hydrophone facilities on island for indeterminate period (i.e., until other means locating missile impact areas can be fully developed), (4) such operation would employ 4 US civilians contracted by PANAM and approximately 4 to 6 Brazilians. General Mather also expressed hope matter could be kept in military channels and that authorization to utilize hydrophone facility would be viewed as Brazilian contribution in spirit US-Brazilian military assistance agreement. General Oliveira stated he considered US request reasonable and would take matter up with Armed Forces General Staff and Minister War.

General Mather internationally refrained mentioning Recife facilities and General Oliveira made no reference this question.

Embassy awaiting developments in military channels before approaching Foreign Office.

GORDON

KA:4

Note: Relayed to POLAD CINCARIB, DEFENSE 12-28-61 7 p.m. FRB

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Date 1-15-62
Memo

611.32/12-2861

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0078

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL

Classification

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO 1876

03376

Rio de Janeiro 1876

611.327
732.56311

Your 1516.

Department concerned that expiration date Fernando agreement in offing without direct notification to Foreign Office regarding our intentions. Therefore if you have not already done so and unless you perceive serious obstacle you should immediately discuss informally with Foreign Office along lines authorized our 1717. Report Brazilian reaction soonest.

Rusk
HRW

RUSK

611.327/12-2861
NR 732.56311

Drafted by: ARA:EST/B:JWellson/mb

Telegraphic transmission and classification approved by: ARA:EST: H. R. Wellman

Clearances:

DOD - Mr. Bronet (in substance)
RPA - Mr. Spencer (in substance)

CONFIDENTIAL

Classification

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(6)

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

07444

JAN 17 2 13 PM '62

CONFIDENTIAL
Classification

1949

Origin

ACTION: Amembassy RIO DE JANEIRO PRIORITY

Info:

PASS CINCARIB FOR INFO

Your 1636. 611.327 XR 732.5611

You authorized present note contained your 1159 as modified our 1717.

Rusk

RUSK

Rio de Janeiro 1949 611.327/1-1662 XR 732.5611

(2)

Declassified by RMJR

Drafted by: ARA:EST/B:JWillson/mb 1-17-62 | Telegraphic transmission and classification approved by: ARA:EST: H. R. Wellman

Cleared in: RPA

RMK - Mr. Kramer (in substance)
G - Mr. Newsom (in substance)
L - Mr. Malmborg (in substance)
DOD - Mr. Bronez (in substance)

CONFIDENTIAL
Classification

FORM D-01 DS-322

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

35
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SECRET

Control: 8556
Rec'd: JAN. 16, 1962
1:34pm

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1636, January 16, 9 a.m.

DEPARTMENT PASS INFORMATION CINCARIB AND DEFENSE

Re DEPTEL 1876.

Embassy Officer Monday informally discussed Fernando de Noronha with Minister Ramiro Guerreiro Chief Itamaraty's North American section. Guerreiro expressed satisfaction US did not desire extend agreement thereby obviating political difficulties which he said negotiations for extension would have posed. He also happy question being kept on military-technical level. He indicated continuance small civilian residual scientific operation on Noronha would offer no problem from standpoint Itamaraty. He said he knew US and Brazilian military had been discussing matter and that General Souto (repeated Sourto) de Oliveira, President JBUSMC, had informed him today communication from him to Foreign Office on way, dealing, Guerreiro supposed, with Noronha.

Neither Guerreiro nor Embassy Officer alluded Recife facilities. General King, Chief US Air Force Section, has informed Minister Air US desire bring additional navigational aids Recife and received favorable reaction. Thus no indication any Brazilian intent link Recife facilities with Noronha.

Authorization requested present note contained EMBTEL 1159 as modified DEPTEL 1717.

GORDON

FH/4
Note: Relayed to CINCARIB, 1/16/62

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Date 1/16/62
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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER • OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

611.327/1-1662
POL 732.5631

0081

INCOMING TELEGRAM Department of State ACTION COPY

PERMANENT RECORD COPY

58-L
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AIR
RMR

CONFIDENTIAL

Control: 11379
Rec'd: JAN 19, 1962
5:25 PM

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1670, January 19, 4 P.M.

NIACT

ACTION DEPARTMENT 1670 INFORMATION CINCARIB UNNUMBERED.

Reference DEPTEL 1949.

Minister Guerreiro of Foreign Office after discussions Brazilian Section JBUSMC suggests note on renewal Noronha agreement omit reference "residual scientific operation" since its inclusion might create complications by possibly raising question whether some sort new agreement being concluded. He says continuance this "transitory" operation readily justifiable as service-level cooperation under general terms military assistance agreement. Guerreiro says has discussed matter with Ambassador Valle who agrees.

ECA concurs Foreign Office proposal and requests authorization delete reference residual function from proposed note. Will also omit reference to "inventory" in immediately preceding sentence since no inventory yet available.

As agreed upon with Foreign Office, Embassy plans date note January 20 and deliver Foreign Office (which closed all weekend) January 22.

DML

GORDON

Rio de Janeiro 1670 6/11/327/1-1962 XR 732.56311

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF	DIRECTIONS

0082

(6)

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

1 9 3 7 0

JAN 20 11 26 AM '62

Origin

Info

SENT TO: AmEmbassy RIO DE JANEIRO NIACT 1991

Pass CINCARIB for info

Joint State-Defense Message

Your 1670. -att

We are agreeable to Fonoff suggestion no reference be made in written communication to Fonoff to residual scientific operation provided you are satisfied with informal assurances from Fonoff this can be handled satisfactorily by arrangements at service level under military assistance agreement. Desirable obtain agreed minute of this informal ~~understanding~~ understanding if possible. Also assure Fonoff aware facilities for residual operation may be required for up to four years.

In absence such reference we believe preferable deliver no repeat no note and handle whole matter informally on service level since (1) agreement terminates automatically without need for note (2) main purpose note was to record our desire maintain residual operation and (3) if residual operation to be handled on service level, better not repeat not have written note to Fonoff on record which confirms termination agreement but makes no reference to residual question.

If you believe note nevertheless desirable cable reasons and we will reconsider.

RUSK

Rusk

(2)

Drafted by: ARA:EST:HRWellman,JWWilson:am

Telegraphic transmission and classification approved by: ARA:EST:HRWellman

Clearances: G - Mr. Newman (substance) ok. L/MS - Malmborg (substance) ok.

Defense - Mr. Bronez (substance) ok. RFA - Mr. Spencer (substance)

CONFIDENTIAL
Classification

FORM S-88 DS-322

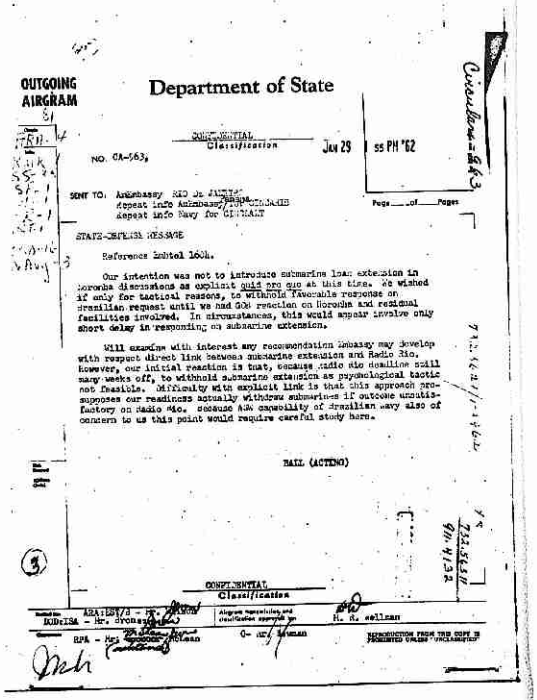
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Rio de Janeiro 1991

Lot 71 D 321 / 1-1962

XR 732.5-311

0083



OUTGOING AIRGRAM

Department of State

CONFIDENTIAL
Classification

Jan 29 55 PM '62

NO. CA-563

Circulars=563

SENT TO: AmEmbassy RIO DE JANEIRO
Repeat Info AmEmbassy/AID MONTEVIDEO
Repeat Info Navy for CINCLANT

Page ___ of ___ Pages

STATE-DEFENSE MESSAGE

Reference Embtel 1004.

Our intention was not to introduce submarine loan extension in Noronha discussions as explicit quid pro quo at this time. We wished if only for tactical reasons, to withhold favorable response on Brazilian request until we had GOB reaction on Noronha and regional facilities involved. In circumstances, this would appear involve only short delay in responding on submarine extension.

Will examine with interest any recommendation Embassy may develop with respect direct link between submarine extension and Radio Rio. However, our initial reaction is that, because radio rio deadline still many weeks off, to withhold submarine extension as psychological tactic not feasible. Difficulty with explicit link is that this approach presupposes our readiness actually withdraw submarines if outcome unsatisfactory on Radio Rio. Because ASW capability of Brazilian navy also of concern to us this point would require careful study here.

BALL (ACTING)

CONFIDENTIAL
Classification

Drafted by: ARA:LSMith - Mr. Jackson
ROD:ISA - Mr. Dyonas
Alignment, approval(s) and classification approved by: H. G. Hellman
RPA - Mr. Richardson
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0084

INCOMING TELEGRAM — Department of State — ACTION COPY

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42
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SECRET — NUMBERED

Control: 17786
Rec'd: January 31, 1962
2:24 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1745, January 29, 8 p.m.

ACTION: ARA
INFO:
RM/R FILES

ACTION DEPARTMENT 1745, INFORMATION CINCARIB UNNUMBERED.

PASS DEFENSE

Reference: Department telegram 1991

Both Embassy and Foreign Office agree note unnecessary.

Embassy satisfied with Foreign Office's informal assurances arrangements can properly be made at service level. For time being will not seek agreed minute this understanding, since seems likely that response from General Souto de Oliveira, President JBUSMC, to letter from General Mather, Chairman US Delegation JBUSMC (gist reported Embassy telegram 1516) will serve same purpose. General Souto's Chief of Cabinet informed US delegation that General Araujo Motta Chief Armed Forces General Staff, has discussed General Mather's letter with Prime Minister Neves and obtained his approval of proposal made therein. Response General Souto to General Mather expected contain reference this fact and Embassy believes such reference should suffice. If such reference omitted Embassy will explore possibility agreed minute with Foreign Office.

Re instruction that Embassy ensure Foreign Office aware facilities residual operation may be needed up to four years, believe reference now to specific period of requirement might disturb present smoothly running negotiations in military channels. In these negotiations no reference has been made to specific period of time. Pertinent part General Mather's letter to General

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Date 2-2462

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

Rio de Janeiro 1745
XR 732.56311
611.327/1-2962
611.327
732.5631

0085

(6)

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

13299

JAN 29 6 03 PM '62

Origin

Info:

ACTION: AmEmbassy RIO DE JANEIRO 2069

Rpt. Info. POLAD CINCARIB (pouch)

Rio de Janeiro 2069

Report [redacted] action taken pursuant our 1991 connection termination Fernando agreement.

Ball
(acting)

BALL

611.327/1-2962

XR 732.56311

(3)

Drafted by: ARA:EST/B:JWilson:sm 1/29/62

Telegraphic transmission and classification approved by: ARA:Mr. Wellman

Clearances:
RPA - Mr. McLean (substance)
DOD - Mr. Bronez (substance)
G - Mr. Newman (substance)

CONFIDENTIAL
Classification

FORM D5-322

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0086

Copy #094 of 5-4662 destroyed, RM/R 59

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

10116

SECRET
Classification

Origin

ACTION: Amembassy RIO DE JANEIRO 2619

Info:

INFO: CINCARIB

RIO pass USDEL JBUSMC

STATE-DEFENSE MESSAGE

Embtel 1808 CA 32172-76 JR 13.2631

We consider arrangements set forth paragraph one reftel as generally satisfactory basis continuing use Fernando hydrophone facilities. USAF arranging continued MATS support Fernando . However, schedule will probably become bi-weekly in near future due small support requirements our Fernando operations. On these flights we prepared carry as much GOB traffic as space permits after satisfying cargo and passenger needs our Fernando unit. FYI We wish avoid commitment to fixed GOB cargo quota which might later prevent use smaller aircraft. End FYI. USDEL JBUSMC should sound out GOBDEL on suitability foregoing Fernando support plans and report reaction. Before replying formally to General Souto letter, submit text your proposed answer for consideration here.

FYI. In view references to alternative systems reported embtels 1516 and 1745, request you keep in mind alternative facilities not repeat not presently under construction and we will wish early advice if it appears one-year arrangement for any reason not renewable. End FYI.

END

Microfilmed by RMR.

PAGING

Drafted by: ARA:EST:JWWilson:ac 3/20/62

Telegraphic transmission and classification approved by: EST - Mr. Wellman

Clearances: DOD - Mr. Bronez (In substance)
RPA - Mr. Spencer (In substance)

SECRET
Classification

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FORM 6-61 DS-322

RIO 2619

511.32712-732 XR

732.56311

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INCOMING TELEGRAM — Department of State — ACTION COPY

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47 Action — SECRET — NUMBERED

Control: 4330

Rec'd: Feb 8, 1962 6:38 AM

ARA Info
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AIR
RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1808, FEBRUARY 7, 4 PM

ACTION: ARA
INFO:
RM/R FILES

Rio de Janeiro 1808 Confidential 2-22-62 Jrw

611.321
732.56311

DEPARTMENT PASS INFORMATION CINCARIB AND DEFENSE.

REFERENCE: EMBASSY TELEGRAM 1745. - 732.56311

GENERAL SOUTO DE OLIVEIRA, PRESIDENT JBUSMC, INFORMED CHAIRMAN US DEL BY LETTER FEBRUARY 1, 1962 (ORIGINAL AND TRANSLATED TEXTS POUCHED) THAT ON JANUARY 20 "PRESIDENT COUNCIL MINISTERS (PRIME MINISTER NEVES) ... APPROVED MEASURES SUGGESTED BY ARMED FORCES GENERAL STAFF FOR TERMINATION ... NORONHA AGREEMENT". AMONG MEASURES LETTER NOTES WERE APPROVED IS AUTHORIZATION (1) "FOR PERIOD ONE YEAR BEGINNING JANUARY 21, 1962 FOR FOUR US CIVILIANS REMAIN ON ISLAND, ASSISTED BY BRAZILIAN CIVILIANS, FOR PURPOSE OPERATING HYDROPHONE INSTALLATION" AND (2) "CONTINUATION PRESENT NORTH AMERICAN AIR TRANSPORT SERVICE, USED FOR SUPPLY AND MAINTENANCE OF INSTALLATIONS, AND BASIS WEEKLY TRIP, WITH QUOTA FOR ~~BRAZILIAN GOVERNMENT TO BE FIXED BY JBUSMC.~~"

611.327/2-2762
KR 732.56311

LETTER IS POSITIVE DEVELOPMENT FROM STANDPOINT CLEARLY RECORDING GOVERNMENTAL APPROVAL CONTINUED US USE HYDROPHONE FACILITIES. ALTHOUGH APPROVAL FOR SUCH USE GRANTED ONLY FOR ONE YEAR, THIS STIPULATION NOT NECESSARILY LESS ADVANTAGEOUS THAN APPROVAL FOR INDETERMINATE PERIOD (WHICH CHIEF MAAG WAS SEEKING) FOR CONTAINS POSSIBILITY RENEWAL, WHEREAS EXTENSION FOR INDEFINITE PERIOD WOULD NOT HAVE EXCLUDED CANCELLATION WHENEVER GOB DESIRED. EMBASSY AND CHIEF MAAG AGREE QUID PRO QUO IN FORM CONTINUED MATS SERVICE TO ISLAND APPEARS UNAVOIDABLE AND IN NEW CIRCUMSTANCES EVEN DESIRABLE. MATS SERVICE TO ISLAND IS VALUABLE TO BRAZILIAN MILITARY

(2)

Interdivided by RMR

SECRET

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0088

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B

CONSISTS OF 5 PAGES

SUBJECT: Paraphrasing Text of Letter from Portuguese Chief of Staff to Chief MAAG re Termination of Fernando de Noronha Agreement

[redacted] the Portuguese and translated texts of the letter of January 1, 1962 from General Souto de Oliveira, Portuguese Chief of the Luso-Brazil Military Commission to the Chairman of the North American Delegation, referred to in the last sentence of [redacted]. As reported in this telegram, General Souto acted on the approval of the Prime Minister for (1) the continued presence on Fernando de Noronha--for a period of one year beginning with the date of the determination of the Fernando de Noronha Agreement (January 20, 1962)--of four U. S. civilians to operate the hydrographic installations on the island; and (2) the continued operation of "Weekly" MATS flights to the island, with a cargo quota to be available to the Brazilian Government. The views of the Embassy and of the Chairman of the US Delegation, JBUSMC, on these matters were expressed in the Embtel 1808 and are unchanged.

General Souto de Oliveira's letter also reported the organization of a military commission to receive, under terms of the Fernando de Noronha Agreement, the "buildings and improvements" made by the United States on the island. This commission is headed by the Commander of the Fourth Army (at Recife) and will include the Governor of Fernando de Noronha, one representative each from the Ministries of Army, Navy, and Air, and such advisers as might be considered necessary. No date has yet been fixed for the formal transfer to Brazil of the buildings and improvements made by the U. S. on the island.

For the Ambassador

Robert H. Shields
Second Secretary of Embassy

Enclosures:
As stated.

APPROVED:

Miles W. Rond
Deputy Chief of Mission

DISTRIBUTION: Army, Navy, Air Attaches, CinCarib, Consulate Recife, POL (2), C.F. (3)

This document consists of 5 pages. No. ___ of 20 copies, Series A.

[redacted] SECRET

ACTION COPY - DEPARTMENT OF STATE

[redacted] office must return this permanent [redacted] copy to RM/R files with an endorsement of action taken.

0089

SECRET

Embassy No. 1
Despatch 589
Rio de Janeiro

[illegible]

Rio de Janeiro, [illegible]

From: Republic, [illegible]

To: Chairman, North American Delegation

Subject: Fernando de Noronha Agreement

Reference: Of. No. 62-1-DUSDEL, dtd 8 January 1962.

1. This Presidency has the honor to inform Your Excellency that on January 20, 1962, His Excellency the President of the Council of Ministers of the Republic of the United States of Brazil approved the measures suggested by the Armed Forces General Staff for the termination of the "Fernando de Noronha Agreement".

2. The measures approved are the following:

(a) The Agreement between Brazil and the United States of North America for the construction on the island of Fernando de Noronha of installations, especially of electronic nature, related to the tracking of guided missiles, is terminated as of January 20, 1962, with the Ministry of Foreign Affairs having the responsibility of taking appropriate actions;

(b) There was organized a Military Commission for the receipt of the buildings and improvements provided for the technical installations and referred to in Article 7 of the Agreement. That Commission will be headed by the Commander of the Fourth Army and will have as members the Governor of the Territory of Fernando de Noronha, a representative of the Ministry of the Navy, a representative of the Ministry of Air, a representative of the Ministry of War, as well as the advisers considered necessary to the proper fulfillment of its mission;

SECRET
[illegible]

(Confidential when separated from Despatch)

0090

OUTGOING AIRGRAM

81

Department of State

Origin ARA-4
Info RMR-1
INR-3

OFFICIAL USE ONLY
Classification

NO. A-118,

FEB 23 12 32 PM '62

SENT TO: Amembassy RIO DE JANEIRO

611.327/2-2362
XR 732.56311

Page ___ of ___ Pages

Item 12 of your weeka no. 5, February 6, 1962, refers to announcement of Foreign Ministry relating to termination Fernando de Noronha agreement. Request you forward text by airgram.

RUSK

Rio de Janeiro A-118 611.327/2-2362 XR 732.56311

Dist. Desired [Officer Only]

Microfilmed by RMJR

OFFICIAL USE ONLY
Classification

Drafted by: ARA:EST/B:[illegible]Wilson:jf 2/23/62

Airgram transmission and classification approved by: ARA:EST - Mr. Wellman

Clearances:

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0091

57

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

15694

Mar 30 1 03 PM '62

Origin

Info

SENT TO: AmEmbassy RIO DE JANEIRO 2777

911.82

1 59 3 829

STATE-DEFENSE MESSAGE

Defense currently plans launch specially-instrumented geodetic satellite ANNA in May with back-up shot later if necessary. PROJECT ANNA is program of optical and radio observations on ANNA satellite from world-wide system of ground stations, designed to provide refined geodetic data concerning relationships among earth's land areas and their relation to earth's center of mass. This research expected produce geodetic knowledge of broad scientific value, FYI in addition important applications in medium and long range weapons systems. End FYI.

Project ANNA is also directly related to Project TRANSIT. ANNA constitutes further stage development and refinement TRANSIT data acquisition.

Project ANNA observations are planned for full year of anticipated satellite operational life following successful launch. During this period it would be most desirable to augment existing Sao Paulo TRANSIT station with camera trailer unit (8,000 pounds) operated by up to three civilian technicians. We believe present TRANSIT facilities will accommodate this augmentation.

Unless you perceive objection, request you approach GOB for approval this expansion and for early visit small survey party to make technical arrangements. ANNA equipment and operation would not affect conditions under

RIO 2777

911.802/3-3062

Drafted by: OSD/ISA - Mr. Bronk
S/AE:CMillery/bpl/3/29/62
Clearances: ARA - Mr. Sharp (Draft)
ARA - Mr. Wilson (Draft)
L/SFP - Mr. Huang

Telegraphic transmission and classification approved by: S/AE - Robert F. Packard

Classification changed to CONFIDENTIAL

CONFIDENTIAL
Classification

FORM DS-322

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0092

W I T H D R A W A L N O T I C E

RG: 059

ENTRY: CDF60-63

TAB #: 10

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BOX: 1585

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Folder Title: 732.56311/3-3062

Document Date: 30/03/61

Document Ser.#:

TEL 2783 FR STATE TO RIO DE JANEIRO

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X Security-Classified Information

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0093

INCOMING TELEGRAM

Department of State

ACTION COPY

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SECRET

59-M
Action

Control: 4525
Rec'd: April 6, 1962
10:45 p.m.

SAE
Info

FROM: Rio de Janeiro

TO: Secretary of State

SS
G
L
ARA
INR
OSD
AIR

NO: 2386, April 6, 6 p.m.

RMR

PRIORITY

PASS DEFENSE

LIMIT DISTRIBUTION

SPECIAL ASSISTANT TO THE SECRETARY OF STATE
RECEIVED
APR 1962
A.M. 7 8 9 10 11 12 1 2 3 4 5 6 P.M.

DEPTEL 2783 - Project Clear Sky

Believe it imperative that amplification facilities and personnel proposed REFTEL not be undertaken without first explaining project to Minister Air and obtaining his approval. Recife operation in question was established with knowledge and approval of the Minister Air, and principle was envisaged (though not always observed) that succeeding ministers also be informed and their approval obtained.

In present instance, although equipment to be installed apparently inconspicuous, 15 additional US personnel could in our view hardly be termed "unobtrusive". Almost certainly increase would receive local publicity with virtually inevitable political repercussions. To be taken unawared by such development would at very least embarrass Minister Air (who indeed may not yet even be fully informed present Recife operation) and could complicate US-Brazilian official military relations.

Possible adverse political impact in Recife of additional American military personnel is important consideration separate from question informing Minister Air. Pernambuco is key state in which issue drawn between leftist and center forces in important election year and leftists bound exploit any conspicuous increment US personnel

SECRET

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ACTION ASSIGNED TO		ACTION TAKEN	cable sent Amcon Recife no. 440
NAME OF OFFICER & OFFICE SYMBOL	Cpt. Wilson	DATE OF ACTION	4/9/62
		DIRECTIONS TO RM/R	file

0094

SECRET

-2- 2386, April 6, 6 p.m., from Rio de Janeiro

personnel. (In this connection Embassy understands MATS personnel Recife also being substantially increased.) This probably not overriding factor however if positive aspects US-Brazilian relations through Alliance Progress soon demonstrable Pernambuco populace.

Suggest Department repeat reference telegram and this message Recife with request for comment.

BOND

kea:6

Note: Mr. Dillery (SAE) notified 4-6-62 CWO-M

SECRET

0095

W I T H D R A W A L N O T I C E

RG: 059

ENTRY: CDF60-63

TAB #: 11

1 / 2 / S / -

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The item identified below has been withdrawn from this file:

Folder Title: 732.56311/4-662

Document Date: 24/05/61

Document Ser.#:

TEL 3075 FR STATE TO RIO DE JANEIRO

In the review of this file this item was removed because access to it is restricted. Restrictions on records in the National Archives are stated in general and specific record group restriction statements which are available for examination. The item identified above has been withdrawn because it contains:

X Security-Classified Information

NND: 949515

WITHDRAWN: 02/24/95 by: JAS

FOIA RETRIEVAL #: 949515 01585 00011

0096

OUTGOING TELEGRAM Department of State

INDICATE ☐ COLLECT ☐ CHARGE TO

SECRET
Classification

0406

APR 9 2 10 PM '62

ACTION: AMCON RECIFE 442 PRIORITY

LIMIT DISTRIBUTION

Project CLEAR SKY

Code room please repeat Deptel 2783 to Rio, Control 16075, and Rio tel 2316, Control 2316 to Recife.

(Please add "Request comment")

END.

RUSK

Recife

DS 3 631/4-962

(1)

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Classification

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0097

INCOMING TELEGRAM — Department of State — PERMANENT RECORD COPY

37

SECRET

CORRECTION ISSUED: 4/15/62 5:00 PM REE

Control: 9264
Rec'd: April 14, 1962
2:47 a.m.

Action ARA

Info SS G L GAP IGA AID INR CIA NSA OSD ARMY NAVY AIR RMR

FROM: Rio de Janeiro - CORRECTED PAGE 1

TO: Secretary of State

NO: 2442, April 13, 1 p.m.

PASS CINCARIB FOR INFORMATION

DEPARTMENT PASS DEFENSE

Department telegram 2619.

US delegation JBUSMC has sounded out Brazilian military regarding proposal MATS carry Brazilian traffic Noronha on space available basis with flights probably becoming bi-weekly near future. Brazilian reaction favorable.

Chief MAAGS proposed reply (text pouched for State-Defense) review General Souto's letter includes following statements relevant to points made in reference telegram:

(1) "As understood during preliminary discussions this subject I have no knowledge of period time for which this requirement will continue; however, as Your Excellency has indicated informally, such extensions of authorization stated in (2) (C) (1) (of General Souto's letter) as may be required will be handled by your Presidency at appropriate time".

(2) "I am pleased inform Your Excellency air transport service will be continued for purpose supply and maintenance hydrophone installation and personnel, remaining space to be available GOB. It contemplated this service will be on basis two flights monthly".

Embassy and Chief MAAG hope that after formal exchange correspondence with General Souto, Fernando de Noronha operation will be left

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NAME OF OFFICER & OFFICE SYMBOL: ARA EST/6-M.Cutler	DATE OF ACTION: 5-17-62	file

611.32/4-1362

611.32/4-1362

611.32/4-1362

0098

INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

38-M

SECRET

Action SAE

Info SS G L ARA INR OSD AIR RMR

Control: 12216
Rec'd: April 18, 1962 1:52pm

FROM: Recife

TO: Secretary of State

NO: 325, April 17, 2 p.m.

PRIORITY

ACTION DEPARTMENT 325, INFORMATION RIO DE JANEIRO 288

LIMIT DISTRIBUTION

Department telegram 442

Project Clear Sky

CONGEN concurs fully with Embassy recommendations (Embassy telegram 2386 to Department) that concurrence be obtained Minister Air. Suggest this connection offer increase weather information to GOB as further justification added personnel.

DELGADOARIAS

MEM

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APR 18 1962

FILED MAY 22 10 45 AM '62

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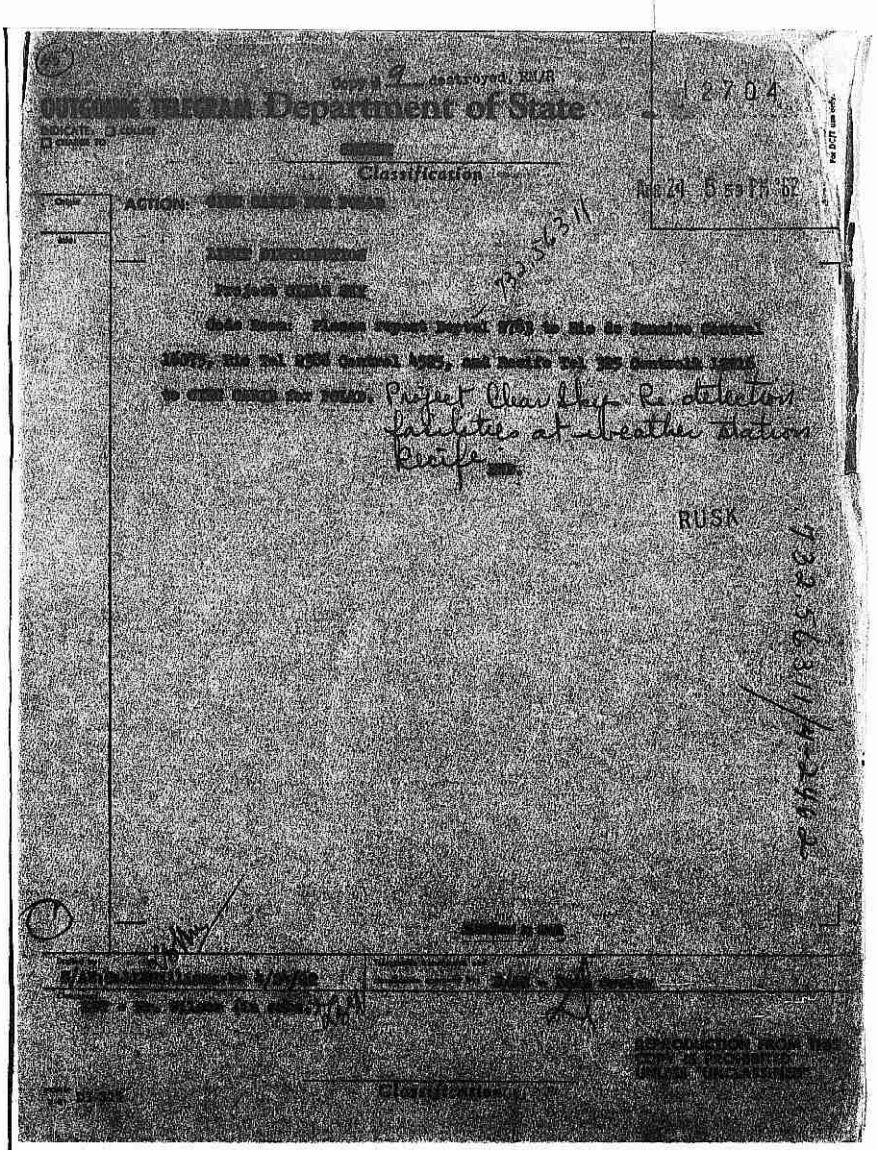
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ACTION ASSIGNED TO:	ACTION TAKEN	DIRECTIONS TO RM/R
NAME OF OFFICER & OFFICE SYMBOL: S/AE C Williams	Reply drafted 4/24/62	File
	DATE OF ACTION 4/24/62	

Beagle 325

732.56311/4-1762

0099



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OUTGOING TELEGRAM Department of State

12704

Classification

Date 24 5 59 11 62

ACTION:

Project Clear Sky. Re detection fabrication at weather station Reefs.

RUSK

Classification

OUTGOING AIRGRAM

(45)

Department of State

Rio - A - 145

Origin ARA-4

Info Emb/R-1

OFFICIAL USE ONLY
Classification

NO. A-145.

APR 24 10 24 AM '62

SENT TO: Amembassy RIO DE JANEIRO

Page ___ of ___ Pages

Reference Department's A-118. Please forward information requested or, if not available, report to that effect.

Re. Termination of Fernando de Noronha Agreement,

RUSK

611.327/4-2462

AT 732.5631

Dist. Desired (Offices Only)

(2)

OFFICIAL USE ONLY
Classification

Drafted by: ARA:EST/B:JWAllison:ras 4/23/62

Airgram transmission and classification approved by: ARA:EST - J.W.Allison

Clearances:

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INT	LAB	TAR
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ARMY 8	CIA 14	NAVY 3
OSD 16	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

(Departmental and Foreign Service)

611.327/5-462
XR 732.56311

A-463 NO.

OFFICIAL USE ONLY

TO : Secretary of State

1962 MAY 7 AM 9 01

FROM : Amembassy RIO DE JANEIRO DATE: May 4, 1962

SUBJECT: Fernando de Noronha Agreement

REF : Department's Airgrams A-118 and A-145

FonOff did not make official statement concerning termination of Fernando de Noronha agreement but merely gave press informally to know that agreement had automatically been terminated and that in accordance with agreement's terms the buildings and improvements connected with the operation had passed to Brazilian ownership. The Foreign Office's action was taken at Embassy's suggestion after speculatory stories had appeared in several Rio newspapers.

GORDON

POL:RHShields:rpo

OFFICIAL USE ONLY

FORM DS-323 11-61

FOR DEPT. USE ONLY
☒ In ☐ Out

Drafted by:

Concents and Classification Approved by:

Clearances:

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INCOMING TELEGRAM *Department of State* PERMANENT RECORD COPY

53-M

SECRET

Control: 4919
Rec'd: May 7, 1962
11:57 a.m.

Rio

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 2621, May 7, 7 p.m.

PRIORITY

ACTION DEPARTMENT 2621, INFORMATION RECIFE 147

DEPARTMENT PASS POLAD CINCARIB FOR INFORMATION

DEPARTMENT PASS DEFENSE

LIMIT DISTRIBUTION

PROJECT CLEAR SKY

RECEIVED 1962 A.M. P.M.

DEPTEL 3075 weather station at Recife.

USAF member JBUSMC has informed Air Minister of PROJECT CLEAR SKY and obtained approval installation Z and H AEDS equipment Recife. Air Minister who fully appreciates security aspect scheduled inform air and army zone commanders Recife May 7 concerning project. These commanders reliable and Embassy and JBUSMC both in agreement they must know OK operation.

Strongly caution US personnel for both CLEAR SKY and MATS operations Recife be kept at minimum.

GORDON

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NOTE: RELAYED TO CINCARIB 5/7/62

FILED

732.563/5-762

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ACTION ASSIGNED TO: SAE	ACTION TAKEN AF/AC 2014 feis
NAME OF OFFICER & OFFICE SYMBOL Col L.B. Wilson	DATE OF ACTION 5/8/62 DIRECTIONS TO RM/R

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OUTGOING TELEGRAM Department of State

03609

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Classification

Jan 10 2 11 PM '63

ACTION: Ambassy RIO DE JANEIRO 1396

State-Defense Message

LIMIT DISTRIBUTION

Project CLEAR SKY

Reference: Deptel 3075 and your Embtel 2621

Data from the recent U.S. nuclear tests in the Pacific reveal that H repeat H facility will not have to be installed at Recife. Hhm repeat Z Hhm facility is now in operation and continues to be required. Unless Embassy perceives objection Air Minister should be advised on foregoing.

RUSK

Identified by NARA

C/PM/CLEAR:JTC 1/9/63

W. M. Robinson - Colonel

AEC - Mr. Shields (Substance); OSD/IEA - Mr. Lang
AFSAC - Col. Curtis (Substance)

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FORM DS-322

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INCOMING TELEGRAM — Department of State — PERMANENT RECORD COPY

RIO 2716

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SECRET

Control: 12594
Rec'd: May 17, 1962
10:54 AM

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2716, May 16, 6 PM

DEPARTMENT PASS CINCARIB FOR INFORMATION

DEPARTMENT PASS DEFENSE

Reference: EMBTEL 2442 and Embassy dispatches 639, February 13, 1962 and 805, April 12, 1962.

Urgently need Department's views Chief MAAG'S proposed reply (EMBTEL 2442 and EMBDES 805) to General Souto De Oliveira's letter (EMBDES 639) re termination Fernando De Noronha agreement. Brazilian military are preparing, through Military Commission noted paragraph 2 point (B) General Souto's letter, receive buildings and improvements on Noronha. Indications are Brazilians may wish transfer made, with some sort formal ceremony, within week or two. Most important respond General Souto's letter prior such transfer to avoid possible later misinterpretation by Brazilians of US position re MATS service to island. Moreover long delay in responding General Souto's letter is embarrassement in US-Brazilian military relations.

GORDON

WGM

Note: Relayed to CINCARIB. 5/17/62

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Name P.O.D. Date 5/23/62

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

611.327/5-1662
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611.327/5-1662
POL 32 BRAZ-US

0105

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

00051

Origin

Info:

ACTION: Amembassy RIO DE JANEIRO

Nov 5 5 34 PM '62

911.802/8-862 911.802/11-562 732.5411 900.8291

Embtel 325 8/5/62

ANNA shot fired 31 October. So far, all A.O.K. Too early to be entirely sure of successful orbit.

If orbit successful camera van, which is combined with house trailer, will be airlifted by USAF about Nov. 10; 2-3 operating personnel will accompany van.

ANNA van will be co-located with TRANSIT station wherever TRANSIT station ultimately located. Technical assistance will be provided by TRANSIT personnel.

Believe AIUSNA Rio is aware of USN position on locating TRANSIT 008.

END.

RUSK

Distributed by RMA

(3)

Drafted by: OSD:ISA:RPau2/ISA:CEDillery:br 11/5/62 Telegraphic transmission and classification approved by: ISA - E. M. J. Kretzmann

Clearances: EST - Mr. Shields

CONFIDENTIAL
Classification

FORM DS-322

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Pkt 1098

911.802/11-562 732.5411 900.8291

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CONFIDENTIAL

Control: 6739
Rec'd: August 9, 1962
9:45 a.m.

FROM: Rio de Janeiro

TO Secretary of State

NO: 325, August 8, 5 p.m.

Reference: EMBTEL 2654 and CA-23.

Please advise soonest following: (1) Status Anna Project scheduled for launch May 9, (2) status special camera equipment reference DEPTEL 2777; whether en route or not, to whom consigned, and personnel needed to man same.

FYI: Col. Aldo Da Rosa, Chairman, National Space Committee in latter just received advises Commission presently negotiating with USN BUWEAPONS involving cooperative program with transit station 008 which includes moving latter from present location to Commission's own area in Sao Jose Dos Campos. He requests information re status Project Anna insofar as it affects said station. END FYI.

GORDON

REE

OFFICE OF THE SCIENCE ADVISER
S/SA

AUG 9 1962

AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

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UNCLASSIFIED

Control: 2516
Rec'd: SEPTEMBER 5, 1962
2:47 P.M.

FROM: ALUSNA RIO DE JANEIRO

TO: Secretary of State

NO: 051530Z SEPTEMBER (NAVY MESSAGE)

NAVY DEPT. OPNAV 05 Sep 62

GAFFER OF TRANSIT STATION 008

1. SCIENTIFIC ATTACHE AMEMB RIO HAS BEEN INFORMED THAT THE BRAZ SPACE COMMISSION NEGOTIATIONS WITH BUWEPS REGARDING TRANSFER TRANSIT STATION 008 FROM PRESENT LOCATION ON BRAZ AIR FORCE GROUNDS, TO SPACE COMMISSION GROUNDS AT SAN JOSE DOS CAMPOS SOME 40* MILES DISTANT.

2. USN HYDRO SURVEY TEAM NOW IN SAN JOSE DOS CAMPOS WITH INSTRUCTIONS LOCATE GEODETIC POSITION FOR PROJECT ANNA CAMERA PAD.

3. BRAZ SPACE COMMISSION RECOMMENDS STRONGLY THAT ANNA PAD BE LOCATED NEAR GROUNDS NEXT TO NEW LOCATION PROPOSED FOR TRANSIT STA 008 AND IN SPECIAL BLDG NOW IN CONSTRUCTION TO BE COMPLETED EARLY NOVEMBER.

4. BUWEPS DECISION REQUESTED REGARDING TRANSFER TRANSIT STA 008 IN ORDER TO EXPEDITE HYDRO SURVEY TEAM MISSION.

911.8 07-1/9-562 Gt XR 733.56311 900.8561

(3) SBW

* AS RECEIVED, WILL BE SERVICED UPON REQUEST

OFFICE OF THE SCIENCE ADVISER
S SA

SEP 6 1962

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NAME OF OFFICER & OFFICE SYMBOL	DILLEM	DATE OF ACTION:	11/20/62
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Control: 11556 38
Rec'd: SEPTEMBER 15, 1962
12:47 A.M.

FROM: BUWEPS

INFO:

RM/R FILES

TO: Secretary of State

L
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INR

NO: DTG 142044Z SEPTEMBER (NAVY MESSAGE)

RMR

ACTION ALUSNA RIO DE JANEIRO, INFORMATION DEPARTMENT OF STATE, CNO, NAVOCEANO WASHINGTON D.C. COMPACMISRAN PT MUG.

TRANSIT STA ØØ8

OFFICE OF THE SCIENCE ADVISER
S/SA
SEP 17 1962

A. YOAR Ø5153ØZ

B. NAVOCEANO Ø5184ØZ NOTAL

1. BUWEPS "NEGOTIATION" WITH BRAZILIAN SPACE COMMISSION REFERRED TO IN REF A CONSISTED ONLY OF INFORMAL VISIT ON 14 JUNE FROM DR. F. DE MENDONCA WHO IS VISITING SCIENTIST AT STANFORD UNIV. AND REPRESENTATIVE OF BRAZILIAN NAT'L SPACE COMMISSION. DR. MENDONCA DISCUSSED BRAZ SPACE COMMISSION PROPOSAL TO NASA ON PROJECT RASA AND IN CONNECTION THEREWITH TENTATIVELY OFFERED BUWEPS THE FOLLOWING PROJECT TRANSIT SUPPORT:

(A) HOUSING IN A NEW BLDG AFTER DEC. 62, (B) ASSISTANCE FROM A MAXIMUM OF FOUR BRAZILIAN TECHNICIANS TO OPERATE STA ØØ8 AT NO COST TO TRANSIT (C) SERVICES OF UP TO FOUR BRAZILIAN TECHNICIANS TO OPERATE STA ØØ8 AT LOCAL RATE OF PAY FROM TRANSIT PROJECT (C) AIR LIFT ASSISTANCE FOR TRANSIT EQUIPMENT INTO AND COST OF BRAZIL (D) ASSISTANCE IN EXTENDING TERM OF PRESENT AGREEMENT BETWEEN U.S. AND BRAZIL WHICH EXPIRES 31 DEC. 62 (E) RELOCATION OF STA ØØ8 TO RASA SITE AT MAGNETIC EQUATOR IF DESIRED BY TRANSIT AT LATER DATE.

2. BUWEPS REQUESTED DR. DE MENDONCA TO SUBMIT THE ABOVE INFO OFFICIALLY

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NAVY DEPT DTG 142044Z SEP 62

0109

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INCOMING TELEGRAM *Department of State*

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CONFIDENTIAL

Control: 22987
Rec'd: SEPTEMBER 28, 1962
7:28 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 727, SEPTEMBER 18, 7 PM

OFFICE OF THE SCIENCE ADVISER
S/SA
Sept 29
1962

PRIORITY

DEPTEL 787. 911.802 XR 901.812 732.56311

EMBASSY PRESENTED NOTE FONOFF SEPTEMBER 27 CONFIRMING PRIOR INFORMAL APPROACH STRESSSING OPPORTUNITY SCIENTIFIC COLLABORATION MENTIONING POSSIBILITY BRASILIA AS ALTERNATIVE LOCATION AND NEED FOR APPROVAL BY OCTOBER 4. FINAL APPROVAL MAY REQUIRE CABINET DECISION. MINISTER HADDOCK LOBO VERY CORDIAL OFFERED EXPEDITE. NOTING CUNHA COLLABORATION HE OBSERVED JOB HALF DONE ALREADY. ALSO INQUIRED RE STATUS MARINER TWO AND OTHER SATELLITES.

EMBASSY CHECKED WITH INTER-AMERICAN GEODETIC SURVEY AVAILABILITY EXISTING GEODETIC CONTROL FOR POSITIONING PAD. INFORMED THAT DUE LACK HORIZONTAL CONTROL ILHEUS LOCATION PRESENTS PROBLEMS. NO SUCH PROBLEMS HOWEVER BRASILIA. IAGS OFFERS TECHNICAL SUPPORT FOR PAD POSITIONING THUS ELIMINATING NEED NASA SPECIAL TEAM BRINGING SURVEYORS. DUE FREQUENT FAILURES POWER SUPPLY BRASILIA AND POSSIBILITY SIMILAR FAILURES ALTERNATE SITE EMBASSY STRONGLY RECOMMENDS POWER VAN BE INCLUDED EQUIPMENT SHIPPED. SUCH AUXILIARY EQUIPMENT MIGHT ALSO BE VALUABLE AT TIME PRESIDENT KENNEDY'S NOVEMBER VISIT.

GORDON

CTW/MCM

Rec'd 27

732.56311/9-1862

(1)

< SIMON PIETH
NILES BOND

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

08749

SEP 10 11 55 AM '62

Origin: LSA
Info: AA AR G SP L ARA INR RMR

ACTION: Amembassy RIO DE JANEIRO 736

711.56/1 XR 901.912

Enhanced (ERB)
Embassy has been informed of ~~Unknown~~ Radiation Belt caused by nuclear explosion over Johnston Island in Pacific on July 9 (See Depcirtel 286). More information on belt follows by pouch. Correct scientific definition is that ERB is an artificial zone of radiation which is centered in natural Van Allen Belt. Most intense part of zone now consists of 3,000 mile thick belt extending 3,600 miles in north-south direction. Peak intensity of highly energetic electrons occurs at altitude of about 2,400 miles (all figures are approximate). Because of high level U.S. Government concern about ~~ERB~~ belt NASA has been given responsibility to construct and launch ~~Capital~~ SERB (Study of the Enchanced Radiation Belt) satellite. Purpose is to conduct studies on effects which Enhanced Radiation Belt will have on future manned and unmanned scientific satellite. Belt has already had adverse effect on three satellites and NASA desires conduct studies on belt prior launching more satellites. In order accomplish pruposes of study it will be necessary to locate portable ground tracking station to receive data from SERB satellite when at its perigee over Brazil. Brazil location needed because intensity of ERB is greatest over South Atlantic and only Brazil can supply technical requirements for longitude and latitude of

RIO 736

711.56/1-962 AR 901.912 Wells 9/11/62

Drafted by: S/SA:C...Wells:9/11/62
Telegraphic transmission and classification approved by: S/SA - T. H. E. Nesbitt

Clearances:
ARA - Mr. Martin
REA - Mr. Russell (draft)
NASA - Mr. Jones
EST - Mr. Wellman
EST/B - Mr. Wilson

CONFIDENTIAL
Classification

FORM DS-322

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INCOMING TELEGRAM **Department of State** PERMANENT RECORD COPY

RIO 677

47
Action

CONFIDENTIAL

Control: 17366
Rec'd: September 21, 1962
8:23 p.m.

ISA
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RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 677, September 21, 7 p.m.

PRIORITY

DEPTEL 736

911.5611
911.802
911.812
732.5611

Although not so instructed by REFTEL, I took advantage visit today by Admiral Cunha, President National Research Council, to raise informally question granting by GOB of facilities desired in connection SERB project. Since Brazil National Committee for Space Activities under Research Council, he said he able give approval and would forward request to Air Ministry for space vicinity Ilheus. While this location (14 degrees 45 minutes south) falls outside indicated 15 to 17 degree zone, air strip there is closest one able accommodate C-124 aircraft.

As is apparent from foregoing, Embassy did not believe approach need be delayed by reason political situation, and regarded Admiral Cunha as most likely sympathetic channel of approach. While obstacles may still be encountered in Air Ministry or other agencies GOB, believe Cunha's initial support and sponsorship important asset. Will follow up as appropriate and furnish additional details when available.

GORDON

Telegram by RMR

MRJ

(3)

911.802/9-2162 NR 611.56311

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		DIRECTIONS TO RM/R	FILE

GPO 930 869

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INCOMING TELEGRAM *Department of State* PERMANENT RECORD COPY

59-H Action

UNCLASSIFIED

Control: 6099
Rec'd: OCTOBER 8, 1962
3:20 PM

RIO 791

ISA Info

ARA NASA RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 791, OCTOBER 8

PRIORITY

PASS INFORMATION TO O. COVINGTON, CODE 500, NASA, GOODARD SPACE FLIGHT CENTER, GREENBELT, MARYLAND AND COL. POLZINSKY, CODE T, NASA, HEADQUARTERS, WASHINGTON, DC.

FROM LARRY BROWN

ANTICIPATE DIFFICULTY IN LOCATION 100-KW POWER GENERATOR. PLEASE CHECK POWER REQUIREMENTS FOR POSSIBILITY OF USING SMALLER UNITS.

ATTENDED MEETING MONDAY MORNING WITH NATIONAL RESEARCH COUNCIL AND BRASILIAN SPACE COMMISSION. SURVEY PROGRESSING IN ALL AREAS PRIOR TO EXPECTED FAVORABLE DECISION FORTHCOMING FROM SECURITY COUNCIL SCHEDULED TO MEET 10 OCTOBER.

PRESENT PLANS ARE TO VISIT BRASILIA WEDNESDAY WITH SPACE COMMISSION REPRESENTATIVE TO LOCATE ACTUAL SITE FOR VANS. IT IS EXPECTED SURVEY WILL BE COMPLETE 12 OCTOBER.

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA
OCT 9 1962

DMJ

AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

9/11, 802/10-862
XR 732 54311

Telegram to NASA

(2)

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ACTION ASSIGNED TO: NAME OF OFFICER & OFFICE SYMBOL	ISA ISA C.C. Pelley	ACTION TAKEN DATE OF ACTION	Reply Transmitted 10/12/62	DIRECTIONS TO RM/R	file

0113

32

OUTGOING TELEGRAM Department of State

07220

INDICATE: ☐ COLLECT
☐ CHARGE TO

CONFIDENTIAL
Classification

Origin

ACTION: Amembassy RIO DE JANEIRO PRIORITY 948 07 0 0073

Info

RIO 945

Urtel 791

Request status report GOB consideration SERB tracking station by October 15. NASA informs Department they must begin making alternate arrangements for the station if no indication received by that date.

END.

RUSK

911.802/10-862
XR 732.563/11

Declassified by NSA

(2)

Drafted by: [illegible]:bx 10/12/62

Telegraphic transmission and classification approved by: IRA - T. H. E. Nesbitt

Clearances:

NASA - Mr. Morrison (draft.)

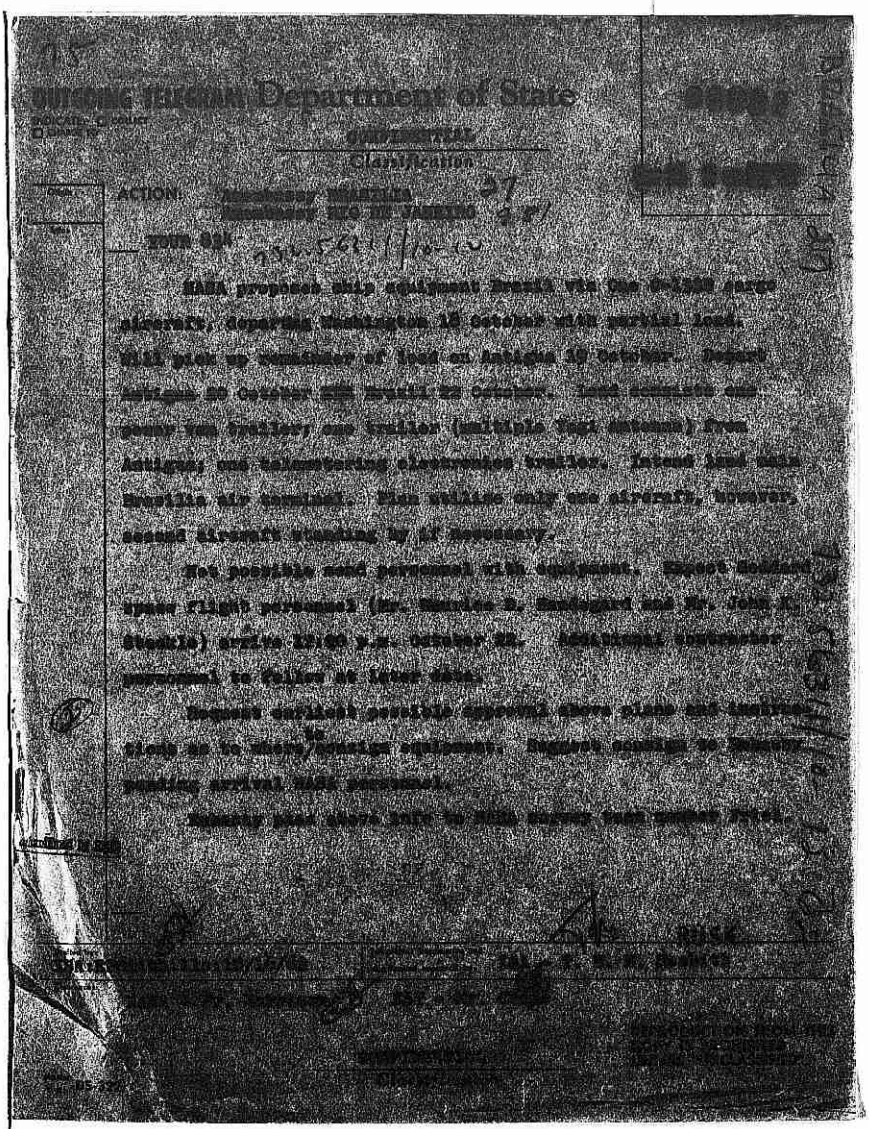
ARA - Mr. Wilson

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CONFIDENTIAL
Classification

FORM DS-322

0114



Department of State

Classification

ACTION:

Your RSA

RSA proposes sale equipment needs via two C-130H ferry aircraft, departing Chattanooga 12 October with partial load. Will pick up remainder of load at Antigua 13 October. Depart Antigua 14 October and arrive 15 October. Load contents and ferry two trailer, one trailer (multiple test antenna) from Antigua; and telemetering electronics trailer. Ground load with Brazilian air assistant. Plan utilize only one aircraft, however, second aircraft standing by if necessary.

Two persons need processed with equipment. Request Assistant Secretary (Mr. Theodore H. Eberhart and Mr. John K. Stanik) arrive 1215Z p.m. October 15. Additional transportation requirement to Fortaleza at later date.

Request earliest possible approval above plans and landing clearance for this/these aircraft. Request cables be addressed, quoting arrival DATE information.

Embassy pass cable info to RSA Rio. Best wishes Fred.

0115

ACTION COPY
PERMANENT RECORD COPY

INCOMING TELEGRAM *Department of State*

RIO 834

36-31
Action

CONFIDENTIAL

Control: 10789
Rec'd: October 13, 1962
3:15 p.m.

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NASA
RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 834, October 12, 7 p.m.

DEPTEL 736

Admiral Cunha advised Embassy October 12 that GOB has approved portable tracking station installation at Brasilia. Air Ministry making Air Base available. Brown of NASA has selected two alternative suitable sites. Pertinent GOB instructions anticipated by fifteenth. Embassy endeavoring confirm with FONOFF. Will advise soonest so that shipment entire station including power van may be undertaken. Friel requests Covington NASA Greenbelt be notified.

GORDON

MDF

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA

OCT 15 1962

FILED
9:48 AM '62

232.57311/10-1262

Declassified by NARS

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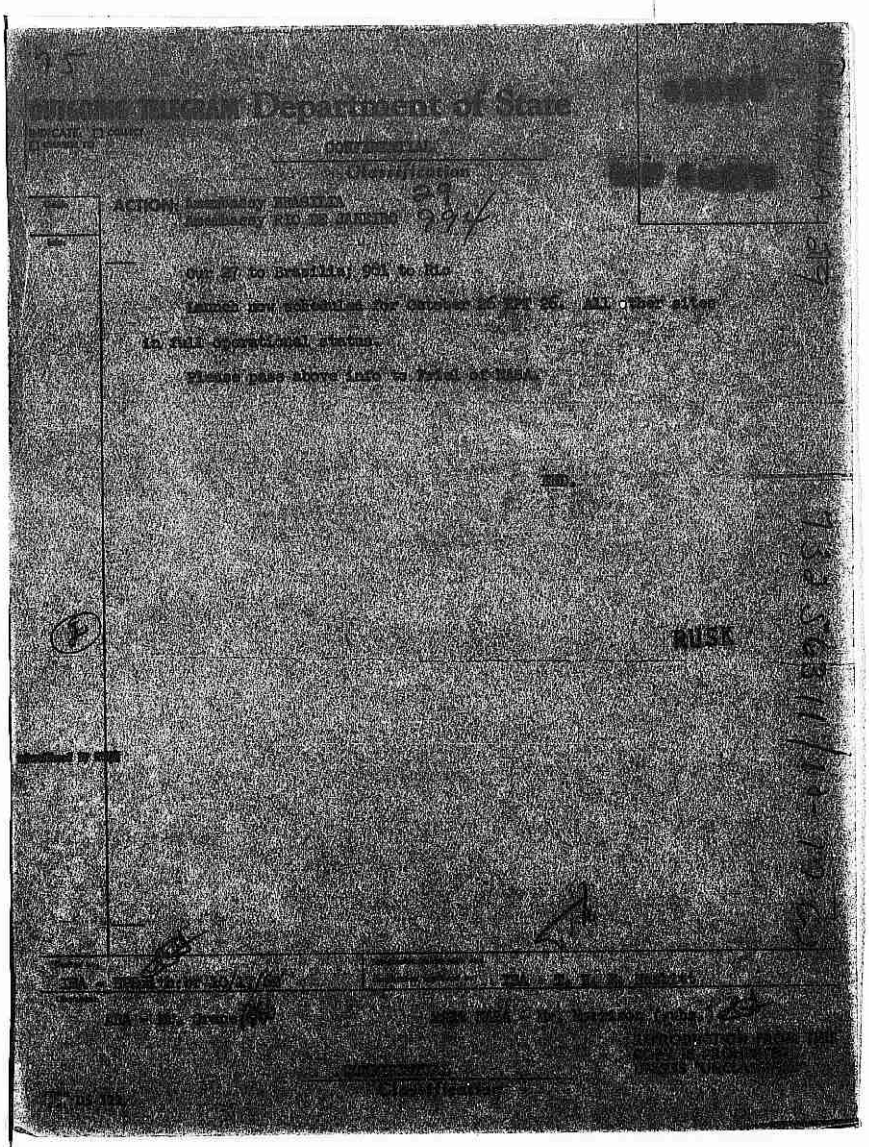
ACTION ASSIGNED TO:	ACTION TAKEN	REPRODUCTION FROM THIS COPY IS
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTED TO RM/R

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GPO 930 800

0116


Department of State
ACTION
RUSK

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ACTION COPY

INCOMING TELEGRAM *Department of State* PERMANENT RECORD COPY

54-W
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CONFIDENTIAL
Control: 13575
Rec'd: October 17, 1962
7:40 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 864, October 17, 5 p.m.

PRIORITY

Reference: Department telegrams 938 and 736.

Embassy telegram 792 refers Department telegram 736 NASA project SERB. Embassy proposes provide administrative support but needs authorization. NASA should provide authorization plus appropriation number to Department for certification Embassy. Communications, fuel, transportation, maintenance and operational essentials Brasilia tracking station involved. Estimated costs will be supplied Department as soon as realistic figures available. NASA representative Friel, presently Rio de Janeiro, suggests Dillery ISA/State contact Covington Greenbelt for full particulars.

GORDON

JT/4

Rio 864 Oct 17, 1962 7:40 p.m. XP 732 56 311

INTERNATIONAL SC FIC AFFAIRS
ISA

18

Directed by RM/R

(3)

AEO Mr Wooten's office sending message

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ACTION ASSIGNED TO	ACTION TAKEN	DIRECTIONS TO RM/R
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION 11/17/62	File

0118

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INCOMING TELEGRAM *Department of State*

ACTION COPY
PERMANENT RECORD COPY

55-M

CONFIDENTIAL

Control: 16157
Rec'd: October 21, 1962
7:36 p.m.

Action
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FROM: Brasilia

TO: Secretary of State

NO: 15, October 18, 9 a.m.

PRIORITY

ACTION DEPARTMENT 15; INFORMATION RIO DE JANEIRO 107.

Reference: Department telegram 27 repeated information Rio 981.

Proposed shipment approved. Embassy will accept consignment. Assistant Air Attache Captain R.W. Kuhl will make arrangements; tentative plans unload military side main air terminal. Request know what type equipment needed for unloading. Urgent reply soonest.

KEPPEL

MRJ

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA

OCT 22 1962

AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

Message delayed in transmission.

Note: Mr. Packard (ISA) notified 10/21/62. CWO/M

BRASILIA 15 10-18-62

733.56311/10-1862

MAR 15 1963

microfilmed by RM/R

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ACTION ASSIGNED TO: Bennett ISA	ACTION TAKEN Mtd info - msg sent 10/29/62
NAME OF OFFICER & OFFICE SYMBOL Bennett ISA	DATE OF ACTION 10/29/62
	DIRECTIONS TO RM/R File

0119

OUTGOING TELEGRAM Department of State

INDICATE: ☐ collect ☐ charge to

CONFIDENTIAL
Classification

Cable

Info

ACTION: Amembassy RIO DE JANEIRO 1003 PRIORITY
AMembassy BRASILIA 30 PRIORITY

DEPARTMENT'S 27 to BRASILIA, 981 TO RIO DE JANEIRO

Dept 10/12/62

Aircraft will depart Washington today and remain Antigua pending Embassy clearance for flight to Brasilia. Embassy should notify Department which will in turn notify NASA who will inform Air Force.

(For Embassy's Security Officer) Fred J. Friel from NASA Goddard Space Flight Center is native born U. S. citizen with SECRET clearance.

END

Rusk

RUSK

RIO 1003 BRASILIA 27 732. 963.11/10-1962

(2)

Drafted by: [redacted]:ls:10/10/62

SAT - Mr. Crane
ST - [illegible]

NASA - Mr. Morrison (sub)
NASA - Mrs. Carter (sub)

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CONFIDENTIAL
Classification

FORM DS-322

0120

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QUICK

PERMANENT RECORD COPY

INCOMING TELEGRAM *Department of State*

50-52
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Info
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UNCLASSIFIED

Control: 15117
Rec'd: October 19, 1962
12:31 p.m.

FROM: ALUSNA Rio Brazil

OCT 20 1962

TO: Secretary of State

NO: 191455Z, October (Navy Message)

NAVY DEPT

ACTION NASA SPACON GSFC WASHINGTON DC, INFORMATION DEPARTMENT OF STATE

FRIEL SENDS

1. PASS TO COVINGTON

Request immediate shipment to USEMB Brasilia Brazil entire station including power van without fuel. Advise soonest ETA followed byfirm schedule.

PASS TO WEINGARTEN

PrepareSchou and Myers and Gamms and one other with Brazil visas to report to USEMB Brasilia Brazil not Rio de Janeiro. Bring valid U.S. Stateside Drivers License. Transportation PANAM.

2. PASS TO TOWNSEND

Request John Steckel and one other presence prior to launch to insure satisfactory operation first passes. Arrival time Steckels option reporting to USEMB Brasilia Brazil not Rio.

RMR/10

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTION TO RM/R

0121

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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CONFIDENTIAL

Control: 15202
Rec'd: October 19, 1962
1:31 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 872, October 19, 10 a.m.

~~PRIORITY~~

ACTION DEPARTMENT 872, INFORMATION BRASILIA 43

Reference DEPTEL 981

Brazilian cabinet last night approved SERB installation for 90 day period. Proceed with airlift. Procedural details being provided directly to Covington NASA.

GORDON

DT

Rio 872 732.56381/10-1962

Declassified by RM/R

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA
OCT 19 1962
AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

JAN 23 11 45 AM '63

(1)

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ACTION ASSIGNED TO		ACTION TAKEN	NASA action	DIRECTIONS TO RM/R	
NAME OF OFFICER & OFFICE SYMBOL		DATE OF ACTION	11/19/62		File

0122

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

11040

CONFIDENTIAL
Classification

Origin

ACTION: Amembassy RIO DE JANEIRO 1019
Amembassy BRASILIA 32

Info

Oct 19 5 00 PM '62

RIO 1019

Ref: Department's tel 27 to Brasilia; 981 to Rio

Following additional Bendix contractor personnel now expect arrive Brasilia on 21st or 22nd connection SEEB:

Paul Chau, D. J. Rowley, Theodore Helm, K. Rogers.

Will contact Embassy.

END.

RUSK

911.802/10-1962
tic P32 ST6 3-11

(3)

Drafted by: IRA:[illegible]:br 10/19/62

Telegraphic transmission and classification approved by: IRA - T. H. E. Nesbitt

Clearances: IRA - Mr. Morrison (in draft) ARA/EST - Mr. Crane (informed)

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CONFIDENTIAL
Classification

FORM DS-322

0123

ORIGIN/ACTION

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RM/R 1	REP 1	AF
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L 2	PM/C G-1	AID
SCS 1	I-SA 4	RM/R-E 1
AGR	COM 8	FRB
INT	LAB 6	TAR
TR 2	RMR	AIR 4
ARMY	CIA 10	NAVY
OSD 17	USIA	NSA 3
FMC 2	NASA 4	JCS 1

DEPARTMENT OF STATE

AIRGRAM

911.75/11-162

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A-44 NO. LIMITED OFFICIAL USE

1962 NOV 9 AM 8 39

HANDLING INDICATOR 732.56311

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO, BRASILIA

RMAN ANALYSIS & DISTRIBUTION BRANCH

FROM : Amconsul RECIFE DATE: November 1, 1962

SUBJECT : Labor Dispute on Missile Tracking Ship

REF :

SUMMARY

On August 24, 1962, the Consulate General learned, without prior notice, that the Air Force Missile Tracking Command (AFMTC) was proceeding to transfer operation of its ship, the USAF E-42-1836, then in the port of Recife from Suwanee Steamship Company to Marine Transport Lines, and that the AFMTC was flying a new crew to this city for the changeover. The operating agents had contracts with different seamen's unions, and a labor dispute had developed. The old crew remained aboard the ship until September 17, despite numerous orders from the local AFMTC representative and a representative of the Consulate General to leave. During this period, the Air Force flew still a third complete crew in from the United States.

Throughout August and September, the critical political campaign in Pernambuco was in full swing. The Congen feared that any incident involving the United States Air Force might be distorted by the leftist press. Had the Consulate General been consulted prior to attempting the transfer in Recife, it would have recommended from the start that the problem not be allowed to enter this area. It was only after the Consulate General's protests had reached AFMTC through the Department that any awareness of the political consideration was shown.

FORM DS-323

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Drafted by: TMS DONNELL:AG

Contents and Classification Approved by:

Clearances:

0124

The case points out the continuing need for better coordination of Air Force activities in this District with the Consulate General.

Thursday, August 23, Captain HARRY HURT, master of the USAF E-42-1836 visited the Consulate General. He explained that his employer, Suwanee Steamship Company, who had been operating the ship as a Pan American Airways sub contractor, had lost its contract to Marine Transport Lines. Because Marine Transport had another seamen's union, Captain Hurt was expecting orders to pay off his crew (S.I.U.) and send them back to the United States. Since the ship's articles would not expire until February, he inquired if there were any way he could force the crew to sign off if they refused to do so voluntarily. The Consular Officer was unable to find provisions in the FAM or CFR covering this situation and so advised Captain Hurt. Captain Hurt stated his opinion that the articles were still valid and that he could do nothing.

The following morning, the Consul General was awakened at 2:30 a.m. by Major GEORGE T. PERKINS, local AFMTC representative. Major Perkins had received a telegram from Patrick Air Force Base informing him that a new crew was being sent to Recife to take over the 1836. The telegram instructed Major Perkins that, after the ship had been officially turned over to Marine Transport, he was immediately to board the ship and inform the S.I.U. crew of the transfer, tell them they no longer had berths on the ship, and order them off the ship within one hour. The Consul General advised Major Perkins, who concurred, that such summary treatment would undoubtedly awaken resentment and consequent resistance on the part of the crew, and strongly recommended a more cautious and conciliatory approach to obviate repercussions among local labor organizations.

Later the same morning, MICHAEL J. CARLIN, International representative of the S.I.U. presented himself at the Consulate General. He said he suspected that an attempt to change crews would be made in Recife, and that he was here to see that the 16 man S.I.U. crew stayed on the ship. He asked if the crew could be forced off the ship by the Air Force or Pan American and was told that the Consulate General would have to refer the legal question to the Department for answer. Carlin said that the S.I.U. had legal action in several U.S. courts to prevent Pan American and the Air Force from making the change. He stated that the "Timberhitch", another missile tracking ship, was in Savannah, Georgia and that the S.I.U. crew had remained aboard. He continued that his union did not intend to give up possession of a single ship without a full court hearing, and that he would keep his crew on the 1836 as long as possible. He promised that his crew would not cause any trouble unless an N.M.U. crew tried to board the ship. This, essentially, was Carlin's position throughout the dispute.

0125

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

53
Action
ISA

CONFIDENTIAL

Control: 2498
Rec'd: November 7, 1962
5:01 p.m.

Info
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 941, November 7, 5 p.m.

DEPTEL 1098

Preliminary arrangements completed with Col. Aldo Rosa, Chairman Brazilian Space Commission for installation ANNA camera van adjacent present transit station ITA grounds Sao Jose dos Campos. Rosa suggests USAF airlift proceed directly FAB base (Gumbica) Sao Paulo where he will meet. Must know type traction equipment needed to transfer van to station site some 60 miles distant. Please advise ETA.

GORDON

JT/4

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA
NOV 8 1962
AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

Rio 941

9/11.882/11-762
XR 732.56311

Declassified by RM/R

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0126

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

03337

Nov 15 5 25 PM '62

Origin

Info

ACTION: Amembassy RIO DE JANEIRO 1144

URTEL 941

ANNA equipment ETA ~~XXXXXXX~~ 20 November or ~~XXXXXXXX~~ 21 November at FAB base. Needed are two prime movers capable of handling: (1)7.5 kw generator (wheeled) wt. 2000 pounds, ht 61 in., length 108 in. width 34 in., (2) camera van (wheeled) wt. 8080 pounds, ht. 9 ft 8 3/4 in., length 27 ft. 6 in. width 8 ft.,1 in.

Flight plan not yet available from MATS so unable give specific time for Aldo Rosa to meet shipment.

TRANSIT station 008 has all above information and will receive all future info this matter directly from Navy. Suggest you contact Transit station for future info.

RUSK

END.

Reviewed by NEA

(2)

Drafted: DOD:ISA:Rsul:ISA:CEDillery:ltt 11/15/62 | Telegraphic transmission and classification approved by: ISA - Edwin M. J. Kretzmann

Clearances:

EST - Mr. Shields

CONFIDENTIAL
Classification

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FORM DS-322

Rec'd 11/14

011.80Z/11-1562
NK 232.563/11

0127

INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

47 -48 CONFIDENTIAL

Control: 10458
Rec'd: November 27, 1962
8:08 p.m.

Action
ARA

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1039, November 27, 7 p.m.

PRIORITY

ACTION DEPARTMENT 1039, INFORMATION POLAD CINCARIB 17, AFMTC PATRICK AFB, FLORIDA.

JOINT STATE-DEFENSE MESSAGE

Embassy despatch 639, February 13, 1962.

Air Force Missile Test Center has indicated requirement continue operation hydrophone facilities Fernando de Noronha through 1965. Present authority for four US civilians operate facility expires 21 January 1963.

It has been established that extensions to this arrangement will be requested through JBUSMC. Such request should be made prior departure General Nestor Souto, President, JBUSMC, in approximately 15 days. General Nestor familiar with matter and was instrumental obtaining present authority. If requirement firm, recommend authority be granted proceed with request President JBUSMC to arrange authority for four US civilian continue operations. Extension, if granted, will be limited to one year period as is present arrangement and will require continuation bi-weekly flights to island.

GORDON

DPB/3

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INCOMING TELEGRAM **Department of State** ACTION COPY
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CONFIDENTIAL

Control: 14359
Rec'd: December 28, 1962
7:41 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1205, December 27, 8 p.m.

DEPTEL 1302. 911.80

Negotiations under way although there may be delay because of holidays. Embassy does not recommend consideration of Noronha site because of logistic and other problems, suggests Natal as possible alternative.

Embassy desires know;

1. Present NASA plans relative operating period SERB station Brasilia since permission granted for 90 days expiring end January;

2. If present SERB equipment can be utilized for new Anna Project thus eliminating shipment great distances of all but transmitter;

3. Whether possible portable power equipment now at Brasilia station can be left for: A) Present and future space research activities in Brazil and B) Emergency needs of Embassy in Brasilia located in area of chronic power shortages which at times paralyze Mission operation.

Embassy suggests Department consult Fred J. Friel of NASA on point 3, discussed informally with him when here in October.

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA GORDON

Examined by JCG

DEC 27 1962

RIF JANEIRO-1205 911.80 12-27 62 KN 732 56311

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NAME OF OFFICER & OFFICE SYMBOL DILLEMA	DATE OF ACTION 12/31/62	DIRECTIONS TO RM/R FILE

0129

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INCOMING TELEGRAM **Department of State** ACTION COPY

PERMANENT RECORD COPY

RIO DE JANEIRO-1218 911.80E/12-31 62

46

Action

CONFIDENTIAL

Control: 16078
Rec'd: December 31, 1962
7:28 p.m.

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FROM: Rio de Janeiro

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NASA

TO: Secretary of State

NO: 1228, December 31, 2 p.m.

Department Telegram 1302
Embassy Telegrams 1219, 1205.

Colonel Aldo Vieira da Rosa, Chairman Brazilian Space Commission, citing COSPAR and UN resolutions urging utilization NATAL Area for satellite tracking, suggests NATAL for New ANNA operation. Aldo convoking meeting at NRC January 3, 1500 hours to discuss.

RMR

Embassy recommends NATAL. Would appreciate confirmation prior meeting.

GORDON

GRJ

(2)

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA
JAN 2 1962

NN 731.56311

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NAME OF OFFICER & OFFICE SYMBOL DILLEMA	DATE OF ACTION 1/3/63	DIRECTIONS TO RM/R FILE

0130

W I T H D R A W A L N O T I C E

RG: 059

ENTRY: CDF60-63

TAB #: 12

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Document Date: 14/01/63

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TEL 1319 FR REI DE JANEIRO TO SECSTATE

In the review of this file this item was removed because access to it is restricted. Restrictions on records in the National Archives are stated in general and specific record group restriction statements which are available for examination. The item identified above has been withdrawn because it contains:

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NND: 949515

WITHDRAWN: 02/24/95 by: JAS

FOIA RETRIEVAL #: 949515 01585 00012

0131

SECRET LD/55

CROSS-REFERENCE (Name, number, or subject under which this form is filed)		[redacted]
		782.5631/
		[redacted]
IDENTIFICATION OF RECORD	DATE	1/17/63
	TO	Madrid Tel 533
	FROM	
	BRIEF SUMMARY OF CONTENTS	Jupiter modernization
FILED (Name, number, or subject under which the document itself is filed)		740.5611/1-1763

SECRET
LD/55

Optional Form 21
Feb. 1962
GSA Circular 550

CROSS-REFERENCE

0132

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

47

CONFIDENTIAL

Control: 10755
Rec'd: January 17, 1963
4:58 p.m.

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NAVY
AIR
NASA
RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1343, January 17, 5 p.m.

Department telegram 1302; Embassy telegram 1303

Subsequent speedy Foreign Office approval of urgent Embassy request for permission install temporary station, Air Minister Reynaldo de Carvalho has designated Brigadier Oswaldo Balloussier as coordinator special ANNA project.

Air, Scientific Attaches have met with coordinator who now alerting BAF Natal base. Balloussier and BAF electronics specialist plan assist personally at Natal. Upon receipt notification effect necessary advance preparations completed, Embassy will advise Department so that equipment/personnel may be airlifted directly Natal which has no customs control. Suggested equipment include required power supply.

Embassy would appreciate advice re approximate date airlift in order advise BAF collaborators.

GORDON

DLW

(2)

DEPUTY ASST. SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)
ISA
JAN 18 1963

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ACTION ASSIGNED TO.	D SCI	ACTION TAKEN	ANSWERED
NAME OF OFFICER & OFFICE SYMBOL	WILLEMS	DATE OF ACTION	FEB 5, 63
		DIRECTIONS TO RM/R	FILE

GPO 830900

DE JANEIRO - 1343

911.802/1-1763

Kn. 733.563

0133

INCOMING AIRGRAM **Department of State**

ACTION COPY

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OFFICE REC'D ARA

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CONFIDENTIAL
Classification

NUMBERED PAGE OF PAGES

Action ARA

Info SS G SP L H INR SB IO MOP OCB IRC CIA OSD ARMY NAVY AIR RMR

Date Sent: May 6, 1960
Rec'd: 1960 MAY 15 AM 6 17

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: G-151, May 6, 1960

RPTD: Amembassy HABANA G-1
" ASUNCION G-1

ACTION: MAY 12 4 37 PM '60
INFO:

Substance Depcirtel 1320 re activities Cuban diplomatic and other representatives conveyed orally to Chief Political Department FONOFF Pio Correa May 5. He indicated FONOFF does have certain information concerning irregularities on part of Cuban representation in Brasil, e.g. financing Paraguayan rebel activities, and expressed desire exchange information this subject with Embassy. Should such exchange turn up information sufficiently important and sufficiently well-documented to warrant submission to IAPC, Embassy will press for such submission.

CABOT

NW Bond:maa

732.5737/5-660

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INCOMING TELEGRAM *Department of State* ACTION COPY

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NUMBERED

Control: 1623

Rec'd: February 2, 1960 7:28 p.m.

1960 FEB 3 AM 10 05

Action: ARA
Info: INR, UMSC, MOP, OCB, IRC, CIA, OSD, ARMY, NAVY, AIR, RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1155, February 2, 6 p.m.

Reference: DEPTEL 294, August 28, 1959

Foreign Office yesterday informed Embassy Brazilian Government will not continue military advisory mission at Escola Superior de Guerra. At request Minister Ouro Preto, Chief Political Division, tentative memo embodying proposals made reference telegram was handed him January 26. Memo was considered tentative since Ouro Preto had previously been informed by Escola Liaison Officer that it was not intention to continue mission. He had nevertheless himself hoped this not final view. Embassy's memo was returned and matter officially now reverts to status created on receipt Foreign Office note of May 12 (see Embassy G-185, May 22, 1959).

Rejection had been anticipated by Colonel Miller who has noted increased sensitivity to presence US Mission at School. Embassy attributes rejection partly general increase nationalistic tendencies throughout Brazilian Government and partly to incident last July (reported Embassy despatch 40, July 13, 1959), when Brazilian deputy, student at Escola, questioned presence US military officer at confidential lecture.

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VHD/WDW

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732.58/2-260

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AIR POUCH
PRIORITY

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(Security Classification)

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732.58/2-960

FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro — 788 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 9, 1960 DATE

REF : Deptel 294, August 28, 1959 and Embtel 1155, February 2, 1960.

	ACTION	DEPT.
20 For Dept. Use Only	ARA-4	AM/R-2 IRC-8 L-2 M/MSC-3
	REC'D 2-16-60	INFO OTHER CIA-10 OSD-4 Army-4 Navy-3 Air-6

SUBJECT: United States Military Mission at Escola Superior de Guerra

As the Embassy reported in its telegram under reference, the Foreign Office has informed the Embassy definitively that the Government of Brazil is not now interested in the continuance of the United States Military Advisory Mission at the Brazilian Escola Superior de Guerra. Thus the Mission, which was established as a result of the agreement of July 29, 1948, will cease to exist as of July 29, 1960, under the terms of Foreign Office Note No. DPO/47/520.1 (22) of May 12, 1959, a copy and translation of which are enclosed for the Department's record. As the Department is aware this note was not formally acknowledged since the Embassy was informed at the time it was delivered that the Brazilian Government would entertain a proposal for continuation of the Mission on a no-cost basis with certain improvement in services which such a Mission might render.

However, before it was possible for the Department to authorize a proposal a serious incident occurred at the Escola Superior de Guerra, when a nationalist Deputy (Aurelio Vianna, PSB-Alagoas), questioned the right of a "foreign officer" (the Chief of the U.S. Mission) to be present during a lecture which had been labelled confidential by the lecturer, a high Foreign Office official. As reported in the Embassy's despatch No. 40 of July 13, 1959, the incident subsequently took on large and somewhat bitter proportions which led to strained relations between the Commandant of the Escola and the national Congress, and which were eased only with the eventual transfer of the Commandant to another post.

The Embassy attributes the immediate cause of the refusal of the Embassy proposal to the consequences of that incident, and its more remote causes to the general nationalistic sensitivity becoming more evident in most branches of the Brazilian Government.

For the record four memoranda of conversation with officials of the Foreign Office dated December 29, December 30, 1959; January 26 and February 1, 1960 detailing the last stages of the negotiations for continuation of the Mission are enclosed.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
FEB 19 1960

PRaine/jjh
REPORTER

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FEB 1960

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Embassy will acknowledge receipt of the May 12 note informing the Foreign Office of Colonel Miller's expected departure date in May.

For the Ambassador:

Philip Raine
Counselor of Embassy
for Political Affairs

Enclosures:

1. Brazilian Foreign Office Note No. DPO/47/520.1(22) dated May 12, 1959.
2. English translation of above note.
3. Memorandum of Conversation between Minister Ouro Preto, Sr. Carlos Duarte, and Philip Raine dated December 29, 1959.
4. Memorandum of Conversation between Sr. Carlos Duarte and Philip Raine dated December 30, 1959.
5. Memorandum of Conversation between Minister Ouro Preto, Sr. Carlos Duarte and Philip Raine dated January 26, 1960.
6. Memorandum of Conversation between Minister Ouro Preto, Sr. Carlos Duarte and Philip Raine dated February 1, 1960.

Embassy Distribution: Service Attachés, JBUSMC, Colonel Miller, CAS, CF (2), POL (4).

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BRAZILIAN FOREIGN OFFICE NOTE

DPo/47/520.1(22)

O Ministério das Relações Exteriores cumprimenta a Embaixada dos Estados Unidos da América e tem a honra de informá-la de que o Comando da Escola Superior de Guerra, tendo em mente a evolução de estrutura da Escola, que se ampliou consideràvelmente nos últimos anos e, por outro lado, atendendo ao atual regime de compressão de despesas, manifestou o desejo de que o contrato, que criou a Missão Militar dos Estados Unidos da América junto àquela Escola, não mais fôsse renovado nos seus têrmos atuais.

2. A referida Missão, que prestou relevantes serviços à Escola, foi criada na forma do contrato assinado em 29 de julho de 1948, cujo prazo de vigência expira em 29 de julho de 1960.

3. A Escola Superior de Guerra estaria interessada em que o Coronel J. A. Miller permanecesse, até o final do contrato, no exercício de suas atuais funções, evitando-se a vinda de um substituto por um periodo de tempo excessivamente curto.

Rio de Janeiro, em 12 de maio de 1959.

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TRANSLATION OF BRAZILIAN FOREIGN OFFICE NOTE

DPo/47/520.1(22)

The Ministry of Foreign Relations presents its compliments to the Embassy of the United States of America and has the honor to inform it that the command of the Escola Superior de Guerra, having in mind the evolution of the structure of the School which has been considerably broadened in the past several years and, on the other hand, having in mind the present program of reduction in expenditures, has expressed the desire that the contract which established the Military Mission of the United States of America near that school not be renewed under its present terms.

2. The said mission which carried out outstanding services to the school was established on the basis of a contract signed July 29, 1948, which expires on July 29, 1960.

3. The Escola Superior de Guerra would be interested in Colonel J. A. Miller remaining in his present functions until the end of the contract thus avoiding the (necessity) of bringing a substitute for an excessively short period of time.

Rio de Janeiro, May 12, 1959

0139

CONFIDENTIAL

MEMORANDUM OF CONVERSATION

December 29, 1959

Participants: Carlos Sylvestre de Ouro Preto, Chief of the Political Division, Itamaraty

Carlos F. Duarte Gonçalves da Rocha, Deputy Chief of the Political Division, Itamaraty

Philip Raine

Subject: Military Advisory Mission at the Escola Superior de Guerra

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I took the occasion of my call on Minister Ouro Preto, who has just assumed charge of the Political Division in the Foreign Office, to mention the subject of the Mission at the Escola Superior de Guerra since Minister Ouro Preto returns to the Itamaraty from an assignment at the Escola as Deputy Commandant for Political Affairs. I mentioned that I had discussed the subject with Minister Bastian Pinto just before his departure and he had suggested that the Embassy bring the subject up again some time around the first of the year. I reiterated the desirability of as early a decision as possible because of the time required to get a replacement for Colonel Miller, present Chief of the Mission.

Minister Ouro Preto said that he was familiar with the matter and was aware of the reasons why it could not be discussed before. He added, however, that the present would be a good time to bring the subject up again because the Congress is not in session and a decision should be reached before the presidential campaign gets under way in earnest when the matter could become a political issue. He went on to say that in any event he was of the opinion, as were authorities in the School, that the basis on which the Mission now operates must be changed. The School has progressed to the point where the advice it previously required is no longer useful and while everyone at the School has the highest regard for Colonel Miller personally, it is felt that his contribution at the present time is minimal. He, himself, believed the Mission could make a real contribution by bringing down lecturers and materials for the School.

I told Minister Ouro Preto that I appreciated having his views and that I wished to make two points clear: (1) while the two Mission members would be carried on the complement of JBUSMC, this

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was simply an administrative device and that the Mission would continue as previously to receive its orientation from the National War College in Washington and (2) there would be no formal agreement as such since an agreement without compensation for the Mission would set an undesirable precedent.

Minister Ouro Preto said that he was very pleased to have this information since it seemed to him that it would be far easier in the present climate in Brazil to work out a continuation of the Mission on an informal basis and without an agreement. He said that he would at the earliest occasion take up the subject with the liaison officer of the Armed Forces General Staff to learn if they were prepared now to begin discussions.

0141

MEMORANDUM OF CONVERSATION

December 30, 1959

Participants: Carlos F. Duarte Gonçalves da Rocha, Deputy Chief of the Political Division, Itamaraty.

Philip Raine

Subject: Military Advisory Mission at the Escola Superior de Guerra

Reference: Memorandum of Conversation, December 29, 1959

Sr. Duarte asked me to come to the Foreign Office to go over with him and Minister Ouro Preto some aspects of the proposed renewal of the agreement for the Military Advisory Mission at the Escola Superior de Guerra. When I arrived Minister Ouro Preto had been called away and I discussed the matter with Duarte. Duarte informed me that Minister Ouro Preto had that morning discussed the possibility of renewing the agreement with Colonel Macieira, liaison officer from the Armed Forces General Staff at the Itamaraty. According to Duarte, when Ouro Preto explained to the Colonel the interest of the Embassy in reactivating the subject, Colonel Macieira indicated that the Armed Forces General Staff had little or no interest in discussing the matter or in continuing the Mission. Minister Ouro Preto informed him, however, that he had a different view on this since he is aware of General Hesket-Hall's interest in continuing the Mission under certain conditions. Duarte said that after some additional exchange along these lines it was agreed that the Embassy should submit to the Foreign Office around the middle of January a concrete proposal outlining the terms under which the Mission might continue in operation. This will have allowed enough time for General Hesket-Hall to be fully installed as the new Chief of the Armed Forces General Staff. Duarte added that Macieira had said that the proposal should provide for the Mission to be placed under the Armed Forces General Staff rather than the Escola Superior de Guerra itself. I asked him whether there was any special significance in the insistence on having the Mission accredited to the General Staff rather than to the School. He replied that he did not know of any himself.

In an effort to make clear to Duarte (and through him to Ouro Preto--both are new in their jobs), that Brazil had first requested the extension of the mission, I outlined at some length the back-

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ground on negotiations to date pointing out in particular the numerous indications the Embassy has received both from the Foreign Office and from military sources of the interest of the Brazilian authorities in continuing the Mission at no cost to the Brazilian Government and under certain other understandings. I said that the Embassy had made this proposal to the Department of State and that it had taken months to obtain approval to meet the Brazilian terms because of the precedent which would be established of permitting a Mission to operate without compensation from the host government. I said that the United States Government is still willing to carry through with its offer but I wished him to know that the initiative in this matter originated in the Brazilian Government and made it clear though I did not say it in so many words, that if the Mission is not desired the United States would drop the subject.

I told Duarte that we would send a proposal as desired, probably in the form of a memorandum, around January 15. He said that with such a paper it would then be possible to come to a final decision as to whether or not the Brazilians wished the Mission to continue.

0143

MEMORANDUM OF CONVERSATION

January 26, 1960

Participants: Minister Ouro Preto,
Chief, Political Division,
Itamaraty

Carlos Duarte, Assistant Chief,
Political Division, Itamaraty

Philip Raine

Subject: Military Advisory Mission at the Escola Superior de Guerra

Reference: Memoranda of Conversation of December 29 and December 30, 1959.

In view of the fact that Minister Bond had not been able to present the memorandum requested by Minister Ouro Preto (see memorandum dated December 30), I presented that memorandum today on my return from the United States.

Minister Ouro Preto said after reading the memorandum that it seemed to him exactly what was needed but that, however, he would not accept it officially but would discuss it with the liaison officer of the Estado Maior das Forças Armadas (EMFA) in the event that EMFA might wish to suggest changes. He promised to inform me of the result by the following day at 4:00 p.m.

0144

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MEMORANDUM OF CONVERSATION

February 1, 1960

Participants: Minister Ouro Preto,
Chief, Political Division,
Itamaraty

Carlos Duarte, Assistant Chief,
Political Division, Itamaraty

Philip Raine

Subject: Military Advisory Mission at the Escola Superior de Guerra

Reference: Memoranda of Conversation of December 29, December 30, 1959 and January 26, 1960.

I called on Minister Ouro Preto this afternoon to present him a note regarding the forthcoming election of a president of the General Assembly at the United Nations. Before I could present him with the note he called in Secretary Duarte, his deputy, and he then returned to me the memorandum which I had given him on January 26 (see memorandum of that same date), and said that it has been decided that the Mission will not be continued. I asked Minister Ouro Preto what would now be the status of the matter, or if there was anything more we could do. He said there was not. I asked him if the Embassy was to understand that the matter of continuing the Mission on an informal basis would now be dropped and that the original Brazilian note of May 12, 1959 informing the Embassy of the termination of the Mission would be the governing document in the situation. He said that it would be.

Minister Ouro Preto then went on to say that he personally was very sorry that it had not been possible to work the matter out but that the indication from the EMFA was definitive. He went on to say that he considered it better to return the memorandum that I had handed him rather than send a formal reply, particularly since he had accepted the memorandum originally with the understanding that some changes in it might be advisable.

I asked whether a liaison between the National War College and the Escola Superior de Guerra would continue to be maintained, perhaps through JBUSMC. He said that he did not himself know but he agreed that this would be a matter that would properly be taken up between the U.S. and Brazilian military.

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INCOMING TELEGRAM

Department of State

732.58/2-2360

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Control: 15488
Rec'd: February 23, 1960
1:58 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1291, February 23, 3 p.m.

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EMBTEL 782, November 25. 732.58

Request instructions.

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732.58/2-2360

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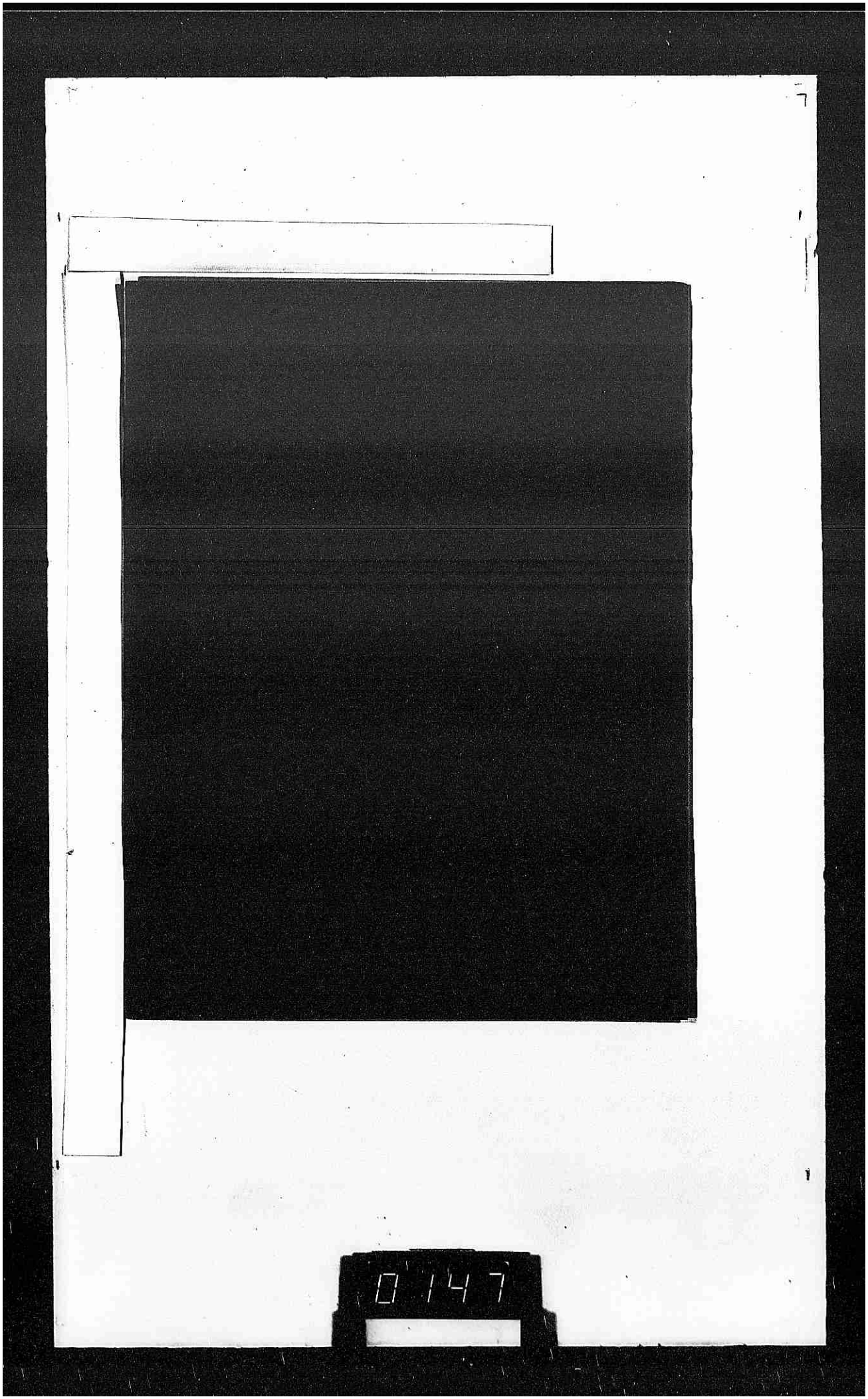
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1960 FEB 24 AM 9:48

Control: AM 19488

Rec'd: February 23, 1960

1:58 p.m.

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ACTION: ROAS
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FROM: Rio de Janeiro

TO: Secretary of State

NO: 1291, February 23, 3 p.m.

EMBTEL 782, November 25.

Request instructions.

CABOT

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732.58B/2-2360

LEGAL ADVISER
FEB 28 1960
DEPARTMENT OF STATE

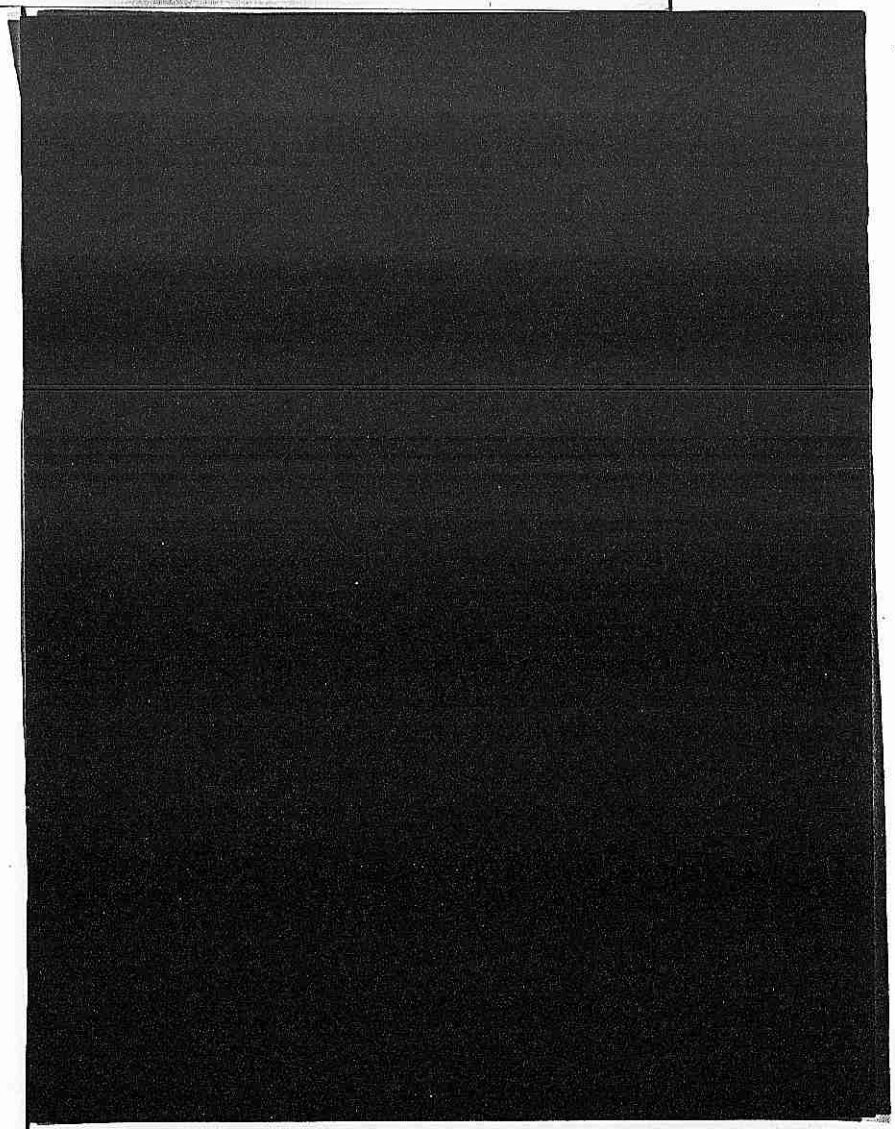
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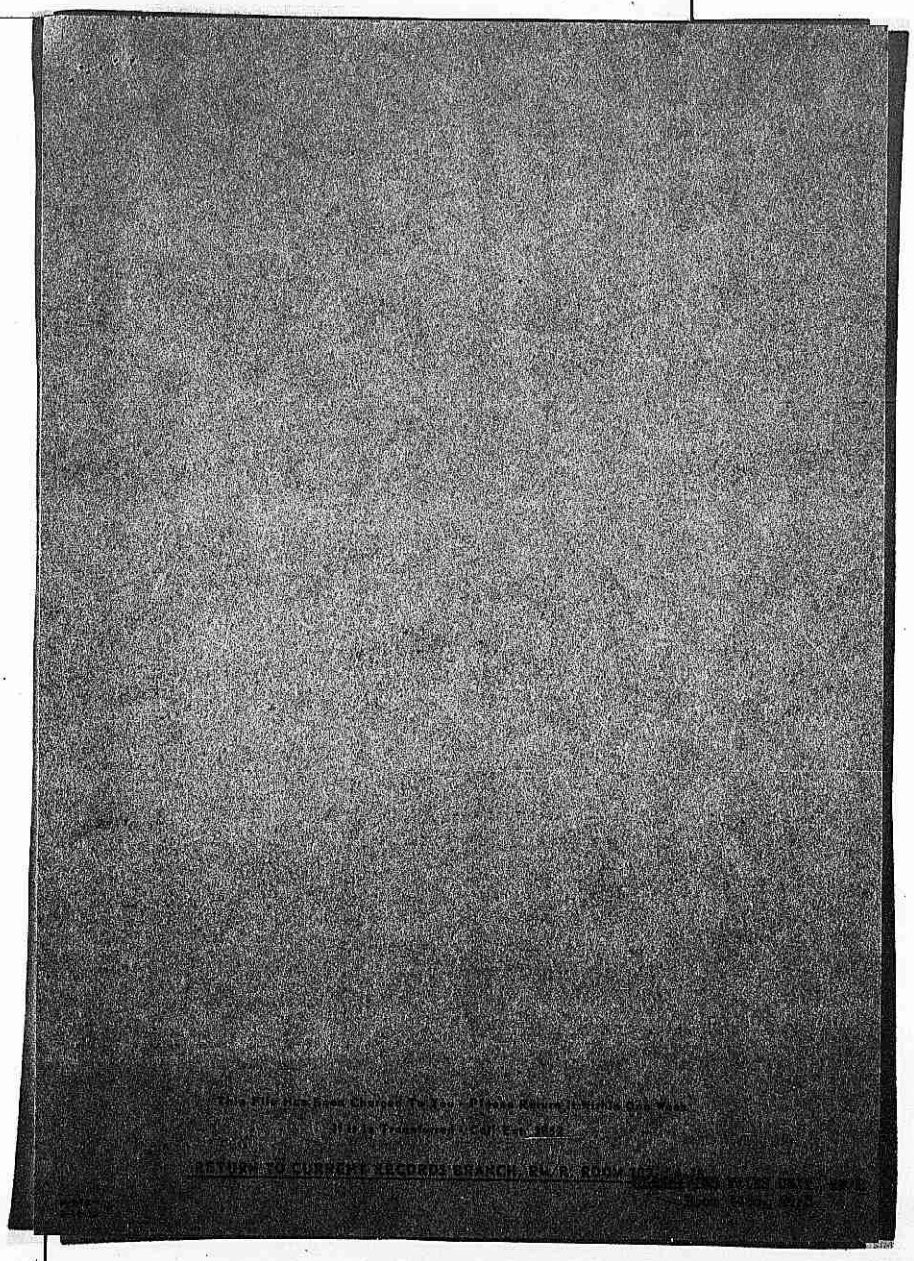
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CORRECTION ISSUED: 3/18/60 12:50 a.m.

Action ARA

Info L H INR UMSC IRC CIA OSD ARMY NAVY AIR RMR

Control: 11670
Rec'd: March 16, 1960 9:10 p.m.

FROM: Rio de Janeiro - CORRECTED PAGE 1

TO: Secretary of State

NO: 1402, March 16, 7 p.m.

Colonel Miller, chief military advisory mission under orders for retirement, proposes leave Brazil May 3. This departure almost three months before termination date mission contract would be considered by Brazilian authorities effective abrogation of contract although they have no objection his early departure provided US uses abrogation mechanism. However, Embassy reluctant to have request abrogation on record.

As alternative responsible authorities Escola Superior de Guerta and armed forces general staff have verbally agreed Miller's early departure with remaining period contract filled out by period accumulated leave earned by Miller prior 1 April 1959 on which date amendments to agreement resulting from Mansfield Amendment took effect. Escola has hitherto refused pay this accumulated leave (84 days) on several untenable grounds latest being that leave never applied for. Are willing, however, pay for leave under formula described above.

Embassy has presented note to Foreign Office notifying of Miller's proposed departure and outlining means by which payment can be made for accumulated leave. Embassy requires authorization turn over to Miller in due time sum equivalent to accumulated leave from funds to be paid for maintenance of mission to Escola after his departure. Only alternatives apparent Embassy are (1) abrogation of contract and press for payment accumulated leave or (2) change Miller's orders remain end contract and press for payment. Embassy strongly recommends approval solutions suggested second paragraph above since payment accumulated leave as originally requested by

Correction made by RM/R 3/18/60

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-2- 1402, March 16, 7 p.m., from Rio de Janeiro

requested by Miller and Embassy would apparently seriously embarrass Escola and leave feelings resentment detrimental plans future collaboration with Escola. Please expedite reply before March 22 when due confer again with Brazilian authorities. Separate solution Sgt. Hefner problem under consideration.

CABOT

AAL:LM-8

(#)Omission. Correction to follow.

Delayed transmission due to heavy traffic. Miller acknowledgment to Brazilian request

0152

DEPARTMENT OF STATE INSTRUCTION

SECRET FILE

1733

SECRET 1733

(Security Classification)

FOR DC USE ONLY

A-257, March 21, 1960

COPY NO. 1

NO.:

SUBJECT: Arrangements regarding medical attention for dependents of members of Joint Brazil - United States Military Commission

TO: American Embassy, RIO DE JANEIRO

THIS DOCUMENT MUST BE RETURNED TO RM/R CENTRAL FILES

SECRET FILE

xp 732.57 1111.57

Transmitted herewith, for the Embassy's information, is a copy of a letter received in the Department from the Office of the Judge Advocate General, Department of the Army. It inquires whether there are any reciprocal arrangements whereby Brazil may be committed to furnish free medical care to dependents of members of the Joint Brazil - United States Military Commission.

The pertinent arrangements on record in the Department are summarized in the second paragraph of the letter. No additional evidence of any reciprocal arrangements regarding dependents of members of the JBUSMC has been found.

It is suggested that the Embassy discuss the matter with U.S. military representatives in Rio and report to the Department any information which may appear to be useful in this regard.

MERTER

Enclosure:

√Copy of letter.

732.58/3-2160

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732.LWS/3-2160

SECRET

(Security Classification)

DRAFTED BY: L:L/T:EMcDowell:njp 3/18/60

APPROVED BY: W.V.W. William V. Whittington

CLEARANCES:

L/SFP Mr. Peterson

ARA:EST - Mr. Hemba

ARA:RPA - Mr. Spencer

0153

SECRET
(Security Classification)

COPY

HEADQUARTERS
DEPARTMENT OF THE ARMY
Office of the Judge Advocate General
Washington 25, D. C.

JAGW 1959/475 23 December 1959

Mr. Raymond T. Yingling
Assistant Legal Adviser
Office of the Legal Adviser
Department of State
Washington 25, D. C.

Dear Mr. Yingling:

This division has been asked to determine whether or not there are any international agreements between the Governments of Brazil and the United States which obligate Brazil to pay medical expenses incurred by the dependent son of a United States member of the Joint Brazil-United States Military Commission in Rio de Janeiro. These expenses, in the amount of $5,852.37, were incurred in Brazil because the dependent was critically ill and could not be removed to a military hospital in the United States for treatment.

An examination of the agreements and correspondence available to this office reveals that on December 12, 1949, the Brazilian Foreign Ministry sent the United States Embassy a note stating that "for appropriate purposes," the provisions of the Military Advisory Mission Agreement of July 29, 1948 (T.I.A.S. 1778) "will hereafter serve as a basis for the determination of the privileges to which the members of the Joint Brazil-United States Military Commission are entitled" (Note from Ministry of Foreign Affairs to the United States Embassy, par 4, Dec 12, 1949). Article 26 of the 1948 Military Advisory Mission Agreement (T.I.A.S. 1778) provides that the Government of Brazil "shall provide for the members of the Mission and their families free and adequate medical attention", and Article 23 defines the term "family" as meaning the wife and dependent children of Military Advisory Mission personnel.

While the language of the December 12, 1949, commitment by Brazil to furnish United States personnel assigned to the Joint Brazil-United States Military Commission with unspecified privileges is admittedly vague, some political officers in the Department of State feel that recirpocal arrangements may have been made whereby Brazil is committed to furnish free medical care to dependents of such personnel. However, a search by these officers of their files has not produced the documentation to verify their recollection in this regard.

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(Security Classification)

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(Security Classification)

JAGW 1959/475

Although my office has been unable to determine whether such reciprocal arrangements in fact exist, I do know that the United States furnishes free medical care in United States military and perhaps other government medical facilities to dependents of Brazilian members of the Joint Brazil-United States Defense Commission stationed in Washington.

In view of the importance of this matter to the individual concerned, I would appreciate your assistance in having a search conducted in the Department of State's files to determine whether reciprocal arrangements to provide medical care do in fact exist. If you desire any further information bearing on this case from the Department of the Army, I will endeavor to furnish it to you as soon as possible.

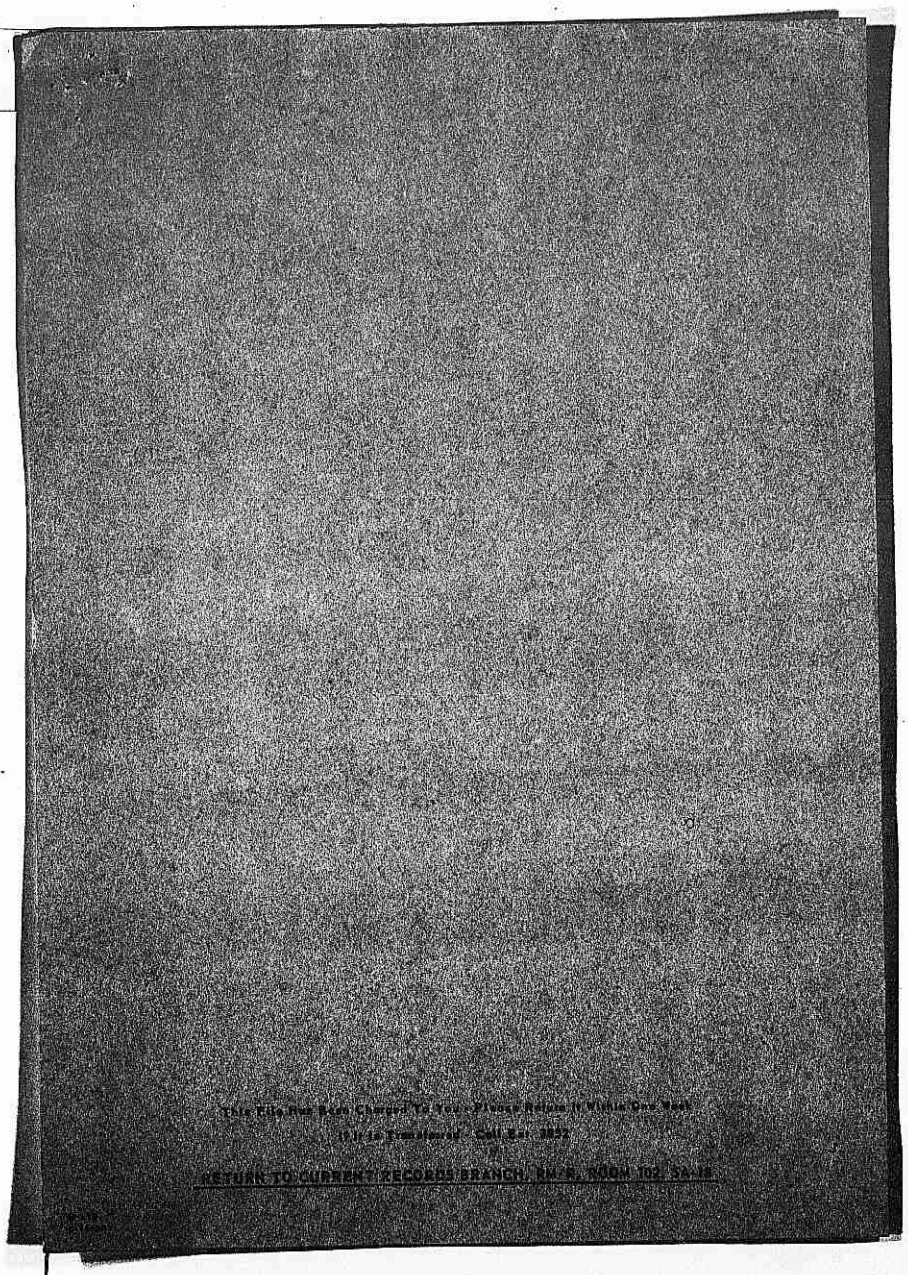
Sincerely yours,

/s/ Claude E. Reitzel

CLAUDE E. REITZEL
Colonel, JAGC
Chief, International Affairs Division

SECRET
(Security Classification)

0155


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RETURN TO CURRENT RECORDS BRANCH, Rm B, ROOM 102, Sta 10

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Control: 20330
Rec'd: MARCH 29, 1960
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ACTION:
INFO:
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FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 1478, MARCH 29, 7 PM

EMBASSY STRONGLY RECOMMENDS RECONSIDERATION STATE-DEFENSE SUGGESTIONS DEPTEL 1205. CHIEF ARMED FORCES GENERAL STAFF INFORMED GENERAL BELL SEVERAL MONTHS AGO DEPARTURE COLONEL MILLER BEFORE TERMINATION CONTRACT WOULD BE CONSIDERED EFFECTIVE ABROGATION MISSION CONTRACT. OUR INSISTENCE THAT PRESENCE SGT. ELLIS WOULD CONSTITUTE CONTINUED PRESENCE MISSION FOR WHICH BRAZIL EXPECTED PAY FULL COSTS WOULD ALMOST CERTAINLY CAUSE ILL FEELINGS WHICH COULD SERIOUSLY PREJUDICE CHANCES WE MAY HAVE FOR FUTURE COOPERATION THIS KEY INSTITUTION. IN ANY CASE ARTICLE 2 CALLS FOR REPLACEMENT IF INCUMBENT RECALLED. WOULD BE DIFFICULT CONTEND SGT. ELLIS CONSTITUTES MISSION SINCE HE IS NOT IN POSITION GIVE SERVICES NORMALLY PERFORMED BY MILLER. DEPARTMENT WILL RECALL ONE REASON FOR TERMINATION MISSION AGREEMENT WAS BUDGETARY DIFFICULTIES IN ESCOLA SUPERIOR DE GUERRA.

IF IMPOSSIBLE SETTLE PROBLEM AS SUGGESTED EMBTEL 1402, EMBASSY CONSIDERS IT PREFERABLE TERMINATE CONTRACT UNDER ARTICLE 4(B) WITH EXPLANATION THAT MILLER REQUIRED TO DEPART FOR REASONS RETIREMENT AND REMAINING TIME TOO SHORT ARRANGE REPLACEMENT. AT SAME TIME EMBASSY WOULD REITERATE REQUEST FOR PAYMENT ACCUMULATED LEAVE UNDER ARTICLE 14. JBUSMC CONCURS. PLEASE EXPEDITE.

CABOT

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732.58/3-2960

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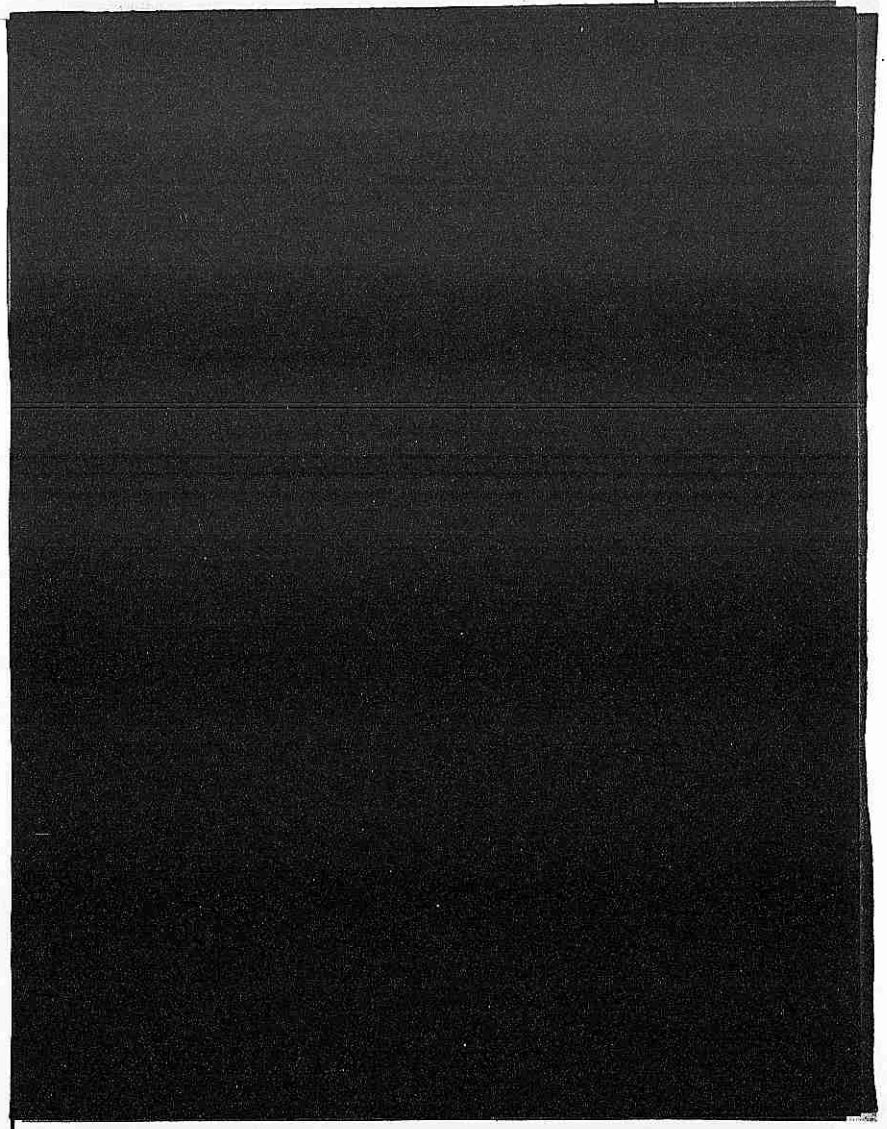
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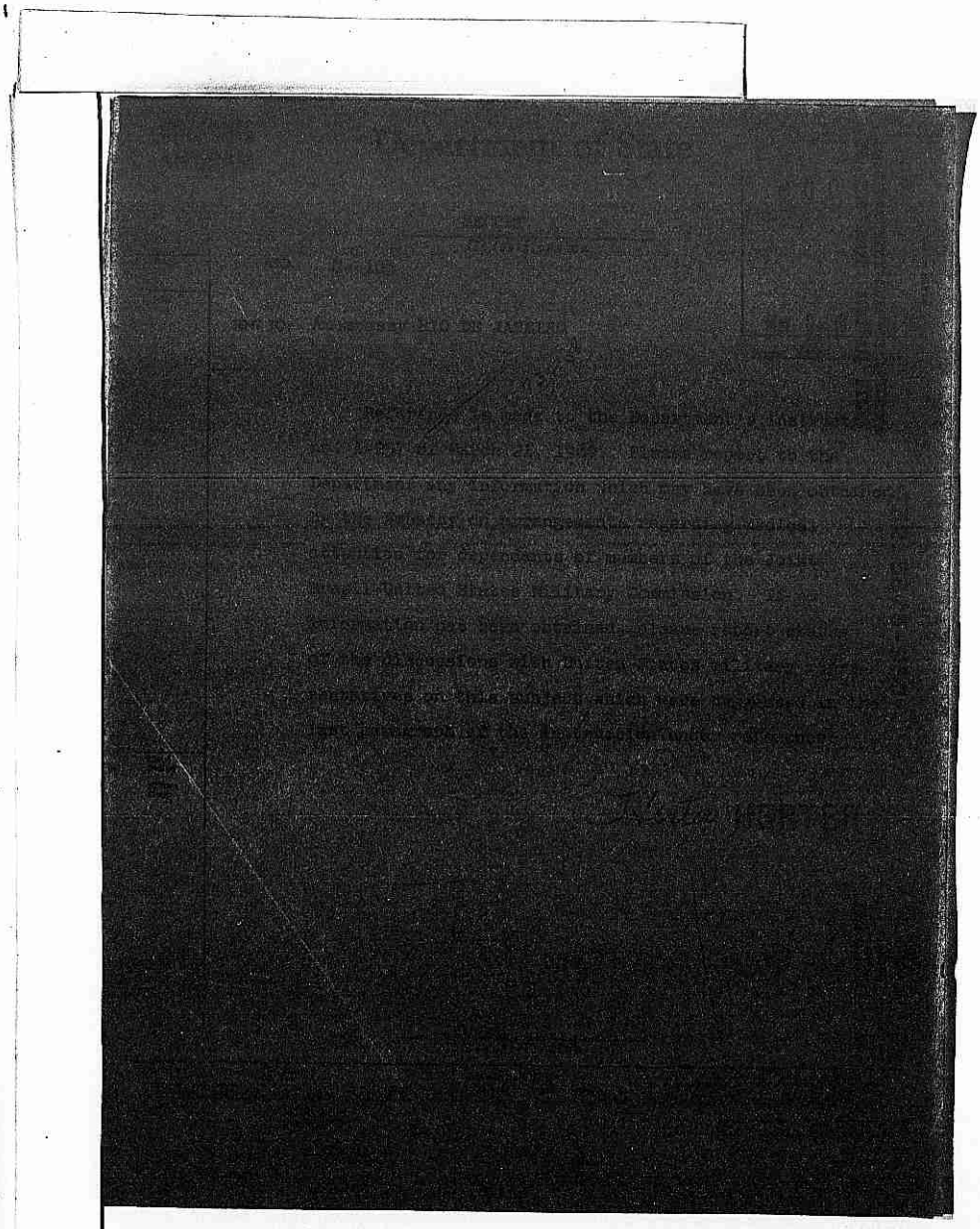
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INCOMING AIRGRAM **Department of State**

ACTION COPY

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PAGE 1 OF 1 PAGE

Date Sent: May 16, 1960
Rec'd:

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: G-160.

REF: Dept's A-257 and G-105.

JBUSMC reports careful examination their files shows Brazilian Govt not committed to provide medical services for US personnel other than Armed Forces Mission and contract Mission personnel. These medical services only provided, in any case, on informal basis.

732.58/5-1660 HBS

BOND

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Date 2/13/60

EDelgado-Arias/nlk
May 16, 1960.

DEPARTMENT OF STATE
L/A
MAY 20 1960
OFFICE OF THE LEGAL ADVISER

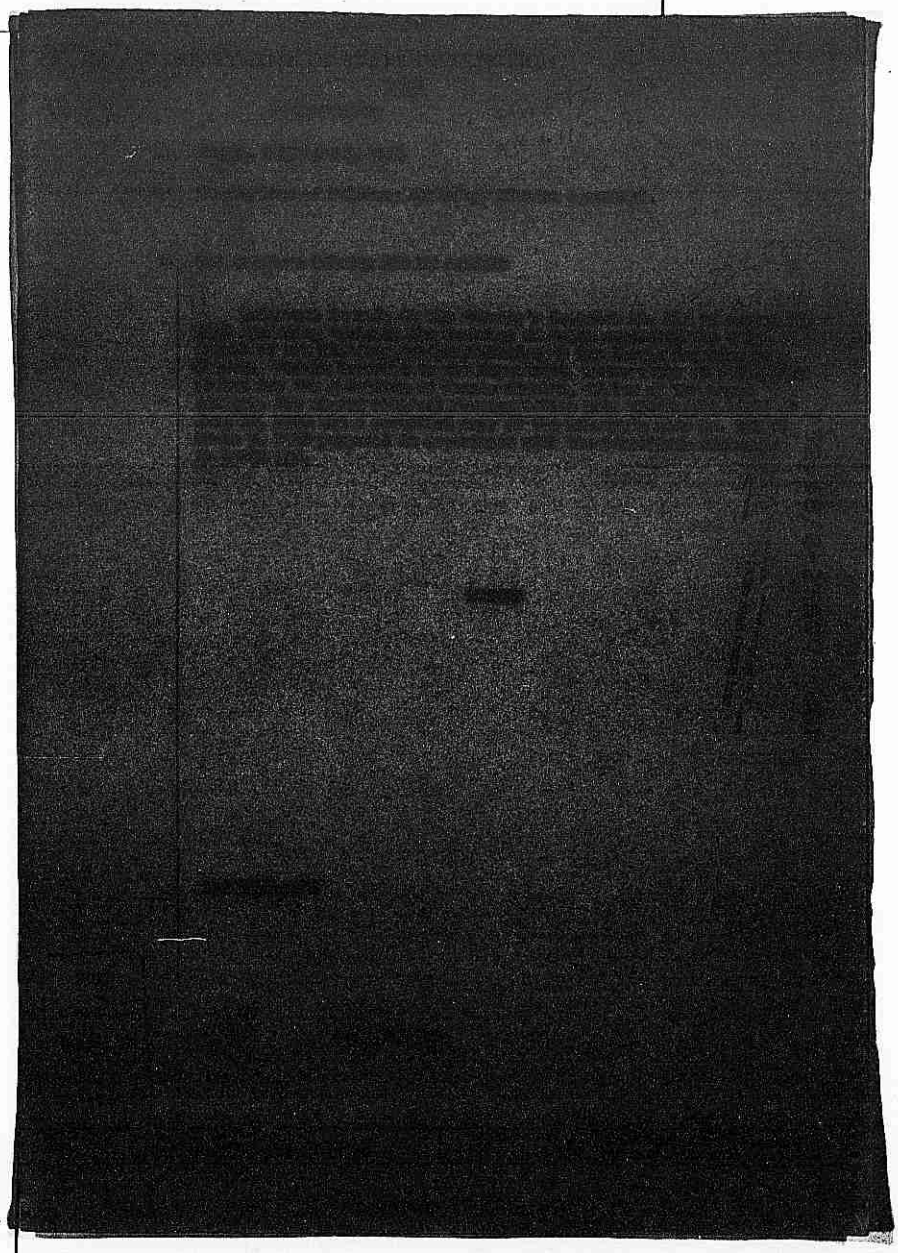
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MAY 20 1960
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~~UNCLASSIFIED~~ ENCLOSURES

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FOREIGN SERVICE DESPATCH

142
DESP. NO.

XR 611.327

FROM : Amembassy, Rio de Janeiro

August 23, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embtel 1478, March 29, 1960; Deptel 1237, March 30, 1960

AUG 24 1960

For Dept. Use Only	ACTION	DEPT.	
	ARA 4	RMR-2 INR-7 L-2 W/MSC-3	
	REC'D 5/30	INFO OTHER CIA-10 OSD-4 Army-4 Navy-3 Air-6 NSA-1	

SUBJECT: Military Advisory Mission at the Brazilian National War College.

RM/R file

To complete the Department's records on the withdrawal of the U.S. military Advisory Mission at the Escola Superior de Guerra, enclosed herewith is a copy of the Embassy's note No. 541 dated March 9, 1960 and a copy and translation of Foreign Office Note No. DPo/82/520.1(22) in reply thereto. Although the Embassy's note is dated March 9, it was actually sent subsequent to and conforms to the instructions in the Department's telegram under reference of March 30, having replaced a note of the same number and date which was recalled by the Embassy.

For the Ambassador:

Philip Raine
Counselor of Embassy
for Political Affairs

Enclosures:

Embassy's Note No. 541
dated March 9, 1960.

Foreign Office Note
No. DPo/82/520.1(22)
of June 22, 1960.

Translation of Foreign
Office Note No. DPo/82/520.1(22)

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 9 1960

Embassy distribution: Military Attaché, JBUSMC (1), POL (3), CF (3).

732.58/8-2360 HBS

FILED
SEP 30 1960

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REPORTER

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0162

No. 541

The Embassy of the United States presents its compliments to the Ministry of Foreign Affairs and has the honor to refer to the Ministry's note No. DPo/47/520.1(22) of May 12, 1959, in which the Embassy was informed that the contract which established the Military Mission of the United States of America near the Escola Superior de Guerra would not be renewed under its present terms. The Ministry's note further stated that it was the desire of the Escola Superior de Guerra that Colonel J. A. Miller retain his present position until the end of the contract to avoid the need for a replacement for the short remaining period.

The Embassy is pleased to inform the Ministry that in accordance with that request it has been possible to keep Colonel Miller as head of the Mission to date. It has, however, now become necessary to recall Colonel Miller to the United States for retirement purposes, the required procedures for which make it impossible for him to remain until the end of the contract. He proposes to depart Brazil for the United States on May 3.

Since the remaining period of less than three months is so short as to make it impracticable to furnish a replacement, the Government of the United States will at the same time, if the Government of Brazil is agreeable, recall the other member of the

0163

Mission, Sergeant Hugh E. Ellis, which under Article 4 (b) of the agreement would constitute termination of the Agreement.

The Embassy takes the occasion to request the payment to members of the Mission under the terms of Article 14 of the Agreement, of accumulated leave earned by them prior to April 1, 1959.

Embassy of the United States of America,
Rio de Janeiro, March 9, 1960.

0164

Ministerio das Relações Exteriores,

Rio de Janeiro.

DPo/82/520.1(22)

O Ministério das Relações Exteriores cumprimenta a Embaixada dos Estados Unidos da América e, com referência à correspondência anterior sôbre o assunto, tem a honra de comunicar que o Estado Maior das Fôrças Armadas decidiu dispensar os membros da Missão Militar norte-americana junto à Escola Superior de Guerra, indenizando-os, por suas férias, em 3 de maio último.

Rio de Janeiro, em 22 de junho de 1960.

0165

Ministry of Foreign Affairs,

Rio de Janeiro.

DPo/82/520.1(22)

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and with reference to previous correspondence on the subject, has the honor to inform it that the Armed Forces General Staff has decided to release members of the American Military Mission of the Escola Superior de Guerra reimbursing them for their (accumulated) leave on May 3, 1960.

Rio de Janeiro, June 22, 1960.

0166

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744

DEPARTMENT OF STATE INSTRUCTION

744

CONFIDENTIAL
(Security Classification)

FOR RM/R USE ONLY

NO.: A-85, September 12, 1960,

SUBJECT: Compensation for Accumulated Leave of Members Military Advisory Miss

TO: The American Embassy RIO DE JANEIRO

The Embassy is instructed to pursue Colonel Miller's and Sgt. Hefner's claim for compensation for accumulated leave with the appropriate Brazilian representatives. Although CA-7783 did state that personnel of the Mission would be prohibited after March 31, 1959 from receiving and accepting compensation from the foreign governments to which they are assigned, later instructions by the Service Departments to their respective Missions provided that the only exception is in the event the host government has not made timely payment of amounts accrued on or before March 31, 1959, and for which reimbursement has not been received from the U.S. Goyernment. In such a case back payments may be received by individuals after that date. The statement in paragraph 2 of CA-7783 that the "exchange of notes is intended to ... relieve the receiving state from the obligation of making monetary payment to individual Mission members or the United States Government for unused leave accumulated by Mission members by the terms of the Mission agreements" did not refer to amounts accrued for accumulated leave prior to April 1, 1959.

On the basis of Articles 12, 13 and 14 of the Agreement of the Military Advisory Mission to Brazil of July 29, 1948, as amended, the Government of Brazil is obligated to pay compensation to Colonel Miller in the amount of $949.20, and to M/Sgt. Hefner in the amount of $331.10.

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55

CONFIDENTIAL
(Security Classification)

DRAFTED BY: ARA:HPA:AFMcLean:DOD:OGC(IA)-JJAllen:hjb 9/7/60

APPROVED BY: ARA:RPA:AFMcLean

CLEARANCES: L/SFP-Mr.Shaffer EST/B-Mr.Wilson

S/S-CR
SEP 12 1960 A.M.

FROM DOUGLAS DILLON TEL NO. 1743 DEPT OF STATE

CLASSIFIED FILE

732.58/9-1260

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7358/9-1260

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INCOMING AIRGRAM | Department of State

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PAGE 1 OF 1 PAGES

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Date Sent: September 22, 1960
Rec'd:

FROM: AmEmbassy, Rio de Janeiro

TO: Secretary of State

NO: G-96

SEP 26 4 06 PM '60

Re A-85, September 12, 1960; CA-7788 [redacted] 12, 13 and 14 Agreement of Military [redacted] July 29, 1948, concerning compensati[redacted] leave of members Military Advisory Mi[redacted]

GOB remitted the amounts due for accumulated unused leave of the two members of Military Advisory Mission and Colonel Joseph Miller accepted on April 20 $949.20 for himself and $331.10 for M/Sgt. Hefner.

CABOT

ADM:Doenaen/SRLoupe:gmh
September 20, 1960

S.R.Loupe

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Date Sent: 1960 JAN 30 PM 47
Rec'd:

ACTION:
INFO: JAN 3 8 02 PM '61
RM/R FILES

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: G-241

RM/R file

Re Deptel 294, 8-29-59; Embdesp 142, 8-25-60.

Escola Superior de Guerra, Brazil's National War College, has discussed with JBUSMC interest in having guest lecturers from US during next school year. Details of request transmitted in confidential radio message number 4127 from CHIEFAG to CINCARIB info CSB Washington. As Department will recall from reference communications lecturers for Escola Superior de Guerra were part of offer made to continue a mission at that key school. Since the mission was not continued, the Embassy considers US lecturers even more important than it did at time this subject was under active consideration.

In view of continuing important influence of the Escola Superior de Guerra in both civilian and military branches of Brazilian government, it is hoped Department will support JBUSMC request for lecturers as indicated.

BOND

FOL:PRaine:gm

December 29, 1960

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0170

1498

DEPARTMENT OF STATE INSTRUCTION

OFFICIAL USE ONLY 1498
(Security Classification)

FOR RM/R USE ONLY

NO.: A-200 January 23, 1961 732.58

SUBJECT: Assignment of Rear Admiral Haslett P. Weatherwax as Chief, U.S. Naval Mission to Brazil

TO: The American Embassy RIO DE JANEIRO

The Department of the Navy desires to assign Rear Admiral Haslett P. Weatherwax as Chief of the United States Naval Mission to Brazil as relief for Rear Admiral John Quinn. Admiral Weatherwax will also serve as Chief, Navy Section, MAAG Brazil and Senior Naval Officer, Joint Brazil-United States Military Commission. Enclosed herewith is biographic information on Admiral Weatherwax.

The Embassy is requested, in accordance with the provisions of the Naval Mission Agreement with Brazil, to conclude an exchange of notes with the Brazilian Government providing for the assignment of Admiral Weatherwax. The exchange of notes should also provide that Admiral Weatherwax will obtain the clearance of all other personnel assigned to the Mission during the period of his service as Chief of Mission.

The Embassy is requested to inform the Department by telegram as soon as the necessary clearance has been obtained.

RUSK

Enclosure:

Biographic information on Admiral Weatherwax.

732.58/1-2361 CS/CS

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(Security Classification)

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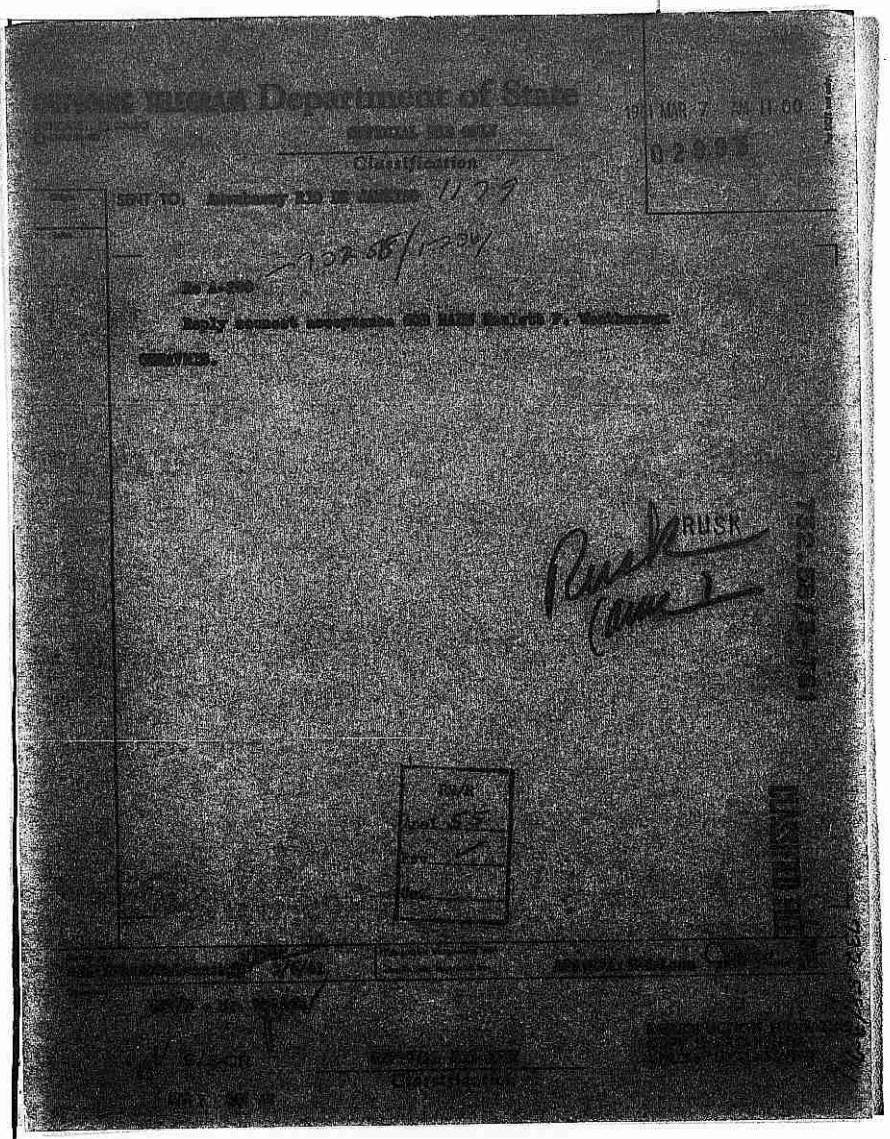
APPROVED BY: ARA:RPA:AFMcLean

CLEARANCES: EST - Mr. Nelsen

S/S-CR
JAN 23 1961 AM

732.58/1-2361

0171


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1340

DEPARTMENT OF STATE INSTRUCTION

1340 OFFICIAL USE ONLY
(Security Classification)

FOR RM/R USE ONLY

NO.: A-264 March 15, 1961

SUBJECT: Shipment of Two Privately Owned Vehicles, Property of Air Force Officers, from Rio de Janeiro to Salvador and Recife, Brazil

TO: American Embassy, RIO DE JANEIRO

Enclosed is a copy of a memorandum explaining the difficulties being experienced by the United States Military Personnel assigned to Salvador and Recife, Brazil.

The Embassy is requested to discuss this matter with appropriate authorities of the Brazilian Government to see if some arrangement can be made to move these vehicles to their proper destination. It appears that two possibilities exist. (1) secure a priority early shipment via Brazilian vessel or (2) secure an exception from the cabotage requirements because of the unavailability of shipping in order to permit their forward move via United States ship. Advise Soonest.

RUSK

Enclosure:

✓ Copy of memo

732.58/3-1561

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DRAFTED BY: ARA:REA:GWRussell:erb 3/13/61

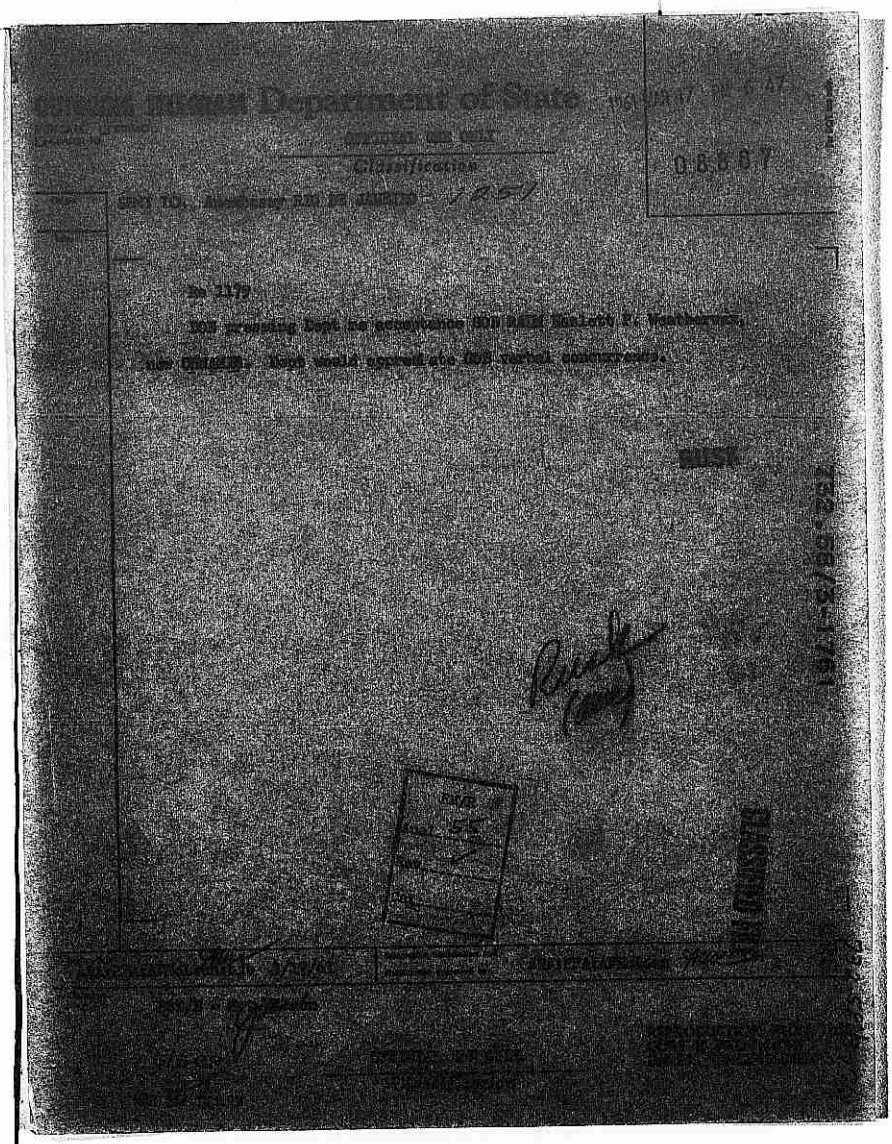
APPROVED BY: REA - Gerald W. Russell

CLEARANCES: EST/R RPA/S - Mr. McLean S/S-CR

MAR 15 1961 AM

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INCOMING TELEGRAM **Department of State**

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Control: 18784

Rec'd: March 28, 1961 8 05

8:21 p.m.

Action

ARA
Info

FROM: Rio de Janeiro

TO: Secretary of State

RMR

NO: 1282, March 28, 5 p.m.

ACTION:
INFO:
RM/R FILES

RM/R file

Department telegram 1251.

Embassy informed verbally Weatherwax appointment approved by CNO Brazilian Navy and sent Brasilia for concurrence Navy Minister Heck which should be pro forma. Expect definitive approval near future.

CABOT

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732.58/3-2861 CS

Informed Navy by phone

FILE

AUG 22 1961

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37
Action
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Control: 19768
Rec'd: March 30, 1961
12:37 a.m.

ACTION: RMR
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1295, March 29, 1 p.m.

AMC 3/30
Navy Notified
by Phone
AMC

Re DEPTEL 1179, EMBTEL 1282

Navy Minister has concurred in Weatherwax appointment.

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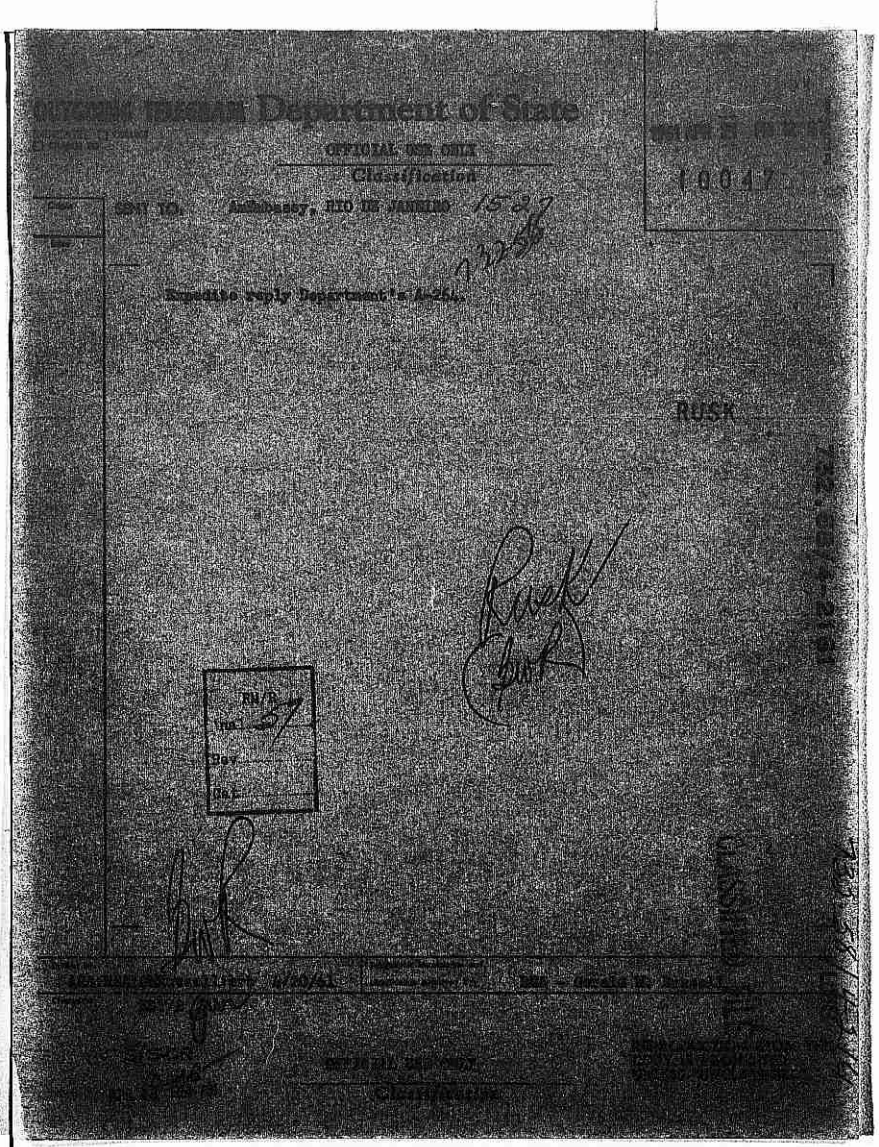
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38-39

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NUMBERED

Control: 16557
Rec'd: April 25, 1961
8:30 p.m.

ARA
Info

FROM: Rio de Janeiro

TO: Secretary of State

AIR
OPR

NO: 1478, April 25, 3 p.m.

RMR

Reference: DEPTEL 1527.

Embassy through Brazilian Coastal Shipping Agencies will be able obtain space aboard Brazilian vessels within month of request.

However, Embassy has been requested by Air Force section of JBUSMC no secure any space for time being as they not yet received funds or authority ship vehicles to destination. Various requests have been made by Air Force section to Headquarters USAF for shipment by air as they claim this means most practical.

Embassy will when requested assist military mission secure space.

Disregard EMBTEL 1471 April 24.

CABOT

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SENT TO: Amembassy RIO DE JANEIRO 63

RE: DATEL 58 - 732.00/7-1061

Plane leaving Andrews Air Force Base Puerto Rico
0600 July 11 arrive Rio 0200 July 12. Reply NIACT.

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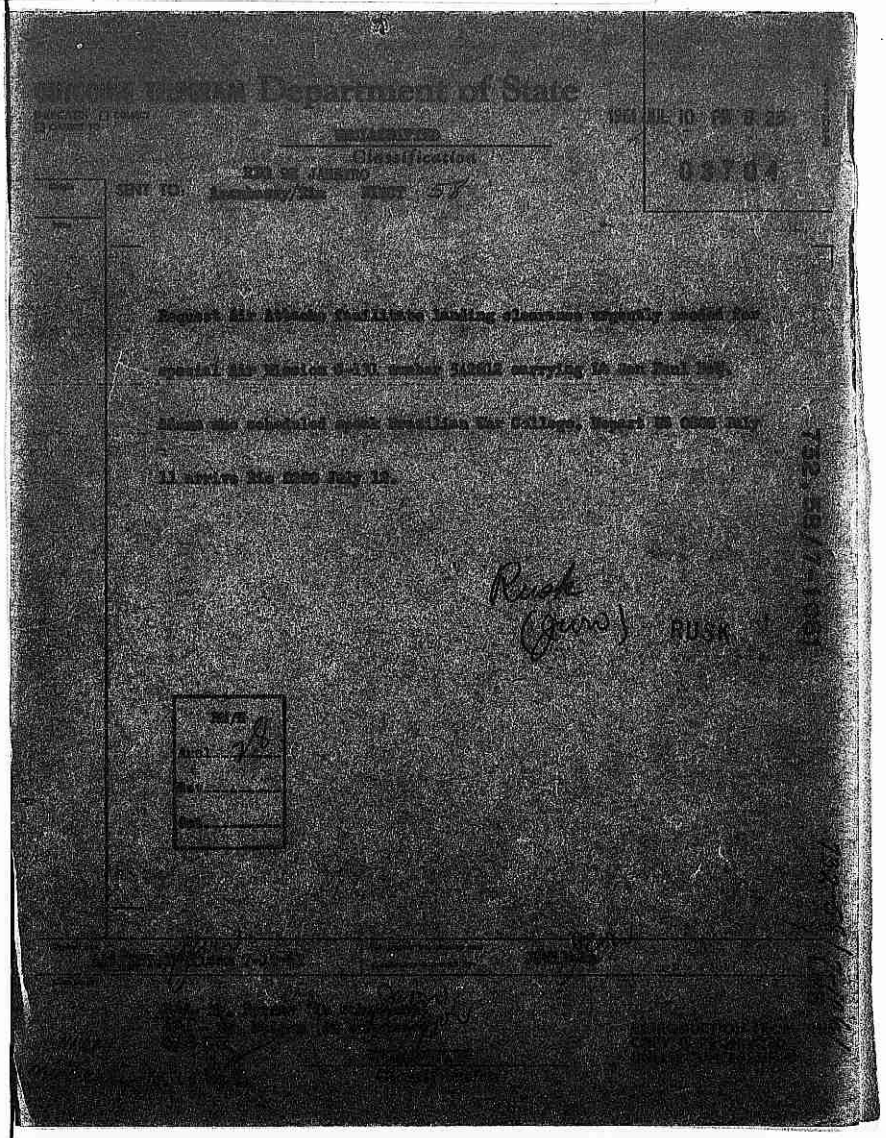
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Cleared with: [illegible]

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Department of State

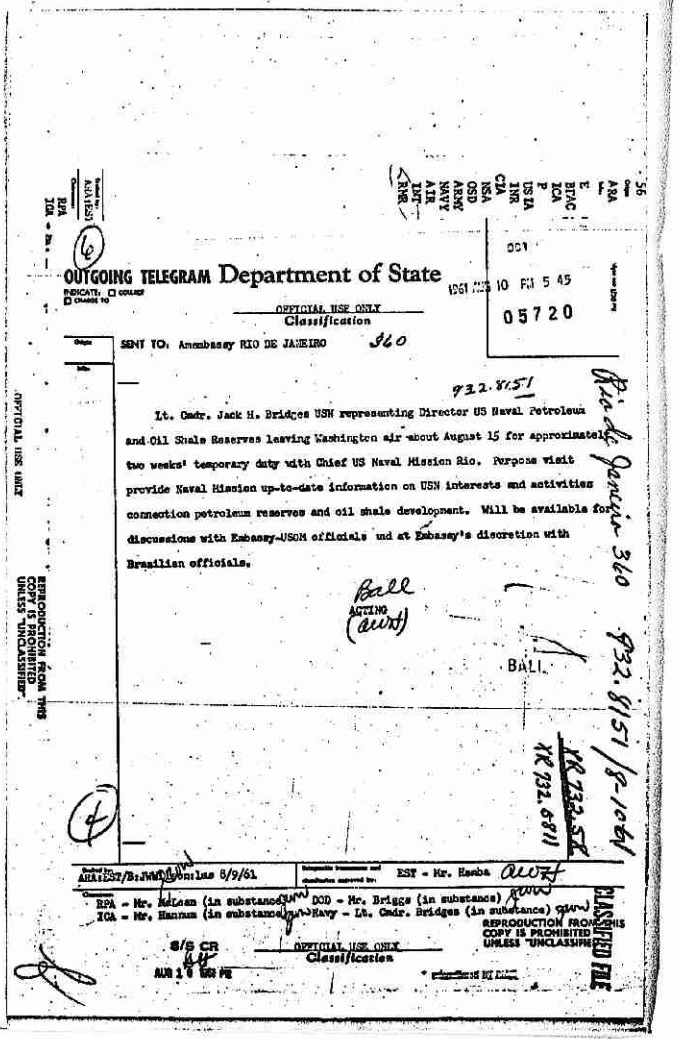
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Request Air Attache facilities including clearance capacity should for special air mission C-130 number Kuala arriving in our Feb 20th. Above may schedule space supplies our fellows. Regret US Govt pay 11 cents Ms 2000 Kay 12.

Rusk

(Jones) RUSK



OUTGOING TELEGRAM Department of State

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1961 AUG 10 PM 5 45

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SENT TO: Amembassy RIO DE JANEIRO 360

932.8151

It. Cmdr. Jack H. Bridges USN representing Director US Naval Petroleum and Oil Shale Reserves leaving Washington air about August 15 for approximately two weeks' temporary duty with Chief US Naval Mission Rio. Purpose visit provide Naval Mission up-to-date information on USN interests and activities connection petroleum reserves and oil shale development. Will be available for discussions with Embassy-USOM officials and at Embassy's discretion with Brazilian officials.

Ball
ACTING
(aw/h)

BALL

Rio de Janeiro 360 932.8151/8-1061

RR 732.5511
NR 732.0911

Drafted by: ARA:ESST/B:JWMcDonald 8/9/61

Telegraphic transmission and classification approved by: EST - Mr. Hesbe aw/h

Clearances:
RPA - Mr. McLean (in substance) aw/h
IGA - Mr. Hannum (in substance) aw/h
DOD - Mr. Briggs (in substance) aw/h
Navy - Lt. Cmdr. Bridges (in substance) aw/h

S/S CR
AUG 1 6 1961 PM

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

421 DESP. NO. COPY NO. 1 SERIES A

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 22, 1961
DATE

REF : Department of State Instruction A-257, March 21, 1960

NOV 23 1961

For Dept. Use Only	ACTION	DEPT.
	REC'D 11-25	X NEA: ara - r ENR O OTHER O/S: OSD Army Navy Air JSA

SUBJECT: Arrangements regarding Medical Attention for Dependents of Members of Joint Brazil - United States Military Commission

With reference to the Department's Instruction A-257 of March 21, 1960, enclosed is a copy of the Memorandum handed the Chief of the North and Central American Division of the Foreign Office on the subject of the liability of the Brazilian Government for medical expenses incurred by Major Tedsan S. Timberlake during the period when he served as a member of the U. S. Delegation, Joint Brazil-United States Military Commission.

For the Ambassador

Philip Raine
Counselor of Embassy
for Political Affairs

Enclosure: 1 att

As stated.

DISTRIBUTION: CF (2), POL (3)

LEGAL ADVISER
NOV 30 1961
DEPARTMENT OF STATE

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JAN 26 12 38 PM '62

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Instruction drafted by NEA:P-Mr. J. Raine, 11/17/61.

732.58/11-2261 BW

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Name M.C. Date 1-25-62

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0182

desp. from Rio, 421, 11/22/61

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Enclosure No. 1

SECRET

Ministerio das Relações Exteriores,
Rio de Janeiro

Confidential
520.1(22)
DC/187/922.81(22)(42)

O Ministerio das Relações Exteriores cumprimenta atenciosamente a Embaixada dos Estados Unidos da America e, em aditamento a informação verbal prestada pelo Chefe do Departamento Politico e Cultural do Ministerio ao Senhor Clarence C. Brooks, Conselheiro Comercial da Embaixada, tem a honra de lhe fazer a presente comunicação, destinada a regular doravante os privilegios de que gozam os membros da Comissão Militar Mista Brasil-Estados Unidos.

2. Como do conhecimento dessa Embaixada, a mencionada Comissão foi criada durante a guerra por um acordo, que a omissio no que se refere aos privilegios a que teriam direito os respectivos membros. Entretanto, na falta de disposições contratuais sobre a materia, vinham eles, desde o principio, beneficiando de regalias aduaneiras e de certas imunidades diplomaticas.

3. Em 1948, foi assinado o contrato de carater confidencial para a "Military Advisory Commission to Brazil". Este instrumento, pelo contrario, pormenoriza quais os favores (titulo IV) concedidos no Brasil aos membros da "Military Advisory Commission", não constando dos mesmos a isenção de foro.

4. Nestas condições e por analogia, o Ministerio das Relações Exteriores comunica a Embaixada dos Estados Unidos da America, para os devidos fins, que as disposições desse contrato passam a servir de norma para a definição dos privilegios de que gozam os membros da Missão Militar Mista Brasil-Estados Unidos.

Rio de Janeiro, em 12 de dezembro de 1949.

MAFB/RBM.

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DEPARTMENT OF STATE
DIVISION OF LANGUAGE SERVICES

(TRANSLATION)

LS NO. 29108
T-90/R-IV
Portuguese

Enclosure No. 1
Despatch No. 421
Dated Nov. 22, 1961
From Rio

Ministry of Foreign Relations

Rio de Janeiro

COPY

SECRET

Confidential
520.1 (22)
DC/187/922.81 (22) (42)

The Ministry of Foreign Relations presents its compliments to the Embassy of the United States of America, and with reference to the information given orally by the Chief of the Political and Cultural Bureau of the Ministry, to Mr. Clarence C. Brooks, Commercial Counselor of the Embassy, has the honor to transmit the present communication for the purpose of providing henceforth for the privileges to be enjoyed by members of the Joint Brazil-United States Military Commission.

2. As the Embassy is aware, the said Commission was created during the war by an agreement which fails to refer to the privileges to which the respective members would be entitled. Meanwhile, in the absence of contractual provisions concerning this matter, the members came to enjoy, from the outset, customs privileges and certain diplomatic immunities.

3. In 1948 a confidential contract was signed for the Military Advisory Commission to Brazil.* This document, by contrast, set

* The name is given as it appears in English in the Portuguese text. - LS

0184

forth in detail (Title IV) the privileges that were to be accorded in Brazil to the members of the Military Advisory Commission,* the waiver of foro [tax on rental contracts] not being included among them.

4. Under these circumstances, and by analogy, the Ministry of Foreign Relations informs the Embassy of the United States of America, for the pertinent purposes, that the provisions of that contract are considered a standard for the definition of privileges to be enjoyed by the members of the Joint Brazil-United States Military Mission.

Rio de Janeiro
December 12, 1949

* The name is given as it appears in English in the Portuguese text. - LS

0185

UNCLASSIFIED

Enclosure No. 3
Despatch No. 421
Dated Nov. 22, 1961

JOINT BRAZIL-UNITED STATES MILITARY COMMISSION

Rio de Janeiro

Document No. 134 - GAB Rio de Janeiro, September 27, 1961

From: Secretary of the Joint Brazil-U.S. Mil. Comm.

To: Colonel William P. Renny
Secretary of the United States Delegation

Subject: Reimbursement for expenses

Reference: Letter of June 1, 1961

In reply to your letter referred to above, we are of the opinion that Major Timberlake's claim is not justified on the basis of the agreements now in force; however, an understanding between the Embassy of the United States of America and the Ministry of Foreign Relations would be advisable, for further consideration of the case.

Very truly yours,

Lucidio de Arruda

Colonel, Secretary of the
Joint Brazil-United States Military
Commission

UNCLASSIFIED

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SECRET

This document consists of 2 pages
No. 2 of 3 Copies, A

DEPARTMENT OF STATE
DIVISION OF LANGUAGE SERVICES

(TRANSLATION)

LS NO. 29108
T-90/R-IV
Portuguese

Enclosure No. 1
Despatch No. 421
Dated Nov. 22, 1961
From Rio

Ministry of Foreign Relations

Rio de Janeiro

COPY

SECRET

Confidential
520.1 (22)
DC/187/922.81 (22) (42)

The Ministry of Foreign Relations presents its compliments to the Embassy of the United States of America, and with reference to the information given orally by the Chief of the Political and Cultural Bureau of the Ministry, to Mr. Clarence C. Brooks, Commercial Counselor of the Embassy, has the honor to transmit the present communication for the purpose of providing henceforth for the privileges to be enjoyed by members of the Joint Brazil-United States Military Commission.

2. As the Embassy is aware, the said Commission was created during the war by an agreement which fails to refer to the privileges to which the respective members would be entitled. Meanwhile, in the absence of contractual provisions concerning this matter, the members came to enjoy, from the outset, customs privileges and certain diplomatic immunities.

3. In 1948 a confidential contract was signed for the Military Advisory Commission to Brazil.* This document, by contrast, set

* The name is given as it appears in English in the Portuguese text. - LS

SECRET

0187

forth in detail (Title IV) the privileges that were to be accorded in Brazil to the members of the Military Advisory Commission,* the waiver of foro [tax on rental contracts] not being included among them.

4. Under these circumstances, and by analogy, the Ministry of Foreign Relations informs the Embassy of the United States of America, for the pertinent purposes, that the provisions of that contract are considered a standard for the definition of privileges to be enjoyed by the members of the Joint Brazil-United States Military Mission.

Rio de Janeiro
December 12, 1949

* The name is given as it appears in English in the Portuguese text. - LS

UNCLASSIFIED

Enclosure No. 3
Despatch No. 421
Dated Nov. 22, 1961

JOINT BRAZIL-UNITED STATES MILITARY COMMISSION

Rio de Janeiro

Document No. 134 - GAB Rio de Janeiro, September 27, 1961

From: Secretary of the Joint Brazil-U.S. Mil. Comm.

To: Colonel William P. Renny
Secretary of the United States Delegation

Subject: Reimbursement for expenses

Reference: Letter of June 1, 1961

In reply to your letter referred to above, we are of the opinion that Major Timberlake's claim is not justified on the basis of the agreements now in force; however, an understanding between the Embassy of the United States of America and the Ministry of Foreign Relations would be advisable, for further consideration of the case.

Very truly yours,

Lucidio de Arruda

Colonel, Secretary of the
Joint Brazil-United States Military
Commission

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This document consists of 2 pages
Number 6 of 9 copies, Series A.

SECRET

MEMORANDUM

The Embassy of the United States of America informs the Ministry of Foreign Affairs of Brazil that a question has arisen concerning the import of the Ministry's confidential Note DC/187/922.81(22)(42) of December 12, 1949, a copy of which is attached, insofar as it relates to the extension of the prerogatives applicable to the agreement of 1948 entitled "Military Advisory Commission to Brazil" to the later established Joint Brazil-United States Military Commission. In this respect a query from a representative of the American Delegation to the Joint Brazil-United States Commission to the Chief of Cabinet of that Commission regarding interpretation of that note in connection with the claim for medical expenses by a former member of the American Delegation to the Commission, elicited the reply that while the claim did not appear to have basis in present agreements, an understanding in this respect between this Embassy and the Ministry of Foreign Affairs would be advisable. Copies of the cited documents are enclosed.

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The Ministry's opinion in this matter would be appreciated.

Enclosures:

1. Copy of Ministry's Note dated December 12, 1949.
2. Copy of Memorandum to Chief of Cabinet, CHSENEU from Col. W. P. Kenny dated June 1, 1961.
3. Copy of reply to letter of June 1, 1961 dated September 27, 1961 from Cel Chefe de Gabinete da CHSENEU Lucidio de Arruda.

Embassy of the United States of America,

Rio de Janeiro, November 16, 1961.

POL:PRaine:rpc

SECRET

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COPY

Enclosure No. 2

UNCLASSIFIED

1 June 1961

SUBJECT: Claim for Reimbursement of Charges for Dependent Medical Care

TO: Chief of Cabinet, CNBMEU

1. This will confirm our conversation of this date.

2. On 12 September 1960, the Chief of the North American Delegation discussed with the President of the Commission the case of a claim being made by a former member of the North American Delegation, Major Tedman S. Timberlake.

3. The claim in the amount of $5,852.37 is for reimbursement of medical expenses incurred by Major Timberlake while in Brazil and is based on the provisions of a note, copy attached, dated 12 December 1949 from the Brazilian Foreign Office to the U. S. Embassy on the general subject of the privileges to which the members of the Joint Brazil-U.S. Military Commission are entitled.

4. Information would be appreciated as to whether the Brazilian Authorities have made a determination as to reimbursement of this claim to Major Timberlake.

WILLIAM F. RHENY
Lt Colonel, USAF
Secretary

Incls.

UNCLASSIFIED

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COPY

UNCLASSIFIED

10 September 1960

Review of Claim, Major Timberlake

On 31 March 1954, Major Timberlake reported to duty with the U. S. Delegation, JBUSMC. A son Todsan S. Timberlake Jr. was born on 10 March 1955 at the Casa de Portugal, Rio de Janeiro. Three days after birth, a critical intestinal condition required a series of operations to save his life. The child was a patient in the hospital for a period of 27 days. From the date of the first operation, the child received a total of 480 injections and transfusions. In addition to an obstetrician and a pediatrician, a Brazilian surgical team consisting of two surgeons, anesthesiologist, infant vein specialist, special nurses and private hospital room accommodations were required. The child was a patient at home for an additional period of 12 months. During this period special nurses, medicines and transfusions were necessary as directed by the pediatrician.

The U. S. Delegation, JBUSMC, did not have the medical facilities available to provide medical attention and Major Timberlake bore the entire cost from personal funds. As of 22 March 1957, the total expense amounted to $5,892.37.

The U. S. Delegation has on hand receipt which substantiates the above payments.

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Desp for Rio, 421, 11/1/61

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Enclosure No. 3

COMISSÃO MILITAR MISTA BRASIL-ESTADOS UNIDOS
Rio de Janeiro

Oficio No. 134 - GAB

Rio de Janeiro, 27 de setembro de 1961

Do Chefe do Gabinete da CMMBEU

Ao Sr. Cel William P. Remmy - Secretario da Delegação Norte Americana

Assunto - Indenização de despesas

Referencia: - Carta de 1 de Junho de 1961.

Em resposta a carta da referencia de V. S. somos de parecer que a pretensão do Maj TIMMERLAKE não tem amparo nos acordos vigentes, entretanto um entendimento entre a Embaixada dos Estados Unidos da America e o Ministerio das Relações Exteriores seria aconselhavel, para melhor exame do caso.

Aproveito o ensejo para apresentar a V. S. os meus protestos de elevada estima e consideração.

LUCIDIO DE ARRUDA
Cel Chefe do Gabinete da CMMBEU

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0194

DEPARTMENT OF STATE INSTRUCTION

SECRET
(Security Classification)

FOR DC USE ONLY

NO.: W-166 January 22, 1962 COPY NO. 1

SUBJECT: Arrangements regarding Medical Attention for Dependents of Members of Joint Brazil-United States Military Commission.

TO: The American Embassy, RIO DE JANEIRO.

Reference is made to Embassy's despatch No. 421 of November 22, 1961, and its enclosures.

According to memorandum dated June 1, 1961, to Chief of Cabinet, CMMEEU, from Colonel William P. Renny (enclosure 2), Major Timberlake's claim to reimbursement for medical expenses is based on the provisions of a note dated December 12, 1949 (enclosure 1) from the Brazilian Foreign Office on the general subject of the privileges to which the members of the Joint Brazil-United States Military Commission are entitled. This note as translated referred to a confidential contract signed in 1948 for the Military Advisory Commission to Brazil which set forth in detail (Title IV) the privileges that were to be accorded in Brazil to the members of the Military Advisory Commission. In this same note, the Foreign Ministry informed the Embassy that the provisions of that contract "are considered a standard for the definition of privileges to be enjoyed by the members of the Joint Brazil-United States Military Mission."

The Ministry of Foreign Relations in referring to the 1948 confidential contract undoubtedly had in mind the Agreement between the United States of America and Brazil, signed at Washington on July 29, 1948, regarding the establishment of a Military Advisory Mission to Brazil (TIAS 1778). Title IV of that Agreement sets forth the compensation and perquisites to be granted members of the Mission as well as perquisites to be accorded members of their families. However, the benefits granted are not limited to Title IV. Under Article 26 of Title V of the Agreement the Government of Brazil agreed to provide for the members of the Mission and their families "free and adequate medical attention." Article 23 defines the term "family" to mean a member's wife and dependent children.

It appears that if Major Timberlake has a valid claim to reimbursement for medical expenses incurred on account of his child's -

SECRET
(Security Classification)

DRAFTED BY: L:L/SFP:JJHines:bar 1/19/62

APPROVED BY: L:L/SFP Raymund T. Yingling

CLEARANCES:
EST - MR. CRANE (cleared by phone)

RIO DE JANEIRO A-166 732.58/11-2261

0195

SECRET
(Security Classification)

child's illness, it must be based on Article 26 of the Agreement, The Embassy is therefore requested to ascertain whether an understanding was ever reached with the Government of Brazil with regard to the meaning of the words "free and adequate medical attention" as used in the said Article 26.

In connection with this same matter, a copy of a letter dated December 23, 1959, and received in the Department from the Office of the Judge Advocate General, Department of the Army, was transmitted to the Embassy with instruction A-257 of March 21, 1960. This letter pointed out that the United States was furnishing free medical care in United States military and perhaps other Government medical facilities to dependents of Brazilian members of the Joint Brazil-United States Defense Commission stationed in Washington.

BALL, ACTING

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(Security Classification)

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32

INCOMING TELEGRAM *Department of State* ACTION COPY
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Control: 4244
Rec'd: DEC. 8, 1961
1:35 a.m.

FROM: Rio-de-Janeiro

TO: Secretary of State

NO: 1357, December 6, 8 p.m.

PASS CINCARIB FOR INFORMATION.

Chief Brazilian Armed Forces General Staff has submitted written request to Embassy and to General Bell, Chairman US Delegation JBUSMC, for assignment LT COL William P. Renny, USAF, Secretary US Delegation, to ESCOLA Superior De Guerra as full time Liaison Officer. Chief MAAG strongly recommended to CINCARIB (BUSDEL Confidential 4186, November 24, 1961) COL Renny's assignment ESCOLA Superior minimum period one year. I strongly endorse this recommendation. As Department aware ESCOLA Superior is key institution in formulation Brazilian military and in some instances civil policy, and I regard highly important have US officer again attached to it. (Previous mission withdrawn in 1960 at Brazilian request. Embassy despatch 350, October 26, 1960). I consider LT COL Renny ideal officer, by training, intelligence, political awareness and knowledge local milieu, for this assignment.

GORDON

DMJ/14

NOTE: Relayed To: CINCARIB, 12-7-61

Copy No(s) 1 Destroyed in RM/R Date Name

This request has come up all channels - but AF says Renny has accepted retirement - Brigg (OSD/ISA) is getting out a formal memo on this. He believes we won't be get filled, Renny or no. 5/12/11/61

Def is taking action

microfilmed by RM/R

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1m/11/file RIO 1357 001 14

732.58/12-661

file 12-11-61 GFS RPA/S

0197

AIR POUCH — OFFICIAL USE-ONLY
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732.58/12-2961
XR 911.551

FOREIGN SERVICE DESPATCH

FROM : Amconsul, Belém, Pará — 60 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — December 29, 1961 DATE

REF : -

22 For Dept. Use Only	ACTION	AMA-4	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
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	REC'D 1/23/62				AIR 3	ARMY 3	CIA 11	NAVY 3	OSD 3	OCB	USIA 6	NSA 3					

SUBJECT: Newspaper Criticism of United States Air Force.

Ridi - no action
EST/B - J.W. Wilson
1/26/62

On December 13, 1961 the mayor of Portel, a small town of less than 10,000 inhabitants which is situated in the State of Pará some miles east of Belém, issued a statement that a group of United States military had entered the area of Portel illegally. His statement was published in the Belém newspaper, Folha do Norte, a leading paper in this area. This was the only newspaper in Belém which carried the article; it is believed that no other paper in the area published the article.

A reply to the accusation was published by the same newspaper on December 15, 1961. It was prepared by Captain Rodolfo Kusel of the Brazilian Air Force who is the liaison officer between the United States Air Force and Brazilian Air Force.

No reason can be determined for the mayors outburst other than to gain publicity in the press. Prior to the arrival of the United States Air Force mission steps were taken to inform all interested parties of the details of the program and the joint agreement under which the mission was being carried out.

In May, 1961 State Deputy Benedito Monteiro, and now a secretary in the Governor's cabinet, obtained a great deal of publicity by accusing the United States Air Force of installing missile bases in Para. At this time both the Consul and the Brazilian Commander of the 1st Air Zone in Belém issued statements about the aerial mapping program in Brazil which is being carried out under the terms of an agreement signed by the Governments of Brazil and the United States in 1952. This controversy was carried on for some time before it died out. The leader of the attack, Sr. Monteiro, is known to be anti-American and very leftish in his political thinking. It is interesting to note that since

Edward J. Holway, Jr.
REPORTER

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R



his return from his visit to the USSR and Czechoslovakia he is not known to have publicly made anti-American statements.

With reference to the recently published articles, there have been no further articles or types of repercussions. The Consulate feels that the situation was very well handled.

There are attached herewith copies (3) of the articles which appeared in the newspaper Folha do Norte on December 13th and 15th.

Edward J. Holway, Jr.
American Consul

Enclosure:
newspaper clippings

EJHolway:mta

0199

ENCLOSURES TO DESPATCH no. 60, 12/29/61
from Belem, Para, Brazil

FOLHA DO NORTE 12/13/61

Missão Militar Estrangeira instala-se ilegalmente em Portel

DENUNCIA FORMULADA PELO PREFEITO AO GOVERNADOR

Segundo apuramos a respeitavel, o prefeito de Portel dirigiu um ofício ao governador do Estado denunciando a presença naquela cidade de um aparelho militar norte-americano que desembarcou oficiais e soldados, além de grande quantidade de material. O expediente faz sentir que devido a não haver prestado qualquer explicação e nem levado ao conhecimento daquela autoridade estadual para providenciarem relativamente a vinda daquela missão, solicitava informações a respeito do assunto.

ESTAÇÃO

Soubemos ainda, que o ofício do gestor de Portel comunica ao governador do Estado terem os militares estrangeiros informado que iriam instalar ali uma estação de radio-telegrafia. Tomando conhecimento da denúncia o governador Aarão de Carvo Reis determinou imediato contacto com o Comando da 1a. Zona Aérea procurando obter informações a respeito do assunto a fim de que possa tomar as medidas que entender necessárias diante dessa intromissão que se verifica em território brasileiro.

SITUAÇÃO LEGAL À DA EQUIPE NORTE-AMERICANA EM PORTEL

A propósito da notícia há dias divulgada, da existência de aviadores norte-americanos em Portel, o que provocou uma comunicação do prefeito do aludido Município ao governador do Estado, procuramos nos colher, o ex-prefeito senador Rodolfo Kunel, da 1ª Zona Aérea.

Disse-nos o referido militar, nada de anormal haver na permanência dos norte-americanos em Portel. Presentemente encontram-se no município em apoio aquelas três aeronaves, anteriormente designadas para uma estação de rádio, que dá apoio à execução do trabalho de levantamento topográfico daquela área. Nesse serviço, atuando-nos o cap. Rodolfo, vem sendo executado não só em Portel como em Amapá, Ilha do Marajó e Belém e resulta do acôrdo firmado em 3 de junho de 1962, entre o Brasil e os Estados Unidos e ao se chama Projeto HIRAN. O cap. Rodolfo é precisamente o fiscal do cumprimento desse acôrdo, em seus têrmos.

MATERIAL DE TRABALHO

Comunicou aindanos o nosso informante, nesse serviço são empregados helicópteros, aviões quadri-motores "Stratolift" "C-130", "U-69" e "C-47", além de estações - receptoras-transmissoras.

Os dados obtidos pelas equipes (cinco homens) são enviados para Georgetown, onde, posteriormente, são computados.

Concluindo disse-nos o cap. Kunel que o serviço que vem prestando militares aliados norte-americanos é de grande interesse para o país, visto que visa a correção nas nossas cartas, que notoriamente são formadas no nosso país.

(16)

INCOMING TELEGRAM *Department of State* ACTION COPY SECRET PERMANENT RECORD COPY

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Action ARA

Control: 14539
Rec'd: February 23, 1962 7:52 p.m.

Info SS SR G L H CAP IO IGA AID INR CIA NSA OSD ARMY NAVY AIR RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

INFO:

NO: 1930, FEBRUARY 23, NOON

RM/R FILES

371.7553 371.01 371.75 371.05

REFERENCE: CA 991, DEPTEL 2306.

CHIEF MAAG HAS DISCUSSED INTER-AMERICAN DEFENSE COLLEGE BUDGETARY PROBLEM WITH PRES JBUSMC, GENERAL OLIVEIRA SOUTO, WHO EARLY THIS WEEK REQUESTED ARMED FORCES GENERAL STAFF URGE FONOFF INSTRUCT BRAZILIAN DELEGATION COAS SUPPORT INCLUSION SUM NEEDED IN PAU FY 1963 BUDGET.

EMBASSY OFF IN CONVERSATION FEBRUARY 22 WITH MIN GUERREIRO CHIEF FONOFF NORTH AMERICAN DIVISION (1) NOTED EMBASSY HAD INFO BRAZILIAN DELEGATION COAS FAVORED POSTPONEMENT FINANCING FOR COLLEGE (2) STRESSED PROJECT'S IMPORTANCE, MAGNITUDE US CONTRIBUTION AND RELATIVELY SMALL CONTRIBUTION WHICH WOULD BE REQUIRED OF BRAZIL (3) STATED OUR UNDERSTANDING BRAZILIAN MILITARY STRONGLY FAVORED PROJECT (4) EXPRESSED HOPE FONOFF WOULD RECONSIDER POSITION. GUERREIRO, WHO APPARENTLY HAD NOT YET HEARD FROM BRAZILIAN MILITARY AND WHO UNAWARE BRAZIL'S POSITION IN COAS, SAID WOULD INQUIRE INTO MATTER AND INFORM EMBASSY SOONEST. EMBASSY MEANWHILE WILL SEEK THROUGH CHIEF MAAG SPEED BRAZILIAN MILITARY'S APPROACH TO FONOFF.

GORDON

ELP

Rio de Janeiro 1930

371.7553/2-2362

KR 371.05

KR 732.58

(3)

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Control: 7153
Rec'd: March 11, 1962
6:27 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2053, March 10, 5 p.m.

DEPARTMENT PASS CINCARIB

Re Department Circular telegram 1499.

Organizational and procedural changes MAAG and military missions would not affect bilateral training mission and MAP agreements and should create no political problems with GOB. Consider special action inform local authorities both unnecessary, since changes purely internal, and inadvisable, since might arouse unfounded concern US-Brazilian military relations involved. However, no reason hide modified US chain of command in event Brazilian inquiries.

GORDON

SMD:HC/6

NOTE: Relayed to CINCARIB 3/11/62

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XR 732.37

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

NO. 725

TO : THE DEPARTMENT OF STATE, WASHINGTON

COPY NO. 1 SERIES A

DATE March 15, 1962

REF : Embassy's Despatch No. 421 of November 22, 1961 and Instruction W-166, January 22, 1962.

MAR 16 1962

	ACTION	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
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REC'D 3-20				AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA					

SUBJECT: Arrangements regarding Medical Attention for Dependents of Members of Joint Brazil-United States Military Commission

The claim of Major Tedsan S. Timberlake for reimbursement by the Brazilian Government for medical expenses incurred while a member of the U. S. Delegation, Joint Brazil-United States Military Commission, has been judged invalid by the Brazilian Foreign Office. The Foreign Office's decision, of which the Embassy was informed by note verbale dated March 9, 1962 (copy and translation enclosed), is based on the interpretation that the "letter and spirit" of Article 26, Title IV of the Agreement of July 29, 1948, between the United States and Brazil for the establishment of a Military Advisory Mission to Brazil (the legal basis for Major Timberlake's request for reimbursement) "refer only to free medical services rendered by the Brazilian Government in official institutions, after prior request by the interested party". Major Timberlake's case involved private medical and hospital care.

This document consists of 3 pages number 1 of 4 copies, Series A.

Enclosures:

As stated.

APPROVED:

Niles W. Bond
Deputy Chief of Mission

For the Ambassador:

Robert H. Shields
Robert H. Shields
Second Secretary
of Embassy

This document consists of 3 pages Copy 1 of 4 copies, Series A.

DISTRIBUTION: POL (3), CF (2), Service Attaches.

LEGAL ADVISER

MAR 22 1962

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FORM 6-61 FS-439

DEPARTMENT OF STATE

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FORM FS-439c
6-1-60

SECRET

Page 1 of 2
Encl. No. 1
Desp. No. 725
From Rio de Janeiro

SECRETO
C/63/922.81(22)(42)

Ministerio das Relações Exteriores,
Rio de Janeiro

O Ministério das Relações Exteriores cumprimenta a Embaixada dos Estados Unidos da America e tem a honra de acusar recebimento do Memorandum secreto de 16 de novembro ultimo, pelo qual é solicitada a opinião do Itamaraty sôbre um pedido de indenização, endereçado ao Govêrno brasileiro, por um antigo membro da Delegação norte-americana a Comissão Militar Mista Brasil-Estados Unidos, o Major Tedsan S. Timberlake, por cuidados médicos prestados, em estabelecimento hospitalar privado, a sua espôsa e filho, no valor de US $5.852,37.

2. A solicitação do Major Timberlake procura apoio no artigo 26 do "Contrato entre os Governos dos Estados Unidos do Brasil e dos Estados Unidos da America para o estabelecimento de uma missão militar norte-americana no Brasil", de 29 de julho de 1948, tornado aplicável, a partir de 12 de dezembro de 1949, de acôrdo com a nota verbal passada pelo Ministério das Relações Exteriores a Embaixada dos Estados Unidos da America naquela data sob o numero DC/187/922.81(22)(42), aos membros da Comissão Militar Mista Brasil-Estados Unidos.

3. O Ministerio das Relações Exteriores, após haver estudado a base legal da solicitação em aprêço, lamenta informar a Embaixada dos Estados Unidos da America de que não pode reconhecer como procedente, face as disposições que regulam a materia, a reclamação do Major Tedsan S. Timberlake.

4. O Consultor Juridico do Itamaraty entende, a êsse respeito, que a letre e o espirito do referido artigo 26 não podem senão referir-se a cuidados médicos gratuitos prestados pelo Govêrno brasileiro, em estabelecimentos oficiais, após prévia solicitação da parte interessada.

5. Em conclusão, o Ministério das Relações Exteriores não vê como possa atender à solicitação feita pela Embaixada dos Estados Unidos da América.

Rio de Janeiro, em 9 de março de 1962.

SECRET

GPO 902567



FORM FS-439c
6-1-60

SECRET

Page 1 A of 2
Encl. No. 1
Desp. No. 725
From Rio de Janeiro

SUBJECT: Translation of Foreign Office's Secret Note
C/63/922.81(22)(42)

The Ministry of Foreign Relations presents its compliments to the Embassy of the United States of America and has the honor to acknowledge receipt of its secret memorandum of last November 16 in which the opinion of the Itamaraty is requested regarding the request for indemnification addressed to the Brazilian Government by a former member of the American Delegation to the Joint Brazil-United States Military Commission, Major Tedsan S. Timberlake, for medical services rendered in a private hospital to his wife and child, the total cost of which was US$5,852.37.

2. Major Timberlake's request invokes Article 26 of the "Contract between the Governments of the United States of Brazil and the United States of America for the establishment of an American military mission in Brazil," dated July 29, 1948, which became applicable to the members of the Joint Brazil-United States Military Commission December 12, 1949, in accordance with Note Verbale No. DC/187/922.81(22)(42) sent by the Ministry of Foreign Affairs to the Embassy of the United States of America on that date.

3. The Ministry of Foreign Affairs, having studied the legal basis for the request under consideration, regrets to inform the Embassy of the United States of America, that in view of the legal provisions governing this matter, it cannot recognize the request of Major Tedsan S. Timberlake as valid.

4. The Legal Consultant of Itamaraty is, in this connection, of the opinion that the letter and the spirit of the cited Article 26 refer only to free medical services rendered by the Brazilian Government in official institutions, after prior request by the interested party.

5. In conclusion the Ministry of Foreign Affairs does not see how it can accord consideration to the request made by the Embassy of the United States of America.

Rio de Janeiro, March 9, 1962.

POL:FMicelotta:rpc

SECRET

GPO 802567



ORIGIN/ACTION

ARA-4

RM/R	REP	AF
1		
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TR	XMB	AIR
ARMY	CIA	NAVY
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OSD	USIA	NSA
		3

32

81

DEPARTMENT OF STATE

AIRGRAM

FOR RM USE ONLY

A-105,
NO.

OFFICIAL USE ONLY
HANDLING INDICATOR

RIO A-105

TO : Amembassy RIO DE JANEIRO

FROM : DEPARTMENT OF STATE

DATE: Oct 17 5 13 PM '62

SUBJECT : Assignment of Rear Admiral Edward E. Colestock as Chief, U.S. Naval Mission to Brazil

REF :

The Department of the Navy desires to assign Rear Admiral Edward E. Colestock as Chief of the United States Naval Mission to Brazil as relief for Rear Admiral Haslett P. Weatherwax. Admiral Colestock will also serve as Chief, Navy Section, MAAG Brazil and Senior Naval Officer, Joint Brazil-United States Military Commission. Biographic information on Admiral Colestock is enclosed.

The Embassy is requested, in accordance with the provisions of the Naval Mission Agreement with Brazil, to conclude an exchange of notes with the Brazilian Government providing for the assignment of Admiral Colestock. The exchange of notes should also provide that Admiral Colestock will obtain the clearance of all other personnel assigned to the Mission during the period of His service as Chief of Mission.

The Embassy is requested to inform the Department by telegram as soon as the necessary clearance has been obtained.

RUSK

Enclosure:

Biographic information on Adm. Colestock.

032.53/10-1762

Withdrawn by RMR

(2)

FORM DS-323
1-62

OFFICIAL USE ONLY

FOR DEPT. USE ONLY
☐ In ☒ Out

Drafted by: ARA:HPA:AFMcLean:mjb 10/17/62

Contents and Classification Approved by: ARA:HPA:AFMcLean

Clearances:

EST/E-Mr.Wilson

0206

OUTGOING TELEGRAM Department of State

INDICATE ☐ CHANGE TO ☐ CORRECT

OFFICIAL USE ONLY

Classification

ACTION: Ambassy RIO DE JANEIRO 1114

Dept's A-105 732.55

Reply soonest acceptance Adm. Oelestock as Chief, US Naval Mission by COB. END.

[redacted]

[redacted]

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Classification

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0207

32

INCOMING TELEGRAM *Department of State*

ACTION COPY

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36
Action

ARA
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G
INR
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NAVY

EMR

Control: 3798
Rec'd: November 10, 1962
1:07 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 954, November 10

Rio 954
DMAA
CNO
Navy
INFO
OSAE FILES
Under Secretary informed by phone 11/12 Hare
RM/R file

Department's A-105 and DEPTEL 1114

Embassy has never received written GOB acceptance ADM Colestock as Chief, U.S. Naval mission. Personal visit to Foreign Office by Embassy officer November 9 confirmed acceptance Colestock by Navy Minister but Foreign Office had not had time mail written confirmation.

Under circumstances it safely can be assumed ADM. Colestock confirmed.

GORDON

SGC

FILED
DEC 21 11 02 AM '62

732.5 5-/1-1062

Telegram sent by RM/R

(1)

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0208

3-2

INCOMING TELEGRAM *Department of State* ACTION COPY
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55-51
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SECRET

Control: 5050
Rec'd: NOVEMBER 14, 1962
5:23 PM

FROM: CINCARIB

TO: Secretary of State

NO: 142144Z, NOVEMBER (NAVY MESSAGE)

PRIORITY

ACTION PRIORITY OASD/ISA, INFORMATION DEPARTMENT OF STATE, COMUSMILGP BRAZIL.

CC69874MA.

A. SECSTATE DEPTEL 1135, DTG 122055Z NOV 1962.
B. AMEMB RIO DE JANEIRO EMBTEL 958, DTG 132355Z NOV 1962.

1. (S) ON THE BASIS OF MILITARY ASSISTANCE PLANNING GUIDANCE, CARIBCOM BELIEVES IT NECESSARY TO RETAIN BRAZILIAN FY 1962 MAP PROJECTS A-52 AND A-83 WITHIN THE INTERNAL SECURITY CATEGORY.

2. (S) ACCORDINGLY, EITHER AN EXCHANGE OF NOTES OR A PRESIDENTIAL WAIVER IS NEEDED TO SATISFY U.S. LEGISLATIVE REQUIREMENTS.

3. (S) CARIBCOM CONSIDERS IT IMPORTANT THAT AN EXCHANGE OF NOTES BE ACCOMPLISHED, EVEN IF THE PROJECTS MUST BE TEMPORARILY SUSPENDED, SINCE A PRESIDENTIAL WAIVER WOULD ESTABLISH A PRECEDENT FOR DELIVERY OF INTERNAL SECURITY MATERIEL WITHOUT REQUIRED SAFEGUARDS AND WOULD THUS MAKE DIFFICULT THE ESTABLISHMENT OF SATISFACTORY ARRANGEMENTS FOR SUBSEQUENT PROJECTS OF THE SAME NATURE.

SCP-4.

KEA

Copy # 120 destroyed, RM/R

732.5-MSP/11-1462

SECRET

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0209

LIMITED OFFICIAL USE

NOV 23 1962

RM/R

FILE

November 19, 1962

100.4
714.5B

MEMORANDUM FOR MR. RALPH DUNGAN
THE WHITE HOUSE

THROUGH: Mr. McGeorge Bundy

SUBJECT: Proposed letters to Ambassador Byroade and General Draper

Attached are proposed drafts of letters for your signature on the President's behalf, thanking Ambassador Byroade and General Draper for their survey group missions.

/s/ William H. Brubeck

William H. Brubeck
Executive Secretary

100.4/11-2362
MR 732.5B

Attachment:

Proposed letters.

S/S-RO
NOV 23 1962
Copy of signed original

LIMITED OFFICIAL USE

S/S:WHBrubeck:jmj
11/16/62

ARA - Mr. [illegible] - Mr. Grove
S/S-O - Mr. Connett

02 10

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT / CHARGE TO: NAVY OP-61

1960 JAN 22 PM 7 33

11441

CONFIDENTIAL
Classification

Origin

Info:

SENT TO: Amembassy MONTEVIDEO
Amembassy RIO DE JANEIRO

334
832

Presidential Visit

Request permission USS PLYMOUTH ROCK LSD29 non-saluting Captain A L Redon USN 23 officers 278 men make operational visits Rio de Janeiro February 16 to 17 and Montevideo February 20 to about March 6 to debark helicopters equipment and personnel in support President's visit.

MONTEVIDEO also request permission USS MACON CAL32 saluting Captain R T Whitaker USN 82 officers 1262 men make operational visit Montevideo February 20 to March 6 provide support during President's visit.

NAVY

Expedite replies and mark FOR PROTOCOL.

Herter

732.5811

732.5811/1-2260

THIS DOCUMENT MUST BE RETURNED TO THE RM/R CENTRAL FILES

CSJC

Based on information from NAVY OP-61 Miss Barber

RM/R
Amol
DEV
Dist

CLASSIFIED FILE

Drafted by: U/PR:MEMadden 1/22/60

Telegraphic transmission and classification approved by: MMitchell

Clearances: EST:Mr.Hemba & Mr.Carson-substance by phone 1/22

C:Mr.Reinhardt

S/S-Mr. Calhoun

S/S-CR
JAN 22 1960

CONFIDENTIAL
Classification

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Classified File

732.5811/1-2260

0211

SECRET/SECURITY INFORMATION
29 FEB RM/R CENTRAL FILES

732.5511/2-860

732-5811

February 8, 1960

Dear Colonel White:

I have been informed by Major Van Dyke that you will accompany General Harry on his trip to Brazil and wish to receive some material on Brazil. I am happy to supply you with such material.

There is enclosed with this letter a briefing paper on Brazil which is prepared in this office which will give you an idea of the current political and economic situation in that country. There is also some additional information, such as principal Department of State personnel stationed in Brazil, in this paper. Also enclosed in this letter is a copy of a pamphlet published by the Pan American Union, which contains general information about Brazil.

I hope that this material will be of some value to you and that you have an enjoyable trip. Please let me know if there is anything else that I can do for you.

Sincerely yours,

Alton W. Hamba
Officer in Charge of Brazilian Affairs

Enclosures:
(1) Briefing paper on Brazil
(2) Copy of pamphlet published by Pan American Union

Lieutenant Colonel Thomas D. White,
Headquarters ARS,
Box 166,
Wright Patterson AFB,
Ohio.

RM/R
Anal
Rev
Cat

ARA:EST/B:HWHiggins/JO 2-5-60

SECRET
FEB 8 1960 A.M.

732.5811/2-860
L MS

2/3/60 HW

~~Mr. Hemba:~~

I received a tel call for you today from~~XXXXXXX~~. Major Van Dyke, Pentagon liaison office, 11-57361, requested us that Brazil Desk send some general briefing material (of tourist nature) to

Mailed to Lt. Col. Thomas D. White at Wright Patterson AFB Ohio

Lt. Col. Thomas D. White
Hqs. AMC
Box 166
Wright Patterson AFB
~~AMC~~, Ohio

who will accompany General Hardy to Brazil (has no knowledge of purpose of trip; believes it business-pleasure; will depart end of month). General Hardy is a two-star General and the Pentagon wishes to be of service to him in as much their office in Ohio has not been able to secure information desired.

MS

0213

INCOMING TELEGRAM *Department of State*

ACTION COPY

53
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NAVY
RMR

CONFIDENTIAL
Classification

Control: 4900
Rec'd: April 7, 1960
2:36 p.m.

PROTOCOL
DEPARTMENT OF STATE

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1542, April 7, 3 p.m.

FOR PROTOCOL

DEPTEL 1154.

Approved.

Dee Mrs Thompson
4/8/60 file memo

CABOT

ARL/5

732.5811/4-760 HBS

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0214

DEPARTMENT OF STATE INSTRUCTION

1317

OFFICIAL USE ONLY 1317
(Security Classification)

FOR RM/R USE ONLY

NO.: CA-2610, September 19, 1960

SUBJECT: Visit of USNS MIRFAK (TAK-271)

TO: RIO DE JANEIRO, MONTEVIDEO

RPT INFO: RECIFE

It is requested that diplomatic clearance be obtained for the USNS MIRFAK (TAK-271) a non-saluting civilian manned vessel operated by MSTS to make operational visits to Recife October 12, Rio de Janeiro October 16 to 17 and Montevideo October 21 to 22, 1960 to offload the following MAP and troop support ammunition:

RECIFE: 896 pounds Class 2C material consigned to the United States Air Force.

RIO DE JANEIRO: 6,400 pounds Class 2D material consigned to the Supply Officer, Navy Section MAAG.

28,541	pounds	Class 2B	material
5,171	"	" 2C	"
51,160	"	" 2D	"
20,241	"	" 2E	"
362	"	" 3	"
54,656	"	" 4A	"
277,951	"	" 4B	"
10,810	"	" 6	"
47,700	"	" 7	"
894	"	" 9B	" consigned to the Brazilian Army.

MONTEVIDEO: 906 pounds inert ammunition consigned to the Supply Officer, Navy Section MAAG.

696	pounds	Class 3	material
21,600	"	" 4A	"
9,600	"	" 4B	" consigned to the United States Air Force Mission.

585 pounds

RM/R
Anal. JB
Rev.
Cat.

OFFICIAL USE ONLY
(Security Classification)

DRAFTED BY: U/PR:MMPhillips 9/16/60

APPROVED BY: MMitchell

CLEARANCES: EST:Mr.Wilson & Mr.Scarborough-substance by phone 9/16

Info.from Mr.Thompson Navy OP-614 - 9/13 & 9/16

SEP 19 1960 A.M.

732.5811/9-1960 CS/CS

732.5811/9-1960

XR 732.5811

0215

OFFICIAL USE ONLY
(Security Classification)

MONTEVIDEO CONTINUED: 585 pounds Class 2C material consigned to the American Embassy, Montevideo.

2,144	pounds	inert	ammunition	
129,648	"	Class	4A	material
2,478	"	"	6	"
5,000	"	"	7	"
20	"	"	8	"
39,112	"	"	10A	"
19,610	"	"	10C	"
1,116	"	"	1	"
33,407	"	"	2D	"
232,060	"	"	4B	" consigned to the Uruguayan Government.

Explanation of Classes of material:

1 Small arms ammunition.
2B Smokeless powder propellants. Made up bag charges and outside shipping containers.
2C Pyrotechnics.
2D Chemical ammunition.
2E Chemical ammunition filled.
3 Fuses, boosters, detonators, primers, et cetera.
4A Fixed ammunition without explosive projectile and like items.
4B Fixed and semi-fixed ammunition with explosive loaded projectile pr shell.
6 Bomb fuses with boosters.
7 Separate loading shells with other than explosives.
8 Mine fuses, blasting caps, detonators, et cetera.
9B High explosives such as demolition blocks, dynamite, TNT, et cetera.
10A Explosive bombs, mines, torpedos, et cetera.
10C Guided missiles, solid propellants motors packed with high explosive warheads.

Please expedite replies and mark for PROTOCOL. Rio please inform Recife when permission has been obtained.

HERTER

XXXXXXX

OFFICIAL USE ONLY
(Security Classification)



DEPARTMENT OF STATE INSTRUCTION
1505

OFFICIAL USE ONLY
(Security Classification)

FOR RM/R USE ONLY

NO.: CA-2684, September 21, 1960

SUBJECT: Visit of the USNS "Mirfak" (TAK-270)

This Document Must be Returned to the RM/Central Files

TO: RIO DE JANEIRO, MONTEVIDEO

RPT INFO: RECIFE

Reference is made to the Department's instruction CA-2610 of September 19, 1960 requesting permission for the USNS "Mirfak" (TAK-271) to make operational visits to Recife, Rio de Janeiro and Montevideo. The dates of the visits have been changed as follows:

Recife - October 17 instead of October 12
Rio de Janeiro - October 21-22 instead of October 16-17
Montevideo - October 26-27 instead of October 21-22.

DILLON, ACTING

732.5811/9-2160

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Rev.
Cat.

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(Security Classification)

732.5811/9-2160
LWS

DRAFTED BY: U/PN:MKeating 9/21/60

APPROVED BY: MMitchell

CLEARANCES:
EST -previously cleared.

SEP 21 1960 0041

Changes from Navy, OP-61, Mr. Thompson 9/19

0217

INCOMING TELEGRAM **Department of State**

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37

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Info

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Control: 17602
Rcvd: September 27, 1960
8:18 p.m.

SEP 28 1960
DEPARTMENT OF STATE

FROM: Rio de Janeiro

TO: Secretary of State

NO: 449, September 27, 5 p.m.

Re Department's CA-2610.

Request specific information consignee Class 2D material being unloaded Recife . US delegation JBUSMC advises that if MAP material it must be delivered Rio.

CABOT

MDS:PLH/6

ammo is document destroyers for us airforce (Pan American agent) It is trop support ammunition. per Mr Thompson

732.5811/9-2760 HBS

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INCOMING TELEGRAM *Department of State* ACTION COPY

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Control: 5103
Rec'd: October 10, 1960
8:08 p.m.

Action PR

Info ARA NAVY RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 499, October 10, 5 p.m.

PROTOCOL OCT 11 1960 DEPARTMENT OF STATE

FOR PROTOCOL

Department telegram 445.

Approved.

CABOT

VS:BP/7

USNS Murfish

Document must be Retained in the RM/R Central Files

732.5811/10-1060

CAA

FILE JAN 10 1961

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Classification

OCT 25 PM 12 00

1098

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Origin

SENT TO: Amconsul RECIFE 37

Info

RPTD INFO: Amembassy RIO DE JANEIRO 516

You will receive from FPO New York unclassified wire information re flight number commercial shipments US registered mail for USS Bexar due Recife October 29. Receive mail and deliver to postal officer of Bexar.

HERTER

Herter

(gmw)

732.5811/10-2560

732.5811/10-2560

RM/R

Encl. 37

Dep.

Info

Drafted by: J.W.Wilson:gmw 1060 OCT

ARA:EST:AMembas ed jok 10/25/60

Telephoned/paraphrased and classification approved by: ARA:EST/B - J.W. Wilson

Clearances:

RA - Mr. Miller (by telephone)

(V. Lansing Collins, Poland, Norfolk, telephoned request that we send this message)

FE:EST:CR

OCT 25 1960 A.M.

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0220

INCOMING AIRGRAM **Department of State**

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NUMBERED PAGE 1 OF 1 PAGES

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RMR

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: C-223

Date Sent: December 14, 1960
Rec'd: 1960 DEC 19 PM 4 01

ACTION:
INFO:
RM/R FILES

8 38 PM '61

11/22/61
ofw

732.5811/12-1460

Re CA-4779, November 28 Proposed trip National War College Group to Brazil March 27 through March [illegible] Two [illegible] dates specified.

Embassy designated control officer John Crimmins, First Secretary, Economic Officer and National War College graduate.

CABOT

JAN 32 1 43 PM '62

SRLoupe

AIM/SRLoupeske
Dec. 14, 1960

DCM Minister Bond
ECON John Crimmins

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CONFIDENTIAL
Classification

NUMBERED
Control: 940
Rec'd: JANUARY 44, AM 98118
4:47 AM
ACTION
INFO:
RM/R FILES

FROM: CTG 88.1

TO: **Secretary of State**

NO: DTG Ø31746Z JANUARY (NAVY MESSAGE)

SENT COMSOLANT, RPTD INFO ALUSNA RIO DE JANEIRO, CNO, COMPHIBLANT, CG FMFLANT, DEPARTMENT STATE, CHINFO, CINCLANTFLT, USIA.

COMMENT MY SITREP 44 RECIFE.

AS VISIT PROGRESSED SEVERAL US OFFICERS TOLD BY BOTH BRAZILIAN AND RESIDENT AMERICANS THAT SHIP VISITS WERE MOST TIMELY. RECIFE IS CONSIDERED FOCAL POINT NORTHERN BRAZIL LEFTIST INFLUENCE. HOWEVER SUCH INFLUENCE DESCRIBED AS PRESENTLY SOMEWHAT ON WANE AND SOLID IMPACT OF NAVY GOOD WILL VENTURE GAVE BOOST TO US PRESTIGE AT MOST OPPORTUNE TIME. THIS CONCURRED IN BY US CONSULATE OFFICIALS. ONE AUTHORITATIVE BRAZILIAN STATED TO CO HERMITAGE THAT WHAT WAS MOST IMPRESSIVE WAS COMPLETE SELF SUFFICIENCY OF THE SHIPS. CONSIDERABLE INTEREST SHOWN IN INTEGRAL COMPOSITION SHIP TYPES AND LANFOR UNITS. RADM DIAS FERNANDES WHO AT FIRST SOMEWHAT CAUTIOUS LOOSENED UP TO POSITION FRIENDLINESS AND FRANKNESS AS VISIT PROGRESSED. PRESS MOST COMPLIMENTARY. AT INITIAL PRESS CONFERENCE CO HERMITAGE AND CO LANFOR WERE QUESTIONED AS TO HIS VIEW MILITARY STRENGTH US AND RUSSIA AND ASKED PURPOSE STRIKING FORCE VISITING BRAZIL. CO HERMITAGE REPLIED COULD ONLY SAY THAT US HAS WORLD'S STRONGEST NAVY WHICH INTENDED AS DETERRENT TO AGGRESSION. VISITING UNITS NOT A STRIKING FORCE. VISIT PURELY IN INTEREST GOOD WILL AND PURPOSE STRENGTHENING BONDS FRIENDSHIP AND UNDERSTANDING BETWEEN TWO COUNTRIES. THIS ESPECIALLY SIGNIFICANT AS VISIT OCCURRING DURING CHRISTMAS SEASON. PRESS APPARENTLY ACCEPTED GOOD WILL DEFINITION. TREATED VISIT AS SUCH FROM THERE ON OUT.

HC

732.5811/1-361

CAA

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0222

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
732-5811/1-1361
JAN 13 1961

FOREIGN SERVICE DESPATCH

FROM : AmConsul, Recife

28
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 13, 1961
DATE

REF : - - -

For Dept. Use Only	ACTION	DEPT.
55	AAA-4	RMA-2 INA-7 L/PR-1
	RECD 1/19	INFO OTHER CIA-2 USIA-10 OSD-5 army-4 navy-4

SUBJECT: VISIT TO RECIFE OF USS HERMITAGE AND USS GRAHAM COUNTY DECEMBER 24/30; RADM ALAN REED DECEMBER 30.

air-6 NSA-2 RMR file

This Consulate wishes to express its great pleasure and satisfaction for the visit to Recife of the U.S.S. HERMITAGE (LSD-34), Capt. G. H. ROOD (Task Group Commander and CO), and of the U.S.S. GRAHAM COUNTY (LST-1176), LCdr. C. H. Chamberlain, CO, from December 24 to 30, 1960, and for the visit of RAdm. Alan Reed, U.SN., on December 30, 1960.

From beginning to end at midnight on December 30 with a reception on board the U.S.S. HERMITAGE the visit was an unqualified success. The City of Recife received the two ships in the most friendly fashion, and throughout their stay the Military and civilian authorities, the Press and the people in general demonstrated their friendship for the Armed Forces of the United States as represented by our officers and enlisted men.

It is desired to commend the exceptionally friendly and cooperative attitude of Special Task Group Commander, Captain Rood, of Cdr. M. V. Cornetta, Executive Officer of the USS HERMITAGE, of LCdr. C. H. Chamberlain, CO of the USS GRAHAM COUNTY, of Lt. R. H. Sullivan, Executive Officer, of Major H. R. Kurth, Jr., USMC, Landing Force Commander, of Major R. L. Gover, Jr., USMC, Executive Officer LanFor, of Capt. Viers, USMC, Senior Shore Patrol Officer, and of Chief Musician Schultz, whose band gave splendid performances as many as three times each day of the visit.

The brilliant note to this visit was lent by the arrival on December 30 of RAdm. Alan Reed, Commander South Atlantic Force. He was met at the Guararapes Airport by the Commanding Officers of the various Armed Forces of Brazil in Recife and by representatives of the Governor of Pernambuco and of the Mayor of Recife. In repaying visits of courtesy, he was received in the most friendly fashion.

Some of the activities in which the officers and men of the two ships participated are listed later in this report. It was a week crowded with planning and with action, but the results were eminently satisfactory. RAdm. Reed, Captain Rood, Captain Chamberlain, Major Kurth, and all other officers and men have truly performed

ESGUADERRAMA/blm

REPORTER

UNCLASSIFIED

FILED
FEB 21 10 58 AM '61

CAA

732.5811/1-1361

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

0223

performed a most successful Ambassodorial mission to Recife and all deserve a "Well Done!" from this Consulate.

Ernest S. Guaderrama
American Consul

cc: AmEmbassy, Rio
Counselor for Consular Affairs, Rio
Naval Attaché, Rio

Enclosures:
1 - Program of Visit of UUS HERMITAGE and USS GRAHAM COUNTY
2 - Schedule for Admiral Alan Reed
3 - Schedule of Clube Náutico Capibaribe
4 - Invitations to Officers and Enlisted Men

0224

UNCLASSIFIED
(Classification)

AMERICAN CONSULATE

PROGRAM OF VISIT OF USS HERMITAGE LSD-34 AND USS GRAHAM COUNTY LST-1176 TO PORT OF RECIFE, PERNAMBUCO, BRAZIL, DECEMBER 24/30, 1960

December 24 09:00 - Six US Navy helicopters arrive Guararapes Military Airport.

10:00 - USS Hermitage LSD-34, Capt. George H. Rood, USN, Commanding, arrives in Recife. Major H. R. Kurth, Jr. U.S.M.C. on board. American Consul Ernest S. Guaderrama boards ship, accompanied by Vice Consul Maurice Gremillion, Political Officer and Vice Consul Douglas Elleby, Public Affairs Officer.
Lt. Carlos Pieper, Brazilian Navy, boards ship to act as Liaison Officer.

14:00 - Press, Radio, Television organs to visit USS Hermitage. (No official visits will be made on this day nor Sunday, December 25)

17:00 - USS Graham County LST-1176, Lt. Cdr. Charles H. Chamberlain, arrives Recife.

21:00 - US Navy Band and 3rd Regional Batallion Brazilian Marine Band will present one hour Christmas Music Program in central downtown area under the auspices of the city of Recife. (The band should be at Ave. Dantas Barreto by 20:30. Transportation will be provided.)

December 25 00:20 - Midnight Mass to be held at Military Police Barracks Square, Derby Section of Recife, under auspices of Commanding Officer of Military Police of Pernambuco. Metropolitan Archbishop Carlos Coelho will officiate. There is no obligation to attend.

21:30 - Band to present 15 minute program on Christmas music at Television Station Journal do Commercio, a friendly newspaper. (Band should be at station at 21:00 and should have a practice session for timing purposes.)

December 26 10:00 - Visit of Captain George H. Rood, USN,Lt. Commander Charles H. Chamberlain, USN, Major H. Richard Kurth, Jr., USMC, US Consul Ernest S. Guaderrama, on Rear Admiral Augusto Roque Dias Fernandes, Commander Third Naval District for Brazil. This is the only official call to be made.

10:00 - 100 children selected from Dona Dulce Sampaio's (Governor's wife) charity groups to visit two ships. There will be group and general visiting aboard the two ships at such hours as may be designated by the Commanding Officers.

15:00/

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15:00 - Navy Band Concert for children at Hospital Infantil Mancel Almeida.

19:00 - Navy Band to play at designated periods during the television program TV Ring Torre at the Clube Português.
At least three judo demonstrations desired during the scheduled program of boxing matches. Officers and men will be provided with invitations to attend program. The evening will be dedicated to the U.S. Navy.

December 27 10:00 - 50 orphans from Clubinho to visit USS Graham County. 100 children selected from Dona Dulce Sampaio's charity group to visit USS Hermitage accompanied by Mrs. Sampaio. Group and general visiting by public at hours stipulated by Commanding Officers of the ships.

15:00 - Navy Band concert at the Juvenile Detention Home.

21:30 - Band Concert of popular music at Radio Station Jornal do Commercio.

09:30 - Military Police Quarters Helo landing.

December 28 10:00 - Orfanato Ceci Costa visit, 53 children, USS Hermitage.

10:00 - Colegio Padre Venancio visit, 40 children, USS Graham County.

11:00 - 50 children from Mrs. Sampaio's charity group to visit USS Graham County.
Group and general visiting by public at hours stipulated by Commanding Officers of the ships.

December 29 10:00 - 50 children from Chacara Bongi Orphan Asylum to visit USS Hermitage.

10:00 - 50 children from Aban Coque Orphan Asylum to visit USS Graham County.

11:00 - 50 children from Mrs. Sampaio's charity group to visit USS Hermitage.

12:00 - Rear Admiral Dias Fernandes will have an informal luncheon for the two Commanding Officers of the ships, plus two other Navy officers to be designated by Capt. Rood, US Consul Ernest S. Cuaderrama and Vice Consul Edward T. Walters.
A second luncheon will be held at Hq. of the 3rd Regional Batallion of Fuzileiros Navais (Brazilian Marines), having as guests of honor Major H. R. Kurth Jr. U.S.M.C., and two other U.S.M.C./



U.S.M.C. Officers.

15:00 - Helicopter landing at Chacara Bongi to present toys to 100 children.

21:00 - Navy Band (and possibly singers) to play for an informal dance at (private) Clube Nautico, possible until 24:00.
Note: An invitation to officers will probably be extended. Group and general visiting by public at hours stipulated by Commanding Officers of the ships.

December 30 13:00 - Admiral Alan Reed, USN Commander South Atlantic, arrives Guararapes Airport.
Will be met by Rear Admiral Dias Fernandes; US Consul Ernest S. Guaderrama; USAF Major Richard Weir; USAF Major Fred May; Brazilian Air Force Coronel Carlos Leão, Commanding Officer Brazilian Air Force 2nd Air Zone. The Admiral's plans are not known at this time and it is assumed he will elect to come on board USS Hermitage.

15:00 - Admiral Reed will pay courtesy visits to Admiral Dias Fernandes, Brazilian Navy; Major General Emilio Rodrigues Ribas, Jr.; Col. Carlos F. Leão, Commanding Officer of 2nd Air Zone; and Governor of State of Pernambuco, Cid Sampaio, accompanied by Consul Guaderrama.
It is entirely possible that these calls will not be repaid by the gentlemen named.

19:00 to 21:00 - Reception for 300 persons aboard USS Hermitage.

24:00 - Admiral Reed departs from Recife on board USS Hermitage.

End of visit.

Note: The Executive Officer of USS Hermitage will receive from Consul Guaderrama a list of names of American citizens residing in Recife who have invited officers and/or men to their homes beginning on December 24 thru 29.
There will be no entertainment (official) by the American Consul or the Brazilian Navy or any other agencies. If the Commanding Officers of the two ships wish to entertain this subject will be discussed with the American Consul on December 24th at the time of his visit on board.

Athletic events comprising soccer, volleyball, basketball, judo, etc. are being lined up and will be discussed/



discussed with the athletic officer before 12:00 December 24.

Shooting matches for the two rifle and pistol teams are being lined up and will be discussed with team captains before 12:00 December 24.

Activities for six helicopters will be discussed with Commanding Officers of ships December 24.

Caxangá Golf Club will be happy to receive all players. Green fees Cruzeiros 300. Caddies fees Cr$100. Dining room and bar good and inexpensive.

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Page 1 of
End. No. 2
Desp. No. 26
From Recife, Brazil

Schedule for Admiral Alan Reed

Friday, December 30, 1960

Recife, Brazil

12:40 - Arrival at Guararapes Airport.
Reception Committee: Consul Guaderrama; Captain Rood (USN); Major Weir (USAF); and other officers. Brazilian officials: Admiral Dias Fernandes, General Nilo Guerreiro (Army), Colonel Farias Leal (Air Force), Major José Prazeres (Governor's Military Aide), and Dr. Antonio Carlos Cintra Amaral (representing Mayor of Recife).

Note: (1) There will be TV and press coverage of arrival but no interviews.
(2) Official call upon Air Force is considered "completed" by exchange of cordialities at Air terminal.

Depart for USS Hermitage. Admiral Reed will accompany Consul Guaderrama with Captain Rood and Admiral's Aide. Mr. Nevins and other officers will ride in Admiral's vehicle. All others will utilize PanAmerican bus.

14:30 - Call at office of Admiral Augusto Roque Dias Fernandes, Commander of the Third Brazilian Naval District.

Note: For all calls, Admiral Reed, Captain Rood, and Admiral's Aide will accompany Consul Guaderrama. The Brazilian Liaison Officer - Captain Jonas Correia da Costa will also accompany on the calls. (Two cars.)

15:00 - Call at office of Dr. Cid Feijó Sampaio, Governor of Pernambuco.

15:30 - Call at office of Dr. Miguel Arraes, Mayor of Recife.

16:00 - Call at office of General Nilo Guerreiro, Acting Commander of the Fourth Brazilian Army and actual CG of the Seventh Brazilian Military Region.

16:30 - Open - however, it has been suggested that Admiral Dias Fernandes might wish to use this time to return Admiral Reed's call. Other officials will return calls by attending the reception aboard the USS Hermitage.

17:00 - Press conference aboard USS Hermitage.

19:00 - 21:00 - Reception aboard USS Hermitage.

24:00 - Depart Recife aboard USS Hermitage.

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Page 1 of
Encl. No. 3
Desp. No. 28
From Recife, Brazil

CLUBE NÁUTICO CAPIBARIBE

O Departamento de Tiro, Caça e Pesca do Clube Náutico Capibaribe, realizará na próxima 5a. feira, dia 29 de dezembro, no Stand JOÃO GUIMARÃES, à estrada do Cabo, Km. 19/20, uma homenagem ao Exmo. Sr. Consul dos Estados Unidos da América, em Recife, e aos oficiais dos navios de Guerra da Marinha, daquela Nação amiga, o "USS HERMITAGE" e "USS GRAHAM COUNTY", constando de uma prova de tiro ao alvo, em disputa da Taça "CONSUL ERNEST S. GUADERRAMA".

Condições de execução da Prova de Tiro ao Alvo:
Local: - Stand João Guimarães
Hora: - 09,00 hs.
Concorrentes: - Oficiais dos navios acima; oficiais das Classes Armadas, sediadas em Recife e sócios do Tiro ao Alvo Recife Clube (TARC) e do Clube Náutico Capibaribe, individualmente.
Arma:-Qualquer revólver ou pistola, calibres 38 ou 45.
Munição: - Livre.
Alvo: - Internacional de Revólver/Pistola, com visual negro de 20 cm.
Tempo: - 90 minutos, inclusive ensaios.
Tiros: - 3 séries de 10 tiros cada uma, em (prova) alvos diferentes.
Ensaio: - 9 tiros sôbre um alvo idêntico aos da prova, podendo ser disparados todos antes da prova, ou antes de cada série, parceladamente.
Posição: - De pé, braços livres.
Distância: - 25 metros.
Escape de gatilho: - Livre.
Prêmios: - Ao vencedor - o atirador que totalizar maior número de pontos, a posse definitiva da Taça "CONSUL ERNEST S. GUADERRAMA"; ao segundo lugar, Medalha de Prata; ao terceiro lugar, Medalha de Bronze; do 4º ao 5º lugar, Medalhas Comemorativas.
Juizes: - 1 oficial de cada fôrça e 1 sócio dos Clubes disputantes.

Recife, 22 de dezembro de 1960.

/s/ Carlos da Silva Lemos Guimarães.
Diretor do Departamento de Tiro,
Caça e Pesca do Clube Náutico
Capibaribe.



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(Classification)

Page 1 of
Encl. No. 4
Desp. No. 28
From Recife, Brazil

AMERICAN CONSULATE
RECIFE, PERNAMBUCO, BRAZIL

INVITATIONS TO OFFICERS AND ENLISTED MEN - DECEMBER 24 - 28, 1960

December 24 13:00 - Mr. and Mrs. Charles Booher invite 6 enlisted men for lunch. Will call for guests at 13:00.

18:00 - Mr. and Mrs. Henry Morrison wish to invite 5 young enlisted men for dinner, Kentuckians especially welcome. They will call at ship side at 18:00 for their guests.

December 25 11:00 - Charles Geib, Sgt. US Air Force, and Mrs. Geib invite 2 CPOs for lunch. Will call for their guests at 11:00.

09:00 - Mr. & Mrs. Edward Torsch, Presbyterian Missionaries, invite 4 enlisted men (preferably from East or Midwest) for lunch and church. Will call at 09:00 for their guests.

09:00 - Mr. & Mrs. Tom Foley, Presbyterian Missionaries, invite 2 enlisted men for church and lunch. Will call at 09:00 for their guests.

12:00 - Vice Consul and Mrs. Maurice Gremillion invite 5 officers for Christmas dinner. Will call for guests at 12:00. Major and Mrs. Richard Weir invite all officers to drop in at their home for a drink any time from 15:00 to 19:00. Rua Baltazar Passos No. 78, Bôa Viagem, past Bôa Viagem Hotel. Guests to provide their own transportation.

December 27 19:30 - Mr. and Mrs. James L. Haynes invite 10 officers for buffet dinner starting at 19:30. Address: Av. Beira Mar 2182, Bôa Viagem District. The guests will provide their own transportation.

19:30 - Mr. and Mrs. Lowell Reed invite 10 enlisted men for drinks, coffee, sandwiches. Will call for guests at 19:30.

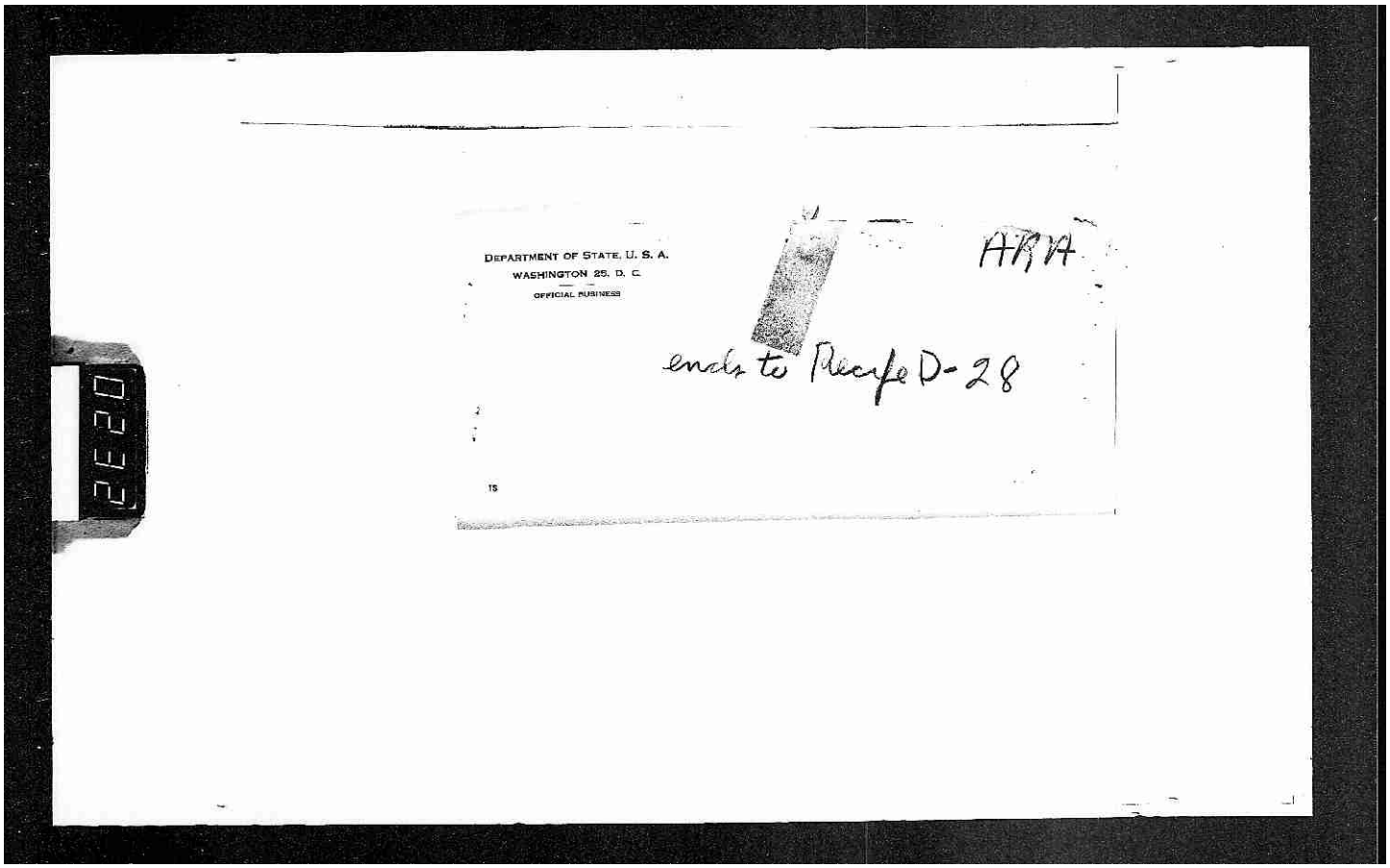
December 27 19:30 - Mr. and Mrs. Boyd Burnquist invite 10 officers for buffet dinner. Will arrange for transportation of guests at 19:30.

December 28 19:30 - Vice Consul and Mrs. Maurice Gremillion invite 25 officers for semi-formal buffet dinner. Transportation of guests will be discussed with CO on 24th of December.

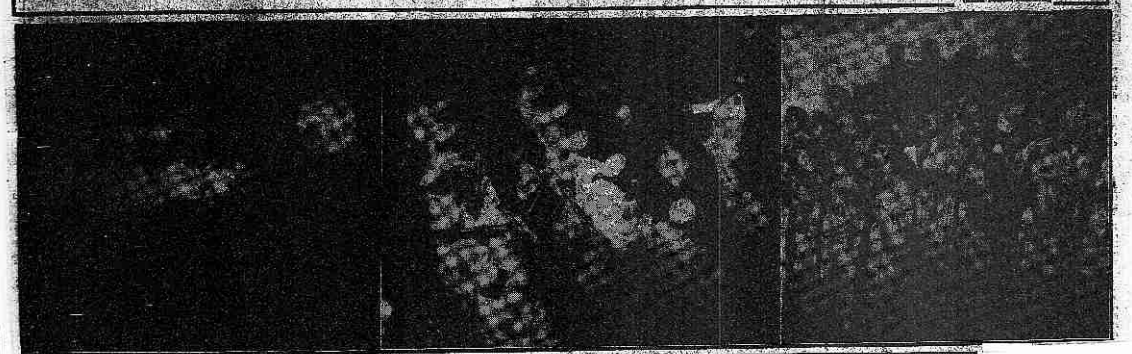
19:00 - Miss Eugenia Donahue invites 5 officers for buffet dinner. Address: Avenida Beira Mar 4864, apt. 1-A, Bôa Viagem. Guests must provide own transportation. Close to Hotel Bôa Viagem.

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DEPARTMENT OF STATE, U. S. A.
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OS DEZ MAIS IMPORTANTES ACONTECIMENTOS POLÍTICOS DO ANO



NATAL DE 1960

— De inicíativa do comércio, da Mocidade, grande fêz do Pôsto Militar do Pôrto, também no Dique foi ve concentração popular, da rente a qual foi celebrada solenemente a Missa do Galo.

— Na maioria dos templos católicos do Recife e nos templos protestantes houve cultos religiosos muito concorridos, a partir das 24 horas do sábado.

— Diversos clubes sociais do Recife abriram suas salões para festas natalinas, destacando-se o Clube Internacional do Recife que iniciou com uma elegante ja mais registrada nas anais co tureiras. A atração maior do encontro no Benfica foi a exibição da "Navy Band," nos jardins do elegante clube.

Correio do Povo
ARMA DA GENTE PERNAMBUCANA
ANO VIII — Recife, 2ª-feira, 26 de dezembro de 1960 — N.º 122

...da LEI

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Agredido na festa

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Ferido na luta

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...rendilho

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HOSPITAIS DA "SANTA CASA" COMPROMETEM A CLASSE MÉDICA

Situação verdadeiramente calamitosa — Medicação é feita à base de sucedâneos nem sempre eficazes, pagos pelo próprio bôlso dos médicos — Direção da "Santa Casa" não toma em consideração as reclamações daqueles profissionais — Sala de Operação que é verdadeiro calabouço e material cirúrgico da mais pobre espécie — "Os médicos não são responsáveis pelo mal sucedido", adverte o dr. Geraldo Fonseca Lima, presidente do Sindicato dos Médicos — Situação da classe médica, em geral, no Estado

A verdadeiramente calamitosa a situação dos hospitais mantidos pela Santa Casa de Misericórdia. Desde há muito, dentro do Santo Amaro, onde é realizada a festa à base de sucedâneos e da cooperação dos doentes que, muitas vezes, se socorrem do próprio bôlso, mandam despachar as receitas dos pacientes.

Esta constatação, efetuada durante visita que fizemos a varias casas especializadas no ramo e endossada grandes facilidades para a elevação da, certa forma, à direção, no entanto, continuam a ignorar o problema, fazendo-se surda às reivindicações dos profissionais.

Segundo nos informou o presidente do Sindicato dos Médicos, dr. Geraldo Fonseca Lima, presidente do Sindicato dos Médicos, do Pernambuco, Aproveitando o presidente daquele órgão de classe esteve por várias vezes à Santa Casa de Misericórdia, onde se entrevistou com o provedor, dr. Manoel Santo Amaro a situação de calamitosa existente nos hospitais mantidos por aquela instituição, já possuindo várias memórias sôbre a matéria, enviando o problema à secretaria, dia a dia, [illegible]

DEFICIÊNCIA GRITANTE

Não mesmo o uso do aparelho necessário, de higiene, de roupas e outros produtos de enfermaria são forçados a buscar [illegible] de similares, uma vez que [illegible] como: [illegible] material cirúrgico são de [illegible] falando, inclusive, inúmeras peças dos estojos de operações e mais da operação, igualmente [illegible]

RESPONSABILIZAM

Em vista disso, o Sindicato dos Médicos já encaminhou à diretoria da Santa Casa um apêlo no sentido de que a mesma não se [illegible] quanto ao hospital, que o [illegible] definitivamente, evitando, assim, estar aquela classe laboriosa em ridículo profissional.

Como se sabe, os médicos [illegible] um salário, sejam de remuneração à Santa Casa não permitem trabalhem nos hospitais pertencentes à mesma, ao contrário, antes contribuem ainda com dinheiro do próprio bôlso, movidos pelo espírito de humanidade, comprando os medicamentos para os [illegible] recentemente isolado pelo professor Manoel Arruda.

— Não é possível — diz — que os médicos continuem a perder o salário-fome de mirrés de vinte mil cruzeiros, com grandes dificuldades para se manterem. Exigimos que o governador Cid Sampaio coloque a gratificação que ora recebem os enfermeiros, como está, fazendo o presidente do Sindicato dos Médicos, com a Consolidação das Leis do Trabalho, o horário médico, que vai ser de máximo de quatro horas. Além disso, deverá ser paga a gratificação por tempo integral.

— Por outro lado — comenta — ninguém vive parca, [illegible] médicos [illegible] com [illegible] seu salário-mínimo somando [illegible] mais de [illegible] quatrocentos cruzeiros por mês. Como pode uma classe viver, por fôrça da própria profissão, dentro de um padrão social de burguês, e de uma conjuntura econômica de [illegible]

Comissão de Inquérito do Petróleo funcionará em 3 Estados: Janeiro

O deputado Vasconcellos Tôrres, indicado para a presidência da Comissão Parlamentar de Inquérito sôbre o Petróleo à iniciou os contactos para o início das atividades desse órgão, que funcionará simultâneamente no Rio, na Bahia e em Brasília, tendo provável que estenda sua ação à Bolívia, onde firmas brasileiras já estão instaladas. A comissão deverá se reunir oficialmente a 5 de janeiro, tendo a escôlha do presidente sido acertada em entendimento dos líderes da PSD, Alcebíades Jurema, e da UDN, Ramon Pacheco. Prudura, aliás, na UDN, a dúvida quanto ao nome a ser designado, que deverá ser dêste partido. Os elementos ultimamente indicados são apenas os srs. Ferro Costa e Adauto Cardoso, o primeiro foi o autor do requerimento de constituição da comissão e esta grandemente apoiado para relatar os seus trabalhos.

EMBARCA EM JANEIRO

Desde já o deputado Vasconcellos Tôrres deixa [illegible] deputado Ferro Costa iniciarem entendimentos, que projetam o início efetivo das atividades da comissão, a 9 de janeiro — dia da renovação extraordinária do Congresso — em Brasília. O sr. Ferro Costa, já de acôrdo de passagem para os aeroportos ou nas estradas pelo ministro Walter Lima à direção da Petrobrás. O mais recente Ghies, deixando de [illegible] vitrina, revela a [illegible] Moniz de Deus, no [illegible] baiano, de um novo campo petrolífero, com [illegible] em [illegible]

José Joffily, Sávio Brega, Alinto Afonso, Fernando Saturnino e Temperani Pereira.

MERCADO & NEGÓCIOS

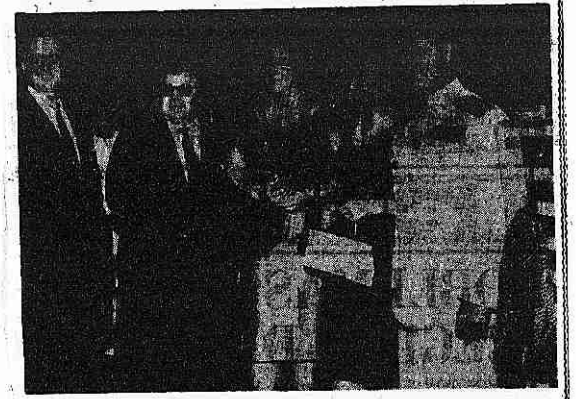
ASSISTÊNCIA RURAL — Em [illegible] dúvidas de tôrres, como pregam alguns políticos demagogos, o que se precisa fazer no Brasil para desenvolver a Agricultura, sem a qual, digam-se de passagem, não é possível haver progresso econômico, é levar assistência técnica e financeira ao homem do campo. Entregando-lhe, por muito, dinheiro e ensinando-lhe como aplicá-lo, o país terá uma outra estrutura agrária e muito melhorará o nível de vida do brasileiro.

Nisso já estão pensando, as atividades governamentais e diversos órgãos com essa finalidade já foram criados, embora em sua maioria, não funcionam da forma[illegible] cial.

RONDA DA FATALIDADE

[illegible] na [illegible] de ontem, desenvolveu-se [illegible] sensacional [illegible] Ginásio [illegible] e [illegible] Santa, quando [illegible] na direção de [illegible] [illegible] [illegible] e Técnica Brasil Diesel, abalroou [illegible] [illegible] [illegible] com o [illegible] 17.472, dirigido por José [illegible] de Oliveira, residente [illegible] Mascarenhas, 156, Mustardinha.

Em consequência, [illegible] profissional sofreu [illegible] ferimentos [illegible] [illegible] [illegible]



Durante a recepção oferecida no navio norte-americano "USS Ermitage" aparece a senra. Dulce Sampaio, Consul da França Marcel Merin, senhora Jordão Emerenciano, snr. José Costa Cavalcanti

0235

partamento Da Defesa, Para Tomar Medidas Normais De Precauçã

V SUGERIU UMA CONFI
DE ARBITRAGEM SÔBR

Informações Telegráfic

PROBLEMAS QUE DEF
O REGIME DE FIDEL-(

WASHINGTON, 2 (Ben F. Meyer, da Associated Press) — Peritos em a
pinam que Fidel Castro e seus amigos parece que estão fazendo frente, hoje, a
le assediavam o ditador Fulgêncio Batista, há dois anos, quando fugiu do país
eiro de 1959.

0236

D.P - Dez. 30, 1960. Diário Pernambuco.

Esperado Hoje, Às 13 Horas, O Almirante Allen Reed

Está sendo esperado hoje, às 13 horas, nos Guararapes, o almirante Allen Reed, comandante da Esquadra Americana do Atlântico Sul, com o objetivo de encerrar a visita das belonaves norte-americanas «Hermitage» e «Graham Country», desde há alguns dias no Recife, em missão de amizade e boa vizinhança.

O almirante Allen Reed, que viaja em companhia do sr. John Nevins, do USIS, será recebido no aeroporto pelo comandante do 3.o Distrito Naval, consul dos Estados Unidos da America do Norte; adido cultural norte-americano, sr. Douglas A. Elleby; major Richard Weir, da USAF; major Fred May, tambem da «United States Air Force» e comandante da 2.a Zona Aérea.

PROGRAMA

Acompanhado do consul Ernest S. Guaderrama, o almirante Allen Reed fará, a partir das 15 horas, visitas de cortesia aos comandantes do IV Exercito, Segunda Zona Aérea e ao governador do Estado.

Às 19 horas, o comandante George Reed, do USS Hermitage, oferecerá uma recepção a bordo, em honra do almirante Reed, devendo comparecer as mais altas autoridades dos dois paises aqui sediadas.

Está prevista a partida dos navios às 21,30, viajando o almirante Reed a bordo do capitanea «USS Hermitage». As 23 horas, as belonaves norte-americanas, já fora da barra, saudarão o povo e a cidade do Recife, com uma demonstração de fogos de artifício.

ALMOÇO

Ontem, no salão nobre do 3.o Distrito Naval, a Marinha brasileira ofereceu um almoço à oficialidade do «Hermitage» e do «Graham Country», exclusiva dos superiores da Marinha de Guerra yankee embarcados naqueles navios. Entre outros, fizeram-se presentes, o almirante Augusto Roque Dias Fernandes, e o chefe do Estado Maior do Distrito, capitão de fragata André Beker, alem de outros comandantes de departamentos navais da área.

Da parte dos norte-americanos, compareceram o capitão de corveta Charles Chamberlaine (comandante do «Graham Country»), capitão de fragata G. H. Rood (comandante do «Hermitage») e outros oficiais.

Ao mesmo tempo, no 3.o Batalhão, o comandante Artur Benigno Machado, chefe daquela unidade, oferecia um almoço aos oficiais do Destacamento de Helicopteros das duas belonaves, comandado pelo major Charles Kurth. Logo após os brasileiros fizeram entrega de flamulas aos visitantes e brindes para suas esposas. Retribuindo a gentileza, os estadunidenses ofertaram ao comandante Benigno um escudo encimado pelo brasão dos Fuzileiros Navais dos Estados Unidos.



plasticas. Foi a tranche americana levada ao diretor do Departamento Tecnico e depois no «board». Não conseguimos, eu nem o banqueiro suiço, dobrar as exigencias pueris do Banco. Irritei-me contra tanta frivolidade, que dei por terminado o negocio.

brevissimo tempo uma obra de reconstrução unica na historia. Não só soube dar trabalho e pão a uma população alimentada de um quarto, mas tambem elevar essa gente a um nivel de bem-estar superior áquele dos melhores anos anteriores á guerra. A economia social de mercado bateu o duro, mas reto caminho da reconstrução, e com isso se ganhou de novo a confiança do mundo. No Brasil, entretanto, todo o esforço do governo é no sentido de travar-se a concorrencia. Daí essa miseria crescente a que os nacionalistas, responsaveis por ela, dão o nome rebarbativo de subdesenvolvimento.

portuguesas diferenciadas na America. na opinião desse sábio filologo, nossa gramática não pode ser mais inteiramente a mesma dos portugueses; as diferenciações regionais reclamam estilo e metodo diversos. Por isso sentia a necessidade de chamar a lingua, que se falava e se escrevia no Brasil, de «lingua nacional». Não era a defesa, nem a apologia intencional de solecismos, barbaridades e defeitos indescupáveis; tratava-se da independencia de nosso pensamento e de sua imediata expressão pelo desde os primeiros tempos da colonização, nos documentos literários, nas cartas dos jesuitas e nas crônicas dos antigos historiadores, já apareciam os primeiros vocábulos de origem americana.

Muito mais de mil adjetivos pátrios brasileiros são registrados por Aurélio, que no tocante a brasileirismos consideravelmente modificou e ampliou esta edição. Não somente se aperfeiçoaram inúmeras definições, mas inseriu-se larga copia de palavras, colhidas na linguagem viva, em dicionários de regionalismos e obras de literatura regional.

Essa não foi uma tarefa facil para o autor; sem importar-se que certos filologos portugueses emprestem a «brasileirismos até um sentido pejorativo. O dicionarista usa o termo como título honroso; e nem desdem chama de «lusitanismos» a vocábulos de preferencia usados em Portugal.

Enfim, Aurélio Buarque fez com essa décima edição do seu Dicionário um serviço notável; que brasileiros de todas as regiões acolhem com a maior simpatia e proveito.

60 — E' curioso
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xperiencia, agora,

NATAL NA EURO

Theophilo de ANDRADE

icas, enfeitavam as lojas, as casas as avenidas.
amanheceu nebuloso e escuro. Soas 11 horas, houve um pouco de coada através de um céu de nuque soltavam flocos brancos e pro- para a tarde. Homens, mulheres salhados em pesados abrigos, for-

celebrassem, no aconchego do la da Cristandade.
Naquele dia, senti, pela pr significa a solidão dentro da n

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Desde aquele ano, muitos Europa. A ronda das estações

A "NAVY BAND" PRESENTE NOS FESTEJOS DE NATAL DO RECIFE

Exibir-se-á em conjunto com a Banda dos Fuzileiros Navais da Marinha Brasileira — Obstáculos irremovíveis não permitiram a participação da Orquestra Sinfônica — Demais partes do programa ser ão cumpridas integralmente — Os dois conjuntos prom etem atração inédita — Comissão de Festejos prossegue trabalhando intensivamente

Representando mais uma atração inédita no Recife (e talvez no Brasil) a Banda dos Fuzileiros Navais dos Estados Unidos estará presente nos festejos dêste Natal programados pela Prefeitura Municipal do Recife. A "Navy Band" exibir-se-á em conjunto com a Banda dos Fuzileiros Navais da Marinha Brasileira, em substituição ao concêrto sinfônico que, em virtude de obstáculos irremovíveis, não poderá ser apresentado. O restante da programação será integralmente cumprido, constando de canto coral, fogos de artifícios, missa campal, repique dos sinos das igrejas localizados no perímetro da cidade etc.

A presença da Banca Naval América está despertando vivo interêsse, sendo certo que oferecerá ao grande público um programa de músicas natalinas. Nesse sentido, o adido cultural dos Estados Unidos vem mantendo contactos com o Departamento de Documentação e Cultura da Prefeitura e com o Movimento de Cultura Popular. A banda norte-americana desembarcará no Recife, sábado próximo, às 10 horas, e a apresentação aqui marcará sua estréia no território brasileiro. Cogita-se de uma revoada de helicópteros sôbre o local. A êsse respeito, ainda não foi nada positivado.

A tradicional fantasia "Noite Feliz" abrirá e fechará o programa da noite natalina programada na avenida Dantas Barreto.

AUSÊNCIA DA SINFÔNICA

Os srs. Germano Coelho, Abelardo da Hora e Aluísio Falcão, integrantes da Comissão de Festejos, informaram que a ausência da Sinfônica do Recife somente ficou definitivamente positivada, após o esgotamento de todos os esforços possíveis. O programa (que foi reimpresso) tá estava pronto, quando alguns músicos informaram que um contrato na cidade de João Pessoa, da impedia de tocar no Recife, no dia aprazado, isto é, 24 de dezembro. Imediatamente, os dirigentes municipais conseguiram, após vários entendimentos, transporte aéreo extra, que conduziria os músicos da Sinfônica à capital paraibana, após os espetáculos. Tôdavia, quando tudo parecia resolvido, outros músicos lembraram estarem presos a compromissos com as emprêsas de televisão das quais são funcionários. Estas, por seu turno, já se encontravam igualmente comprometidas com o público, com programas musicais elaborados e sem comportar qualquer modificação. O assunto Sinfônica encontrou aí o seu ponto final.

A BNB TEM BOM PROGRAMA

Um bem cuidado programa, para fazer face à lamentável lacuna, vem sendo elaborado pela Banca Naval Brasileira. Embora não haja propósitos nem anúncios nesse sentido, espera-se que o concêrto tenha caráter de emulação entre os dois conjuntos musicais.

O roteiro das peças a serem executadas pela Banda local inclui músicas de marcante sentido brasileiro, destacando-se "O Guarani" (Carlos Gomes) e "Brasil" (composição popular de Benedito Lacerda). Os outros números são "Luar do Sertão", "Cisne Branco" e "Melodia do Bosque.

TRABALHO INTENSIVO

A juventude do Movimento de Cultura Popular, integrada por grande número de universitários e secundaristas, em contacto com os grupos de direção, está se reunindo, diàriamente, das 8 às 18 horas, ininterruptamente, na Sala de Imprensa da Prefeitura Municipal do Recife. Durante êsse período, cuida-se da organização da grande festa, que envolve problemas de tôda a ordem, desde a expedição de convites e programas, até a coordenação dos corais e aspectos materiais da promoção. Além disso, há os problemas de confecção de material, empréstimos de bancos, iluminação, divulgação, sistema sonoro etc.

SINFÔNICA

O "forfait" da Sinfônica deu motivos à Municipalidade para que seja estudada a reestruturação daquela orquestra, conjunto que, no estágio atual, não vem servindo à Prefeitura para as promoções de larga escala. O maestro Mário Câncio, um dos fundadores do Movimento de Cultura Popular, empenhou-se exaustivamente para solucionar as dificuldades e colaborará para a reformulação do problema da Sinfônica, o que será efetivada no próximo ano. Aliás, a Sinfônica e a Banda Musical do Recife continuam ensaiando, em regime intensivo, para o concêrto que darão no Teatro do Arraial Velho (realização do MCP) a ser inaugurado no Sítio da Trindade, a 28 do corrente.



Em tôdas as cidades, grandes ou pequenas, assim como nas aldeias, surgem "feiras de Natal". Barracas enfeitadas, canções, árvores de Natal, tais são as constantes dessas feiras, das quais a mais conhecida é o "Mercado do Menino Jesus", em Nuremberg. Essa, circundada a bela catedral gótica de Nossa Senhora, poupada quase milagrosamente da destruição, durante os bombardeios da II Guerra Mundial.

O NATAL DO COMÉRCIO E DOS MORTOS

Como em todo o Ocidente, o Natal é cultuadíssimo pelo comércio que, agradecido pelos magníficos presentes que lhe traz Papai Noel, faz ampla propaganda do gorducho e vermelho velhinho. Gigantescas reproduções pictóricas e esculturais do símbolo de Natal podem ser vistas à porta dos grandes magazines em Munique, Hamburgo, Colônia e nas outras grandes cidades alemãs. Mas não somente nessas, também nas cidades médias e pequenas, Papai Noel é apresentado como "public relations" desta ou daquela casa de perfumaria, do magazine A ou B. Anúncios em gás neon, que propagam preços ou excelência de produtos, são a contribuição dos comerciantes para o embelezamento da festa.

Para se encontrar as comemorações tradicionais do Natal, as que ainda não foram mortas pelo contacto da civilização industrial, temos que ir ao campo. Alguns, mas não muitos, costumes são, lá, praticados em tôda sua integridade.

Um espetáculo bonito, por exemplo, é o que nos oferece a aldeia de Alsfeld, no Hesse: — Todos os anos, na noite de 24 de dezembro, os seus habitantes dirigem-se para a Praça Maior, embalando o Menino Jesus com ternas canções de ninar. Em muitas aldeias distantes, ainda hoje em dia, na vigília de 24 para 25 de dezembro, os lavradores dirigem-se aos estábulos, para afagar os seus animais: fazem isso em lembrança dos animais que, quando da adoração dos pastores, vieram ver ao Deus recém-nascido homem.

[illegible] (Árvore de Natal).

Uma das mais comoventes celebrações, que existem na Alemanha é, sem dúvida, o Natal dos mortos. Em muitas localidades — como em Berchtesgaden, na Baviera — na véspera do Natal, acendem-se velas nos cemitérios. Isso se faz para lembrar aos mortos que não estão esquecidos pelos que lhes sucederam, nas relações que êsses tem com Deus.

UM NATAL FAMILIAR, EM QUE ENTRA CÚPIDO

A maior parte das pessoas, porém, como aliás em muitos outros países, passa o Natal no recesso de suas famílias. Nessas reuniões, tanto para crianças, como para adultos, o centro de atração da festa é a distribuição de presentes. Êsses são distribuídos no dia 24, à tarde, nas regiões protestantes; nas de população católica, a distribuição é feita no dia 25 de manhã.

O dia 26 de dezembro, na Alemanha, é sempre feriado. Oficialmente se diz que é dedicado às comemorações mundanas da natividade, pois 24 e 25 são dedicados às festividades religiosas e familiares. Mas, no duro, no duro, o dia 26 é um dia para se curar a ressaca adquirida com as bebidas, as nozes e os gansos (muito temperados) que se consomem na consoada familiar do dia 24.

Como não podia deixar de ser, o Natal — como um sem número de outras festividades — é misturado com invocações matrimoniais. Em muitas localidades, por exemplo, as raparigas e as mulheres casadas dirigem-se à fontes dágua, a qual reputam de efeitos miraculosos contra o celibato e a esterilidade. Em muitos outros, essas invocações têm aparência menos fálica. Limitam-se as moças a irem às portas dos galinheiros e darem leves batidas. Se a galinha responde, então elas ainda permanecerão solteiras por muitos e muitos anos. Se o galo porém é quem atende, isso significa que casarão breve. Mas já ficam sabendo quem "cantará de galo", após o matrimônio.

se caso, o poço será, imediatamente, revestido para que tenham início os testes. Êsses testes, de acôrdo com os técnicos, deverão estabelecer, definitivamente, se a região de Brejinho é comercialmente econômica para a produção em grande escala. É de crer que, até princípio de janeiro, a Petrobrás anunciará o resultado final dessas explorações no Recôncavo Baiano.

MAGALHÃES PINTO DE JÂNIO NA ESCO

RIO, 23 (TLP) — Falando Diretório udenista, o governador Magalhães Pinto, declarou que não le samento dos governadores do No vêrno, como foi noticiado durant oportunidade para declarar que, ficou aos governadores daquela r tra com o presidente eleito. Ne disse ao sr. Jânio Quadros que senão o cumprimento das promes

Salientou, na mesma ordem de considerações, que «o sr. Jânio Quadros tem inteira liberdade para compar o seu govêrno».

PRESIDÊNCIA DA UDN

No que tange ao problema da presidência da UDN, fato que anda empolgando vários próceres, o sr. Magalhães Pinto acentuou que ficou decidido antes de sua viagem, que o assunto sòmente seria discutido depois da posse do sr. Jânio Quadros. Com isso — explicou — se evitaria que pudesse ser eleito alguém que pudesse ser escolhido pelo presidente para qualquer missão de importância o que implicaria numa nova alteração dos quadros dirigentes do partido. Frisou o sr. Magalhães Pinto que, depois da posse de Jânio, vai percorrer o país em busca de uma fórmula que una o partido.

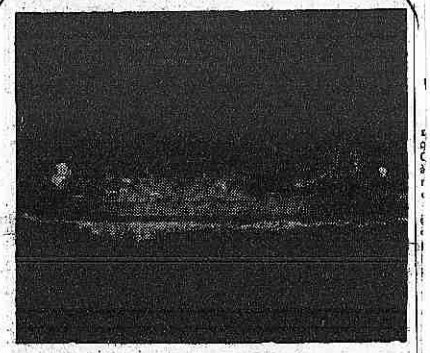
O CASO JK

Aludindo ao episódio da candidatura de JK ao Senado, com o apoio da UDN de Goiás, salientou que, ao retornar ao Brasil já encontrou uma Comissão designada para estudar o problema, comissão escolhida sem a sua interferência. Cabe a essa Comissão apontar a solução para o caso.



D. P 23 DEZ 1960

PRIMEIRO CADERNO



O «USS Graham County» é outra unidade naval pertencente à Fôrça Anfíbia da Esquadra do Atlântico da Marinha de Guerra Americana, no serviço ativo desde abril de 1958. O navio tem 130 metros de comprimento e desloca 8.000 toneladas

"O Hermitage" E O "Graham County" Chegarão Amanhã

Estão sendo esperadas no Recife, amanhã, dia 24, as belonaves "USS Hermitage" e "USS Graham County" da Marinha dos Estados Unidos, que vêm em caráter não oficial, devendo permanecer neste pôrto até o dia 30.

O "USS Hermitage" cuja tripulação é composta de 19 oficiais e 285 praças, tem 155 metros de comprimento e desloca 12.150 toneladas. Está sob o comando do Capitão de Fragata G. H. Rood. O "USS Graham County" tem uma tripulação de 9 oficiais e 127 praças, sendo o seu comprimento 130 metros. Desloca 8.000 toneladas e é comandada pelo Capitão de Corveta Chamberlain.

A propósito da visita dos dois vasos de guerra americanos ao nosso pôrto, por ocasião das festividades do Natal, está sendo elaborado vasto e interessante programa, visando ao congraçamento dos visitantes com o povo do Recife. Para tanto, já está também acertada a colaboração dos marujos "yankees", especialmente de sua banda de música, com os promotores dos festejos natalinos da cidade, estando em pauta a apresentação da mesma no programa natalino organizado pela Prefeitura Municipal do Recife, às 21 horas da véspera do Natal.

PROGRAMA

E' mais ou menos o seguinte o programa a ser cumprido pelos marujos "yankees" e componentes da banda de música naval:

Dia 24 — Recepção especial à imprensa, rádio e televisão local a bordo do "USS Hermitage", às 14 horas.

Dia 24 — As 21 horas, apresentação da banda de música naval na Praça Dantas Barreto, em frente ao novo edifício do IAPI, quando tocará músicas de Natal, no programa sob os auspícios da Prefeitura Municipal do Recife.

Dia 25 — As 21,30, a banda de música naval americana apresentar-se-á na TV com um repertório de músicas do Natal.

Dia 26 — As 10 horas, visita às belonaves de grupos infantis pertencentes a organizações filantrópicas, previamente convidados. As 15 horas, concêrto da banda de música naval americana para as crianças do Hospital Infantil Manoel Almeida, na Jaqueira. De 13 às 16 horas, os navios estarão expostos à visitação pública.

Dia 27 — As 10 horas, visita das crianças e órfãos do Clubinho (Boa Vista) ao "USS Hermitage", onde serão recepcionadas com refrigerantes e brinquedos. As 20 horas, concêrto da banda de música naval americana para os Centros Educativos Operários do Serviço Social Contra o Mocambo. As 21,30, programa de música popular variada a cargo da banda de música naval americana, no Rádio Jornal do Commercio.

Dia 28 — As 10 horas, visita das crianças do Orfanato Cêci Costa ao "USS Hermitage" e de um grupo de crianças do Colégio Padre Venâncio ao "USS Graham County". De 13 às 16 horas, visitação pública às belonaves.

Dia 29 — As 10 horas, visita ao "USS Hermitage" de um grupo de crianças da Chácara Bonji, e ao "USS Graham County" de um grupo de crianças da Associação Pernambucana de Assistência aos Necessitados (APAN), do Coque, em Afogados. De 13 às 16 horas, visitação pública aos navios.

As 15 horas, distribuição de presentes e brinquedos às crianças da Chácara Bonji, levados até o local de helicóptero, por um Papai Noel americano, o tenário Santa Claus.



O Capitão de Corveta Charles H. Chamberlain, da Marinha dos Estados Unidos, é o comandante do belonave americana «USS Graham County». Na Marinha de Guerra Americana, desde 1942, o Comandante Chamberlain tem servido a bordo de várias unidades navais, entre as quais os porta-aviões «Midway» e «Coral Sea», como também grupo do Projeto de Armas Especiais para as Fôrças Armadas dos Es-

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HÁ UM SÉCULO

O DIARIO DE PERNAMBUCO deixou de circular no dia 23 de dezembro de 1860, por ter sido domingo.

DOUTOR BECKER: O AMIGO DO BRASIL

Ademar VIDAL

RIO — Tenho lembrança de que estive como vizinho de um membro do governo americano quando foi da reunião da ONU no ano de 1948. Era no mês de dezembro, em Paris. Porque me achasse bastante doente não pude dar maior atenção a quantos me cercavam. No entanto, ficou-me uma vaga recordação de alguem que me prendera por suas gentilezas pessoais. Ainda apurarei o fato que poderia ter sido esclarecido recentemente não fossem outras preocupações me assaltando no momento. Dias intensos na atividade. Encontros fortuitos com essa pessoa sempre agindo dentro de um dinamismo cansativo. Trata-se do amigo Ralph Ellor Becker. Certa noite de março deste ano, que termina, recebo a visita do casal em viagem pela America do Sul. Noite simpatica essa que passamos juntos. O doutor Becker é advogado em Washington, seu escritorio tem proporções de repartição publica pelo tamanho e instalações, desenvolve trabalho que requer folego para que seja acompanhado e eu, embora habituado a uma vida ativa de quase todos os instantes, tive de dar o prego por não ter forças fisicas para seguir o caminho do amigo durante os agitados dias que passei ultimamente na America do Norte.

Sua figura se parece muito com a de Assis Chateaubriand: atividade de todas as horas não deixando margem a que a gente possa demorar sequer uma resposta, tem de ter tudo na ponta da lingua, sempre pronto para responder com precisão às indagações feitas de repente, porque do contrario terá de ser passado para trás. Não serve. Não atende ao serviço. E está certo. Porisso que gente dessa ordem não me escapa. Sinto-me sempre em condições para o que der e vier. Mas o doutor Becker nessa minha ultima visita aos Estados Unidos para começo de conversa, foi logo me esperar no desembarque e durante o tempo que por lá passei, dois meses, não me largou, tendo eu de seguir o programa traçado com minha previa aprovação, sabendo Deus com que sacrificio me arrastava quando o corpo não podia ajudar mais.

Personagem da politica, um militante assiduo, sobretudo advogado, nada indica faltar-lhe de [illegible] entregando-me a chave da cidade, acentuou num breve discurso: «o senhor até agora é o unico estrangeiro que aqui chega sem qualquer função oficial para receber a homenagem que ora a capital da Republica lhe presta». E seguiu-se uma serie de entrevistas e exibições na TV em que me vi na contingencia de falar sobre a situação do Brasil, preocupando-me em estabelecer distinção entre caráter português e o espanhol, visto que a luta desenrolada em Cuba estenderia ao nosso país uma desconfiança talvez prejudicial aos seus negocios.

Ninguem queria saber de botar dinheiro em circulação diante das surpresas que estavam sendo criadas. Todos desejavam garantias para fazê-lo, temendo a mudança de regime que viesse transtornar o ambiente e, daí, surgindo possiveis agitações, desgosos e imprevistos. As conversas giravam nesse sentido. Todos os esforços foram feitos para o fim de estabelecer a diferença do animo e caráter de uma gente relativamente a nós.

O temperamento lusitano tem particularidades inerentes que jamais poderão confundir-se com o do espanhol. Aquele se mostra mais calmo e menos entusiasmado, enquanto o outro se exalta mais facilmente, dispondo de maior soma de vivacidade e, nos debates politicos, gosta de atingir aos extremos. Pelo menos é o que agora se verifica na America do Sul. Esclarecimentos e colocação dos pontos nos seus lugares — dentro dessa raciocinio — só poderiam fazer bem aos interesses materiais de um país necessitado de desenvolvimento franco.

Claro que sem o auxilio exterior nenhum povo pôde conseguir levantar-se para atingir niveis compensadores em conexão com os esforços empregados. Os proprios Estados Unidos são fruto do capital estrangeiro. Seus começos só acham inteligente relacionados à intensa assistencia da Inglaterra, Holanda, França e Alemanha, cujo poder economico-financeiro, na época, se encontrava em condições para realizar o que fizeram com tamanho êxito. Estes países, por sua vez, tambem sentiram a necessidade do dinheiro vindo de fora, não se precisando ir muito longe na historia, bastando re-

UVA JORNADA (*)

res BELLO

modo algum dominar pelos aspectos negativos do meio social em que deve atuar. Infelizmente não é isso o que está ocorrendo. Tão vasta, tão profunda, tão assoberbante é a crise em que se debatem as instituições, tão violento e malsão é o vendaval que sacode os mais diversos departamentos da vida social contemporânea, que contra essa ruinosa atmosfera se torna muito difícil preservar a Escola que, por êsse modo, atingida ela mesma pelos males que lhe cumpriria sanar, tem reduzida a um mínimo a sua probabilidade de êxito. Isso talvez ocorra em tôda parte, mas, entre nós o mal se apresenta excessivamente agravado por circunstâncias peculiares do momento histórico que estamos vivendo e, sobretudo por defeitos intrínsecos dos nossos institutos educativos. Tôda a nossa escola é fundamente marcada pelo traço dominante da inautenticidade e isso é o pior que pode acontecer a qualquer sistema de ensino. Alheada ao mesmo tempo, tanto das realidades objetivas, como da situação vivencial da infância e da juventude brasileira contemporânea, incapaz, portanto, de suscitar qualquer interesse, nas disposições da última de sua clientela, sem qualquer fonte vital de motivação que dinamize e ordene as suas atividades, artificial e artificiosa, no pior sentido dêste último têrmo, é a nossa escola de hoje uma instituição inteiramente incapaz de cumprir os objetivos que lhe são próprios. O Instituto de Educação de Pernambuco não poderia ser exceção a êsse estado de [illegible]

ATIVIDADES DO PROGRAMA "SOLANT AMITY", DA MARINHA NORTEAMERICANA

Está obtendo a melhor e maior receptividade a visita dos marujos e fuzileiros "yankees", ora em nosso pôrto, a bordo das belonaves "USS Hermitage" e "USS Graham County", que fazem parte da Fôrça de Desembarque da Marinha de Guerra dos Estados Unidos, presentemente cumprindo nos portos desta área do Atlântico uma missão de entendimento e amizade, operação por êles denominada de "Solant Amity".

Depois da perfeita exibição da banda de música dos marujos americanos, no programa natalino realizado no pátio do Paraíso sob os auspícios da Prefeitura Municipal do Recife, quando fez sua "performance" ao lado da banda dos Fuzileiros Navais do 3º Distrito Naval vem aumentando cada dia o interêsse e a simpatia do povo recifense pela presença dos nossos antigos aliados no Recife. Para tanto, e com o propósito de concretizar plenamente o sentido e os objetivos de sua visita, vem os marujos e fuzileiros do "USS Hermitage" e do "USS Graham County" se permeando com a população e a sociedade recifense, tomando parte nos seus entretenimentos e atividades, enquanto colaboram com as organizações filantrópicas da cidade em favor das inúmeras crianças pobres e a seus cuidados. Vários têm sido os programas de recepção e visitas elaborados nesse sentido, sendo levados a bordo dos navios diversos grupos de crianças e órfãos, onde são as mesmas recebidas com o maior carinho e simpatia pelos oficiais e marujos e fuzileiros das duas belonaves. Outra nota interessante e original na paisagem da cidade tem sido as evoluções diárias do Destacamento de Helicópteros, cuja presença nos céus do Recife atraem a atenção de crianças e adultos. E' chefe de operações do Esquadrão de Helicópteros, o Capitão H. D. Gress, Jr.

O PROGRAMA

FINAL

DIA 28 — As 8 horas, Ordem Unida e demonstração de Judô no Quartel do Derby, apresentação da banda de música e aterragem de helicópteros.

As 10 horas, visita ao USS Hermitage de 53 crianças do Orfanato Ceci Costa. A mesma hora, visita ao USS Graham County, de 40 crianças da Companhia de Caridade (Colégio Padre Venâncio).

As 11 horas, visita de 50 crianças das Obras Sociais patrocinadas pela Snra. Dulce Sampaio ao "USS Graham County".

De 13 às 16 horas, visitação pública aos navios, ancorados ao Armazém 2 e 6, respectivamente.

DIA 29 — As 10 horas, visita de um grupo de 50 crianças da Chácara Bonji ao "USS Hermitage". A mesma hora, um grupo de crianças da APAN, do Coque, Afogados, visitará o "USS Graham County".

As 11 horas, visitará o "USS Hermitage" um grupo de crianças das Obras Sociais patrocinadas pela Snra. Dulce Sampaio, esposa do Governador do Estado.

As 12 horas, o Almirante Dias Fernandes oferecerá um almôço informal aos comandantes das belonaves americanas, ao qual comparecerão o Cônsul Ernest S. Guaderrama e o Vice-Cônsul Edward T. Walters.

A mesma hora, o Major H. Richard Karth, Jr., Comandante do Destacamento de Fuzileiros Americanos e oficiais serão homenageados com um almôço, no Quartel de Fuzileiros Navais do Recife, pelo Comandante da Companhia Regional de Fuzileiros.

As 15 horas, será feita uma distribuição de brinquedos aos meninos da Chácara Bonji, onde deverá aterrissar um helicóptero com um Santa Claus (papai Noel americano) para recepcionar a gurizada do referido orfanatrófio.

As 16 horas, estão programadas várias partidas de tênis, football, volley e basketball, no Clube Náutico Capibaribe, pelos marujos das belonaves "yankees".

DIA 30 — As 13 horas, chegada ao Aeroporto dos Guararapes do Almirante All Reed, Comandante da Esquadra Americana do Atlântico Sul, que será recebido pelo Comandante do 3º Distrito Naval, Cônsul dos Estados Unidos, Adido Cultural Americano, Snr. Douglas A. Ellsby, Major Richard Weis, da USAF, Major Fred May, da USAF e o Coronel Carlos Faria Leão, Comandante interino da 2a. Zona Aérea. Vem em companhia ao Almirante Reed, o Snr. John Nevins, do USIA, de Washington, que acompanhá-lo-á do Recife até Monrávia, na Africa.

As 15 horas, o Almirante Allen Reed, em companhia do Cônsul Erne S. Guaderrama, fará uma visita de cortesia ao Comandante do 3º Distrito Naval, ao Comandante do IV Exército, ao Comandante da 2a. Zona Aérea e ao Governador do Estado.

As 19 horas, o Comandante George Rood, do USS Hermitage, oferecerá uma recepção a bordo, em honra do Almirante Reed, comparecendo todas as altas autoridades militares americanas e brasileiras aqui sediadas.

As 21:30, partida dos navios, viajando a bordo do "USS Hermitage" o Almirante Reed. (Este é o seu navio capitânea).

As 23 horas, os navios americanos já fora da barra, saudarão o povo e a Cidade do Recife com uma demonstração de fogos de artifício.

minha opinião). Abacté entrou mais em TV. Classifico agora os melhores e os piores «jotas» (falmo da Gallinha diz que êsse é o nome técnico, da Televisão). O melhor dêles é o «Gato Sete Vidas» da São Paulo Alpargatas. Bem feito, distral, não enche, não força, e desperta curiosidade das crianças e dos barbados (o meu gato Xambari é doido por aquele reclame). Agora, aquêle do sapato Clarck enche até saco sem fundo e dá azia em Sal de Frutas.

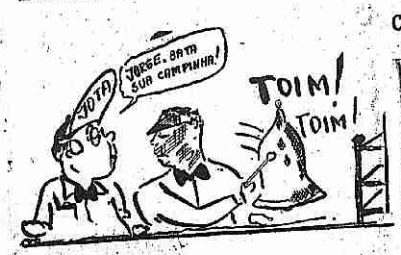
Atualmente escolho os melhores do ano. Não só em futebol, mas nos diversos setores. Não tenha medo o leitor e se algum telespectador está lendo esta coluna, também levante as mãos para os céus que o Clube da Imprensa não meteu a colher aqui. Fiz esta escolha pessoal. E' lógico que não me incluí entre os escolhidos, já que assim não teria graça e os outros precisam de oportunidades.

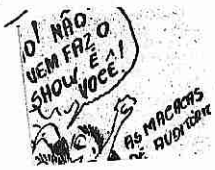
CANTOR: TEMPORADA

Graças a TV tivemos alguma coisa que prestasse em matéria de cantor lá de fora. Aliás, em matéria de cantor o Brasil tá crescendo para baixo que só rabo de cavalo. Numa terra onde Cauby é artista, e sobretudo grande cantor ninguém entende mais nada. E a essa altura meus irmãos, onde se tenta impôr Nora Ney, Julli Joe (Toim!...) Maysa Matarrata como cantoras, tiremos nosso chapéu a Isaurinha Garcia e a veterana Aracy. O resto é bafo.

Mas meus irmãos, tivemos gente fraca vindo por aqui. Gostamos apenas do Anisio Silva, que não é um Nelson Gonçalves, ou um Alcides Gerardi, mas dá para enganar. Anisio veio e cantou no Canal 2 foi o melhor da jogada. Quem adorou milhões, digo bulhões, foi o Ivan, que é fundador do fã-clube Anisio Silva de Teijpió. Ivon Curi também veio para alegria de Neto.

CASTELÃO É PENTA CAMPEÃO!





NO BOX

Vamos ao box. Na minha opinião quem melhor fêz box por aqui foi a turma do Canal 2. O Jota Soares que em áureos tempos foi galã da cinema mudo, reapareceu como nunca em matéria de box. Teve um trabalhão tremendo e vem fazendo espetáculos de gente grande. Não adianta o Nilson querer dizer que [illegible] melhor é o Tele Box porque não é. Ninguém é cego nem b[illegible] minar, pois jôgo principal [illegible] de olhar. E ouvir. Exceto ao o[illegible]

terra, teria, incontestavelmente, [illegible] tinuar o excelente trabalho real[illegible] atual Presidente, José Clodoaldo [illegible] lado, vemos Dedé que muito fêz [illegible] madorismo notadamente pelo bi[illegible] como ponto alto de sua adminis[illegible] de eximio desportista, a maestria[illegible] a maior crise já existente no no[illegible] essência dessa inoportuna crise f[illegible] colegas do JORNAL DO COMM[illegible] tado dêste seu trabalho cognom[illegible] dente do Ano". Caracterizando o [illegible] disse se concretize vejo simplesm[illegible] vação de uma entidade amadoris[illegible] braços do "Morfeu", no caso a [illegible] de Tenis, e a aquisição de um gra[illegible] lhar em benefício do nosso ama[illegible] mundo Cavalcanti, homem-forte[illegible] cano.

NOVAS MENSAGENS

Continuam chegando de tôd[illegible] linas para o redator de "Aquáti[illegible] dece a gentileza, faz o registo e[illegible] de Catende, por exemplo, sua ter[illegible] bo dos seguintes desportistas e p[illegible] res da Silva, Contador da Usina [illegible] ros e Silva, e Osvaldo de Cantu[illegible] Vice-Presidente do Leão XIII; [illegible] Municipio; Vicente Ramos, Dire[illegible] teiros; Jayme Albuquerque, Co[illegible] Brito Melo, Aurino Ribeiro de [illegible] Carvalho, Pelópidas Soares da S[illegible] Amaro Soares da Silva, Ahdoral[illegible] Crêspo Epifani, Nelson José, Jo[illegible] Batista de Monteiro, Edgar Bri[illegible] Silva Nunes, Durval Lins, José [illegible] Beltrão de Andrade Lima, José [illegible] rio Alves de Souza Melo, e tant[illegible] seguintes: Wilson de Queiroz Ca[illegible] viço Social do Comércio (SESC[illegible] velho, Presidente do Náutic[illegible] clube segunda-feira, President[illegible] rio Pinto de Campos, Severino [illegible] Machado, do Esporte; Dr. Odiv[illegible] Santa Cruz; Walter Periquito, d[illegible] rel, do Barroso Fernando Tadeu, [illegible] reira Bastos, do Náutico; da Fe[illegible] Patinagem, assinada pelo seu P[illegible] Ferreira dos Santos; Selma Ca[illegible] [illegible] Olimpíada [illegible] Teobaldo Silva, treinador [illegible] Centro Operário de Cultura L[illegible] "Seu Tenente", e finalmente [illegible] sócio da "Gráfica Olinda", a q[illegible] completa três anos de boa ser[illegible] dade.

0244



A banda da Marinha dos EUA que ora nos visita. Em segundo plano, 2 dos helicópteros

Marinha dos EUA fará hoje exibição (com helicópteros) e distribuição de presentes

Vem sendo cumprido um vasto programa pelos marujos e fuzileiros «yankees», chegados ao nosso pôrto, a bordo dos belonaves «USS Hermitage» e «USS Graham County».

Os dois navios que fazem parte da Fôrça de Desembarque da Marinha de Guerra dos Estados Unidos, presentemente cumprindo, nos portos desta área do Atlântico, uma missão de entendimento e amizade, operação por êles denominada de «Solant Amity».

INTERÊSSE

Depois da exibição da banda de música dos marujos americanos, no programa natalino realizando no pátio do Paraíso, sob os auspícios da Prefeitura Municipal do Recife, quando fêz sua «performance» ao lado da banda dos Fuzileiros Navais do 3º Distrito Naval, vem aumentando o interêsse do povo recifense pela presença dos nossos antigos aliados.

Vêm os marujos e fuzileiros do «USS Hermitage» e do «USS Graham County» tomando parte nos entretenimentos e atividades, da cidade, enquanto colaboram com as organizações filantrópicas, em favor das inúmeras crianças pobres a seus cuidados.

CRIANÇAS E HELICÓPTEROS

Vários têm sido os programas de recepção e visitas elaborados nesse sentido, sendo levados a bordo dos navios diversos grupos de crianças e órfãos, onde são as mesmas recebidas com o maior carinho e simpatia pelos oficiais e marujos e fuzileiros das duas belonaves.

Outra nota interessante e original na paisagem da cidade têm sido as evoluções diárias do Destacamento de Helicópteros. E' chefe de operações do Esquadrão de Helicópteros, o capitão H.D. Gress, Jr.

PROGRAMA FINAL

Para os três últimos dias de sua presença aqui, foi organizado o seguinte programa:

Hoje — As 8 horas, ordem unida e demonstração de Judô, no Quartel do Derby, apresentação da banda de música e aterragem de helicópteros.

As 10 horas, visita ao USS Hermitage de 50 crianças do Orfanato Ceci Costa. A mesma hora, visita ao USS Graham County de 40 crianças da Companhia de Caridade (Colégio Padre Venâncio).

As 11 horas, visita de 60 crianças das Obras Sociais patrocinadas pela snra. Dulce Sampaio ao «USS Graham County».

De 13 às 16 horas, visitação pública aos navios, ancorados ao Armazém 2 e 6, respectivamente.

Amanhã — As 10 horas, visita de um grupo de 50 crianças da Chácara do Bonji ao «SS Hermitage». A mesma hora, um grupo de crianças da APAN, do Coque, Afogados, visitará o «USS Graham County».

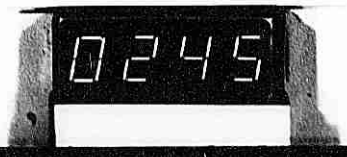
As 11 horas, visitará o «USS Hermitage» um grupo de crianças das Obras Sociais patrocinadas pela snra. Dulce Sampaio, espôsa do Governador do Estado.

ALMOÇO E BRINQUEDOS

As 12 horas, o almirante Dias Fernandes oferecerá um almôço informal aos comandantes das belonaves americanas, ao qual comparecerão o Consul Ernest S. Guaderrama e o Vice-Consul Edward T. Walters. A mesma hora, o Major H. Richard Kurth, Jr., Comandante do Destacamento de Fuzileiros Americanos e oficiais serão homenageados com um almôço, no Quartel de Fuzileiros Navais do Recife, pelo Comandante da Companhia Regional de Fuzileiros.

As 15 horas, será feita uma distribuição de brinquedos aos meninos da Chácara Bonji, onde deverá aterrisar um helicóptero com um Santa Claus (papai Noel, americano) para

(Continua na 9a. página)



JORNAL DO COMMERCIO — Quarta-feira, 28 de dezembro de 1960

talha Do Açúcar Por Dois
rati E O Dep. De Estado

Nota do Observador Econômico

RIO, 27 (Radiopress) — «Está criada uma nova situação difícil nas relações econômicas entre o Brasil e os Estados Unidos» — diz em comentário o «Jornal do Commercio», desta Capital, abrindo editorial em que trata do problema açucareiro, mais especialmente, a decisão yankee de dar uma cota de 11 mil toneladas de açúcar ao Brasil. Como o «Jornal do Commercio», os principais órgãos da imprensa brasileira («Correio da Manhã», «Diário de Notícias», «O Globo» o «O Estado de São Paulo», o «Diário de São Paulo», a «Gazeta», etc.) se ocuparam do episódio, havendo unanimidade em tôrno da opinião de que ao Itamarati cabe maior parcela de culpa pelo descaso do Departamento de Estado ante nossas pretensões.

Depois de relatar os fatos, pura e simplesmente, o «Jornal do Commercio» salienta: «Há, por trás dêles, (os fatos) um mundo de circunstâncias que caberia aqui salientar. Existe uma palavra inglêsa que traz muita luz sôbre a matéria. É o vocábulo lobby. Informa o Dicionário Michaelis que êsse substantivo significa «passadiço, alpendre, corredor, qualquer lugar que está diante da porta de uma casa, antecâmara, sala ou saléo que há nos teatros para passear nos intervalos dos atos». Alguns dêsses significados traduzem o que nos interessa aqui referir. Lobbyist é o individuo que se dedica à advocacia administrativa, figura encontradiça quase sempre nas antecâmaras. É bom reter essa palavra para que entendamos bem o caso do açúcar. O Sugar Act, lei que regula as compras de açúcar para assegurar o abastecimento do mercado norteamericano, é objeto da mais ferrenha disputa por parte dos congressistas. Lembra um pouco aquelas verbas destinadas a associações de caridade e outras que, entre nós, sustentam não poucas clientelas eleitorais. Na ocasião da distribuição das cotas, emerge a figura do lobbyist. As firmas e até os países interessados, contratam os serviços dêsses elementos, que nos lobbies do Capitólio, mercadejam influências e traficam livremente. Não poderia o Brasil, sem perda de sua dignidade, aceitar essa situação. Procuramos levar as nossas reivindicações e defender os nossos interêsses diretamente a quem de direito, isto é, ao Departamento de Estado. Temo-nos recusado, sistemàticamente, a ingressar nesse submundo onde mourejam os lobbyists.».

Para o tradicional matutino carioca, «a pequena cota de açúcar que nos destinaram agora é a prova da onipotência da advocacia administrativa». E mais adiante, depois de salientar que o Departamento de Estado teria, «naturalmente», interêsse em conceder uma maior cota ao Brasil, não podendo fazer porque o assunto dependia exclusivamente do Congresso, acrescenta ao seu comentário: «A batalha do açúcar foi perdida por dois aliados: o Itamarati e o Departamento de Estado. Fomos forçados, por conseguinte, a falar, diretamente à opinião pública norteamericana, sendo de supor que os mais esclarecidos homens de Washington estejam apoiando francamente os termos da nota brasileira e a sua publicação. Só assim, usando a arma da franqueza, lograremos, através da conquista de aliados no seio do povo norteamericano, modificar o comportamento do Congresso quando novos problemas dêsse tipo surgirem».

DECEPCIONANTE TRATAMENTO

O «Diário de S. Paulo», comentando o episódio («Açúcar do Brasil para os EE. UU.), diz a certa altura: «Foi decepcionante o tratamento dispensado ao Brasil, tanto mais que, anteriormente, de maneira espontânea, os Estados Unidos haviam adquirido 100 mil toneladas do produto brasileiro, pagando o sobrepreço que prevalecia nas compras efetuadas ao mercado cubano. O fato de Formosa — que merece todo o apoio financeiro e político de Washington — ter recebido, igualmente, pequena cota, não é suficiente para justificar a atitude das autoridades norte-americanas em relação ao nosso país».

— «Longe de nós — acrescenta — a idéia de condicionar bases de solidariedade aos princípios políticos, aos ideais do mundo ocidental, ao reconhecimento de quaisquer privilégios econômicos; seria uma chantagem contrária aos princípios defendidos pelo Brasil no campo internacional. Mas, também não podemos ignorar o fato de que a solidariedade econômica constitui um dever das nações democráticas mais ricas e poderosas; solidariedade que, bodas dizer, reuretorizades norteamericanas».

Termina seu comentário formulando votos à próxima administração, para que tenha maior compreensão de todos os problemas econômicos da América Latina, inclusive o do açúcar».

MENOSPREZO ABSOLUTO

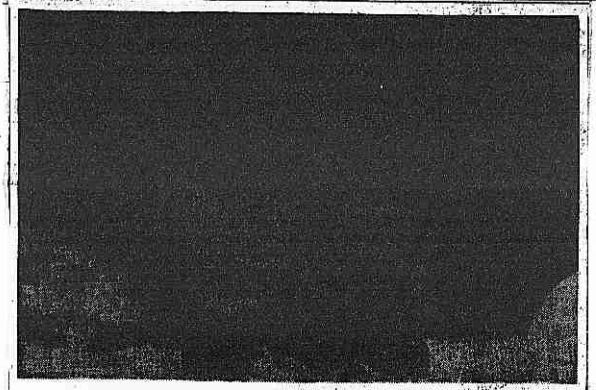
Com efeito, a concessão de tão ridícula cota de açúcar (11 mil toneladas um total de 824 mil), sòmente poderia obter como resposta a sugestão do embaixador Augusto Frederico Schmidt: «não aceitemos».

O Departamento de Estado, desde o tempo do snr. Foster Dulles tem conhecimento de nossas pretensões de conquista do mercado norteamericano de açúcar. As nossas pretensões se baseavam, principalmente, em dois fatos: 1) — o interêsse comum norteamericano-brasileiro no fortalecimento de nossa capacidade de exportação e, conseqüentemente, de importação; 2) — o grande potencial da produção brasileira, que permite efetuar grandes vendas aos Estados Unidos sem novos empregos de capital e sem agravar a desproporção, no plano mundial, entre «produção e procura».

não se fêz, aliás, culpando-se ao Congresso — ver nota da Embaixada, no Rio). Existem aí, razões mais profundas. É que os países contemplados com maiores cotas de açúcar, têm nas suas indústrias, formidáveis interêsses econômicos norteamericanos. Essa a razão para o ato do Govêrno norteamericano que abalou a opinião pública nacional e mais do que isso, abalançou a confiança existente no nosso Govêrno.

PROBLEMA ABORDADO POR JK

O problema já foi, de resto, tratado por JK na reunião ministerial de sexta-feira, em Brasília. Aí, o representante



O chefe da Esquadra Americana para o Atlântico falando à reportagem

Almirante Reed: evitar nova guerra mas sem desarmamento; URSS possui 400 submarinos

O contra-almirante Alan Reed, comandante das Fôrças Navais Norte-americanas em operação no Atlântico Sul, concedeu entrevista coletiva à imprensa pernambucana, à tarde de ontem, em seu camarote a bordo do "USS Hermitage".

Durante mais de trinta minutos, tendo o sólido cultural Douglas Elleby como intérprete, foi submetido a verdadeiro bombardeio de perguntas sôbre a situação internacional, papel do porta-avião na guerra moderna, revolução cubana, possibilidade da terceira guerra mundial, condições da Marinha de Guerra Norte-Americana e desarmamento mundial

TALVEZ RETORNE

Com a bandeira de comando içada a bordo do "USS Hermitage", participou das "Operações Unidas", desenvolvidas no Atlântico Sul, com a participação de unidades das Armadas Argentina, Uruguaia, e Brasileira.

Seu ponto de vista a respeito do assunto, era o de que as operações obtiveram sucesso além do esperado, com todos os vasos de guerra tendo papel saliente nos exercícios. Não podia fazer uma distinção entre a qualidade técnica de cada navio, de cada nação participante, mas afirmava que todos se houveram muito bem, demonstrando guarnições bem treinadas e prontas para qualquer emergência.

As "Operações Unitas" congregaram vinte e dois navios das Marinhas de Guerra dos Estados Unidos, Uruguai, Brasil, e Argentina, e duraram cêrca de noventa dias, com exercícios que abrangeram águas da Venezuela e terminaram na Baía de Guanabara.

COMUNIDADE MARITIMA

A finalidade principal das operações era a de possibilitar uma mentalidade de marítima às Armadas participantes, tôdas trabalhando em conjunto e obedecendo a um plano tático previamente traçado e seguido à risca.

VALOR DO PORTA-AVIÃO

Sôbre o valor do porta-avião nas Marinhas modernas, respondeu que era ilimitado, pois se trata de um navio de grandes recursos, e que tem como qualidade principal o de se transformarem em base móvel. Pode deslocar-se para qualquer parte do mundo, singrando todos os mares, conduzindo aviões e grupos de caça para destruição de submarinos

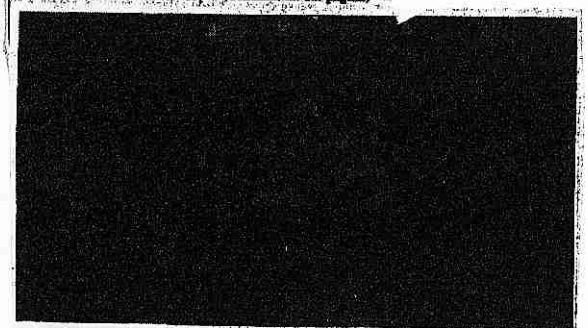
No seu modo de entender, de grande importância é o papel da Marinha na guerra moderna, porém será favorável a que numa guerra, todos os conjuntos de fôrças teriam de trabalhar pelo sistema de coordenação.

PODE SER EVITADA

Herói da segunda hecatombe mundial, tendo, inclusive, participado de duras batalhas do Pacífico Sul, o almirante Alan Reed manifestou-se contra os que acham inevitável uma nova guerra. Era a favor da paz constante, embora defendendo a necessidade de as democracias permanecerem sempre "alertas e prontas para qualquer emergência".

Acompanhando a opinião

(Continua na 2a. página)



Fêz o almirante Alan Reed, ontem, uma visita de cortesia ao governador Cid Sampaio. Fêz-se acompanhar do comandante George Reed, do "Hermitage"; do oficial norte-americano Ernest Guaderrama; e do oficial da Marinha Brasileira, comandante José Galdez.

Almirante Reed: evitar nova guerra mas sem desarmamento; URSS possui 400 submarinos

(Continuação da 3a. pág)

mundial pelo desarmamento, achou muito difícil tal "desideratum", pois não há garantias suficientes sôbre se as nações estão em condições de realizá-lo. E exemplificou como sendo uma temeridade, a posição que qualquer nação tomarie, ao se desarmar, sozinha, sem fazer uma fiscalização rigorosa sôbre as demais.

"Seria cavar sua própria sepultura" — disse, acentuando: Aliás, os Estados Unidos, não faz muito tempo, mediante autorização do presidente Eisenhower, abriu tôdas as suas fronteiras para uma fiscalização rigorosa sôbre a possibilidade de um desarmamento mundial, porém não encontrou o necessário apoio da União Soviética, que permaneceu pregando o desarmamento, sem oferecer condições para uma fiscalização geral".

SEGUNDA POTÊNCIA NAVAL

Perguntando sôbre se acreditava na União Soviética como potência naval, respondeu que, no momento, a Rússia é considerada a segunda potência naval do mundo, logo depois dos Estados Unidos. O maior poderio se baseia na fôrça de submarinos, com cêrca de 400 dêles em serviço ativo. Não afirmava que a União Soviética tivesse submarino atômico, mas, de acôrdo com divulgações de sentido técnico-militar, tudo dá a entender que êste assunto continua no campo das probabilidades.

De uma coisa estava certo o almirante Alan Reed: a Marinha de Guerra dos Estados Unidos está preparada para qualquer eventualidade, e numa situação que, nem de leve, se pode comparar à de 1941, quando foi apanhada de surpresa pela aviação nipônica.

GUATAMANO

Solicitado a se pronunciar sôbre a situação de Cuba e a base naval de Guatanamo, respondeu que, se fôr atacada pelo govêrno revolucionário cubano, a Marinha saberá reagir à altura, pois que entre as duas nações existe um acôrdo para utilização, pelos Estados Unidos, da referida base.

Militarmente falando, o almirante considerou Cuba sem nenhuma preocupação. No campo ideológico, porém, a situação é completamente diferente, uma vez que fôrças comunistas estão interferindo decididamente, no govêrno do barbudo de Sierra Maestra.



iza Um Novo Partido das Legendas UDN-PSD

RIO, 30 (Radiopress) — O Ministro da Justiça, preconizou, ontem, a fusão dos Partidos centristas, principalmente a UDN e o PSD, como fórmula para conter a expansão das esquerdas e das fôrças de direita, entre as quais considera estar ameaçada no Brasil, como em muitos outros países, a estrutura do regime democrático.

Em entrevista gravada, para uma emissora, que a irradiará nas próximas horas, o snr. Armando Falcão aceitou abordar o problema da crise dos Partidos, sôbre a qual vinha evitando pronunciar-se para não criar dificuldades novas pela sua posição no Govêrno e pela vinculação que se poderia estabelecer entre sua palavra e o pensamento do Presidente da República. A seu ver, entretanto, essas dificuldades já não poderiam ser evitadas nem sequer contidas. Acha que a união entre pessedistas e udenistas, para a formulação de uma poderosa fôrça política com objetivos comuns, é simplesmente inevitável, como inevitável é que se ergam vozes em grupos de ambos os Partidos para protestar contra a idéia e tentar impedir a sua concretização.

Esses grupos, porém, segundo o snr. Armando Falcão, acabariam isolados dentro do PSD e da UDN, constituindo, talvez, uma nova e pequena fôrça independente, ainda por meio de um processo de fusão. O momento e a fórma de levar os dois grandes Partidos do centro a realizar a unidade — disse — não poderiam ser determinados neste momento; mas isto será inevitável, uma decorrência simples da pressão que será exercida daqui por diante, cada vez mais fortemente, por um conjunto de fatôres políticos, econômicos e sociais, sôbre a estrutura das instituições republicanas.

O snr. Armando Falcão contesta, contudo, como já o fêz o snr. João Agripino, partidário da mesma tese, que esteja pleiteando a formação de um novo Partido de tipo racionário:

— Acho que todos nós que preferimos a manutenção do regime republicano, tal qual o recebemos dos nossos maiores, devemos lutar para acudir em tempo às reivindicações da opinião nacional, realizando reformas como a agrária, por exemplo, e abandonando o mau hábito de só falar ao povo às vésperas das eleições, enquanto se expandem as fôrças de esquerda e de direita em tôrno de nós.

Sôbre os comunistas:

— Não penso no comunismo nos têrmos em que pensa o ilustre Almirante Pena Bôto, que é capaz de desconfiar do próprio Sol se lhe parece vermelho demais; nem nos têrmos de descuido em que costumam pensar alguns democratas desavisados. O comunismo existe e é um problema que reclama a nossa vigilância comum: e vigilância, no caso, significa também trabalho constante para atender aos apelos do nosso tempo.

Desse, como de outros pontos-de-vista, entende o Ministro da Justiça que não há diferenças de fundo entre o PSD e a UDN:

— Que diferença existe, por exemplo, entre o pensamento político do snr. Pedro Aleixo e o de um pessedista como o snr. Gustavo Capanema? Entre o meu e o do snr. João Agripino? Entre o do Governador Magalhães Pinto e o do Presidente Juscelino Kubitschak? Quando éramos líderes parlamentares, o Deputado Agripino e eu, nunca deixamos de nos entender em face dos problemas fundamentais que eram postos diante da Câmara.

REINTEGRAÇÃO NO PTB

A reintegração dos dissidentes do PTB na vida partidária está sendo estudada por um grupo de cêrca de vinte fundadores do Partido que delegaram podêres ao Governador Roberto Silveira, do Estado do Rio, para realizar os primeiros contatos importantes. O Governador fluminense teve uma conversa inicial com o snr. Loureiro da Silva, Prefeito de Pôrto Alegre, encontrando da parte dêle muito boa vontade para dar continuidade e consistência política aos entendimentos. Em Minas Gerais, o snr. San Tiago Dantas, facilitará uma possível composição com os dissidentes. As resistências maiores foram encontradas em São Paulo e junto à pessoa do snr. Fernando Ferrari, que é considerado, aliás, um problema à parte, pela natureza das objeções que êle faz a liderança do snr. João Goulart e pelas proporções que deu às suas divergências com o Partido.

O snr. Lionel Brizzola interessou-se vivamente pelo movimento de reabsorção das dissidências, através do qual poderá atrair o snr. Loureiro da Silva e, com êle, importantes setôres da opinião gaúcha atualmente divorciada dêle e do Govêrno do Estado. O snr. Roberto Silveira teve prévia e expressa autorização sua para a primeira e promissora conversa com o Prefeito de Pôrto Alegre.

No Rio Grande do Sul, onde está a chave do movimento de reintegração petebista, a absorção do chamado Movimento Renovador Trabalhista deixaria inteiramente isolado o snr. Fernando Ferrari, com o seu plano de conquistar o Govêrno do Estado. O hnr. Leonel Brizzola se comprometeria a fazer do snr. Loureiro da Silva o seu sucessor, obtendo a compensação prévia de alcançar, através dêle, a boa vontade do snr. Jânio Quadros para a liberação de financiamentos reclamados pela economia gaúcha.

JUREMA E A LIDERANÇA

Voltando ontem dos Estados Unidos, o snr. Abelardo Jurema reafirmou a intenção de devolver ao PSD o posto de Líder da Maioria, que êle considera extinto com a eleição de um Govêrno apoiado pela Minoria. Em reunião a ser realizada no dia 10 d janeiro pelo Diretório Nacional do PSD juntamente com as bancadas parlamentares do Partido, sua tentará êsse ponto-de-vista

depois de fazer um relatório das atividades da liderança governista até o encerramento da sessão ordinária da Câmara.

O snr. João Menezes tentou, ontem, durante uma reunião de deputados e senadores, pessedistas realizada na sede do Partido, uma espécie de deposição do snr. Abelardo Jurema, em cujo lugar seria êle efetivado, na qualidade de Vice-Líder. O snr. Amaral Peixoto evitou, entretanto, que o problema fôsse levantado, ponderando que, de uma bancada de cento e quarenta e tantos deputados, estavam presentes apenas vinte representantes.

PROBLEMAS DO PSD

Reduzida a reunião de ontem a uma conversa informal e ligeira sôbre os diferentes problemas do PSD, pela seguinte

...o do preço do açúcar?

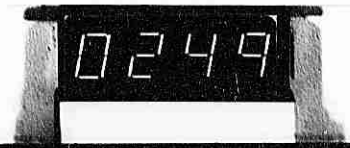
De qualquer modo — acrescentou — não concederei nenhum aumento de preço para o açúcar até o fim de minha gestão, em janeiro de 1961.

POLÍTICA & POLÍTICOS

CONTRA-ORDEM DE ETELVINO

1 — Alguns membros da oposição, especialmente elementos do PSD, andaram ensaiando um entendimento com o situacionismo, tendo em vista que a situação de Pernambuco está exigindo a compreensão de todos os homens públicos. A tecla em que batem é muito antiga. Desde o tempo do Império que se fala nisso e nunca deixou de haver a disputa eleitoral, com as facções políticas atuando junto ao povo, conquistando o seu voto. O que caracteriza a democracia é precisamente a pluralidade partidária e o lógico é que cada Partido tenha os seus candidatos aos diversos postos. Já tentaram por aqui uma história de unidade na verdade, mas na hora de repartir o bolo o que valeu foi a vontade de um só. Portanto, o melhor mesmo é acabar com essa moxifinada, porque no fundo todos são

Previdenciár
2.ª-feira ao
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Transcorreu Com Excepcional Brilhantismo As Comemorações Natalinas Nesta Capital

O recifense jamais comemorou tão festivamente um Natal como o dêste ano. A cidade jamais esteve tão artisticamente decorada para as festas natalinas. Todas as ruas centrais, desde a Imperatriz até a Duque de Caxias, receberam decoração apropriada, destacando-se os enormes pinheiros pintados nas cabeças da ponte Duarte Coelho e pela «Tramways» as árvores que a Cinzano instalou na avenida Guararapes. A iluminação, feérica, é de efeito decorativo realmente deslumbrante. Ao longo do Rio Capibaribe, cordões de lâmpadas refletem-se nas águas. Duas estrelas de gás no azulado destacam-se na rua da Imperatriz. Sinos e bandeirolas de plástico dão aspecto atraente à rua Duque de Caxias.

Surtiu o efeito que se espera a programação da Prefeitura: a cidade ganhou aspecto de festa, dentro do espírito natalino; o comércio e indústria locais — os financiadores de toda a decoração — beneficiaram-se com a promoção, aumentando as vendas.



Crianças divertem-se na Festa da Mocidade

PROGRAMAÇÃO CUMPRIDA

O ponto culminante do programa elaborado pela Prefeitura e pelo Movimento de Cultura Popular foram as festas de rua realizadas ontem, desde 21 horas até o momento da Missa do Galo, celebrada por Dom Carlos Coelho. Abrindo as festas, houve verdadeira emulação das bandas de fuzileiros navais da Marinha Brasileira e dos Estados Unidos. Músicas de Natal foram executadas para uma multidão incalculável. Acredita-se que a avenida Dantas Barreto jamais concentrou tanta gente.

As 22 horas, os corais natalinos deram seqüência ao programa. O grupo coral da Mocidade da Boa Vista e da Mocidade da Igreja Presbiteriana do Recife, sob a regência de Elza Loureiro e José Américo de Lima foram os primeiros a se apresentar. Seguiu-se o Coral Dr. Orlando de Vasconcelos, também presbiteriano, sob a regência de Hermany Soares.

O Coral São Pedro Mártir, de Olinda, apresentou-se em seguida, entoando, também, cânticos natalinos.

FOGOS DE ARTIFICIOS E MISSA DO GALO

As 23 horas, espocaram fogos de artifício (fornecidos pela «Casamuros») do alto de todos os edifícios da avenida Guararapes, durante quase um quarto de hora. Em seguida, repicaram em um só tempo os sinos das igrejas centrais, desde a Matriz de Santo Antonio, na Pracinha, ao Convento dos Carmelitas e Capuchinhos, Basílica da Penha, Igrejas do Livramento, de São Pedro, Conceição dos Militares e do Rosário.

Seguiu-se a preparação da Missa do Galo, após um cortejo que saiu da Matriz de Santo Antônio. Enquanto se preparava o altar, os corais da Juventude Operária e da Juventude Universitária explicaram ao povo o sentido litúrgico e místico dos paramentos.

Dom Carlos Coelho celebrou a Missa do Galo, num enorme tablado (20 metros) armado em frente ao novo edifício do IAPI, na avenida Dantas Barreto.

Aos 25 minutos de hoje, o arcebispo metropolitano de Olinda e Recife celebrou missa campal no Quartel do Derby, também muito concorrida.

NOS ARRABALDES

Em todos os arrabaldes, o Natal foi comemorado também festivamente. Nas praças e nos largos, iluminados pela Prefeitura, foram exibidos grupos folclóricos e celebradas missas.

A Festa da Mocidade, com seu teatro, circo e parque de diversões, tem sido o grande ponto de atração dos que buscam entretenimentos populares.



No parque do Derbi, os filhos dos soldados da Polícia também tiveram o seu Natal, promovido pelo comando e oficialidade da corporação

O Emaranhado Da Reforma Agrária

Theophilo de ANDRADE

RIO — Desde que o governador Carvalho Pinto escorçou uma reforma agrária para São Paulo, a expressão anfiumna-se pelos cabeçalhos dos jornais, provocando discussões as mais curiosas, por êsse Brasil afora. Foi como se o eminente homem público houvesse aberto uma Caixa de Pandora.

Graças sejam dadas porque, afinal, um tema que deve ter muita importância no futuro govêrno, está sendo debatido em todo o país. Vai haver, por esta forma, a contribuição da opinião pública para a solução de um grande problema nacional.

O regime da terra está intimamente ligado á agricultura, ás suas possibilidades e ao seu futuro. E, ao quinquênio que deverá começar em janeiro próximo, não há duvida alguma que a questão agricola deverá ser atacada com decisão, sob pena de deixarmos o país atolado em lodaçal dos mais perigosos.

Não é de hoje que estamos a necessitar de um programa de incentivo á agricultura, tanto de exportação quanto de subsistência. A única que se desenvolveu, realmente, em nosso país, nos últimos anos, foi a cafeicultura, embora para produzir cafés de má qualidade que, ao invés de serem exportados, na proporção em que estão sendo produzidos, são comprados pelo nosso fra-pária" dêste país — surgem os técnicos, os homens de gabinete, os socializantes de boa fé, os comunistas e os agitadores, para pôr em questão o regime da propriedade e reclamar uma "reforma agrária".

* * *

Qual é a reforma que preconizam? A do crédito, a de ajuda técnica, a da produtividade, que proporcione abundância e barateamento dos gêneros? Não. Os homens voltam-se para o século passado, para um mundo anterior a Karl Marx e ao Manifesto Comunista de 1848, a fim de preconizar a "divisão" da propriedade, denunciando os "latifundios", como o grande mal da civilização! Há até uns quadrinhos romanticos, georgicos, de "três alqueires e uma vaca", que são pintados, como aquarelas para pendurar nas páginas da Encíclica "Rerum Novarum"

Ora, meus amigos, tudo isso poderia ter uns ares de verdade até a primeira guerra mundial, que terminou em 1918, há quase meio século. De lá para cá, a agricultura, começou a industrializar-se e a aumentar a sua produtividade, aliando para a eslante dos livros velhos muita coisa do que ostrora, era aceito como verdade patente. O problema da terra deixou de existir em função da extensão, afloto no sentido de aglomeração através de sociedades anônimas, de sociedades por quota, ou de cooperativas, das pequenas propriedades existentes, a fim de poderem subsistir. Foi a máquina e a necessidade de aumentar a produtividade, que deu impulso novo ao cooperativismo, em tôda a Europa, fazendo reviver a sua agricultura.

Hoje a conclusão dos técnicos é que o grande perigo não é o latifúndio, mas o minifúndio, pois o pequeno agricultor não tem capacidade financeira para utilizar as máquinas, que somente apresentam rendimento nas grandes glebas. Ademais, por falta de capacidade técnica, a pequena propriedade estraga a terra, impedindo a totatividade das culturas e facilitando a erosão.

Vamos, por isso, acabar com as pequenas propriedades? Não, vamos reuni-las, através do sistema de sociedade comercial ou de cooperativa, a fim de que possa ser trabalhada com alta rentabilidade. E vamos dividir as grandes propriedades somente porque são grandes? Também não, desde que a terra esteja sendo convenientemente cultivada.

Querem ver a que miséria pode levar o minifúndio? Vejam a Baixada Fluminense. O Estado [illegible] para sanea-la. Brasil, a extensão da gleba está em relação com a distância do litoral e do sertão. O que é considerado um "latifúndio" em tôrno de Campinas, pode ser um "pequeno sítio", em Goiás, ou um "quintal", no Amazonas.

Reforma agrária, no Brasil, é questão de "industrializar" a agricultura, de "racioná-la", de sorte a aumentar a sua produtividade. Os Estados Unidos, com um sexto apenas da superfície do globo produzem 60% dos seus alimentos. Por que? Pela industrialização da agricultura, pela produção intensiva, com defesa do solo, pela seleção de sementes, pelo combate ás pragas, e pelo emprego do adubo adequado.

Aos comunistas e comunizantes, que falam do latifúndio apenas como elemento de agitação social, é de lembrar que nem na China, nem na Russia, nem, agora, em Cuba — o mais novo Estado comunista do planeta — a terra está sendo entregue aos camponeses. Ao contrário está agrupada em Kolkoses", em "comunas" e em grandes glebas, para a exploração extensiva, pela máquina.

E aos açodados reformadores, que "respeitam a propriedade privada", lembramos que o trabalhador rural será melhor defendido com a elevação dos salários, e com a assistência social. Esses reformadores não querem tirar as fábricas dos seus donos e entregá-las aos operários, o que, aliás, também não se faz nos países comunistas, onde tudo passa ao Estado, que é o patrão único. Por que, então querer arrancar a terra aos seus proprietários e entregá-la a quem não tem, nem poderá ter, pelos inconvenientes do minifúndio, capacidade para dar-lhe alto rendimento?

O programa não é dividir a terra, mas cultivá-la, convenientemente, com máquinas, a fim de proporcionar-lhe alta rentabilidade. Só assim, colhendo grandes messes, haverá felicidade nos campos, e a nação nadará em fartura.

ALGUMA COISA MUDOU

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RIO, (Meridional) — É ainda muito cedo para se fazer qualquer prognóstico a respeito do govêrno de Carlos Lacerda. Que alguma

HÁ UM SÉCULO

O DIARIO DE PERNAMBUCO deixou de circular no dia 25 de dezembro de 1860, por ter sido dia de Natal.

CHATEAUBRIAND TEORISTA MONETÁRIO

Eugenio GUDIN

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RIO, (Meridional) — Já está hoje bastante divulgada a noção de Renda Nacional ou Produto Nacional (coisas parecidas). Já não se encontra mais hoje um deputado, como acontecia até alguns anos atrás, capaz de confundir a noção de Renda Nacional com a de Renda do Estado ou Renda Tributária, que é apenas a parte da Renda Nacional de que o Estado se apropria.

Tambem se generalizou o conhecimento de que o Produto Nacional é o valor não só de tôdas as mercadorias produzidas no territorio nacional como de todos os serviços prestados. E, o computo de «mercadorias e serviços» («goods and services» na conhecida expressão inglesa).

O industrial produz, via de regra «mercadorias», sejam elas de consumo, como texteis, calçado, conservas etc. ou bens de produção, chamados, como máquinas, motores, navios, locomotivas, etc. E os comerciantes têm por missão «distribuir» essas mercadorias, levando-as ao consumidor ou ao produtor.

Assim industriais e comerciantes se ocupam, quase exclusivamente, na produção e distribuição «das mercadorias».

Mas a produção não consiste somente em mercadorias e sim tambem em serviços. O fornecedor de energia elekrica que sutes, energia, ensino, informação serviços medicos, técnicos, legais etc. apesar de constituirem «produção», tão legitima quanto a das mercadorias, NÃO GOZAM DE CREDITO BANCARIO.

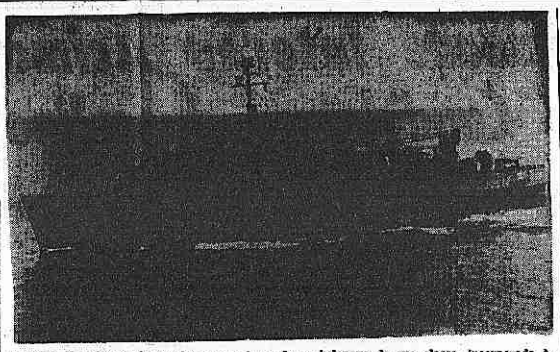
Explicando o motivo dessa discriminação escrevi nos «principios»:

«Os «serviços» como transporte, saude, recreio dão lugar em geral a uma transação». O transportado rela a mercadoria ou o pa ro de um ponto a outro; gado domestico faz a limp casa; o cinema exibe sua espectador; tudo isso se r uma só transação, ao ir transações sucessivas co caso das mercadorias.

«A prestação do servi ser caráter direto e ESSE DO EM UMA SÓ OPE F QUASE SEMPRE PA VISTA. O frete a energia ca, o serviço telefonico, a ta medica, o cinema, el quase invariavelmente, p vista.

ESSE O MOTIVO PO prestação de serviços não habitualmente ao credit carlo... Nem se compre concessão de crédito p bem que é pago integral à vista... etc.

* * *



O «USS Hermitage» é a maior e a mais moderna belonave de sua classe, incorporada à Fôrça Anfíbia da Esquadra do Atlântico, da Marinha de Guerra dos Estados Unidos. O «USS Hermitage» mede 185 metros e desloca 12.000 toneladas. Traz os músicos que se exibirão no Recife

Navios americanos trazendo músicas para tocar no Natal e Papai Noel de helicóptero

Estão sendo esperados, amanhã, as belo navios «USS Hermitge» e «USS Graham County» da Marinha dos Estados Unidos, que visitarão o Recife, em caráter não oficial, devendo permanecer neste pôrto até o dia 30.

O «USS Hermitage», cuja tripulação é composta de 19 oficiais e 285 praças, tem 155 metros de comprimento e desloca 12,150 toneladas, e está sob o comando do Capitão de Fragata G. H. Rood. O «USS Graham County» tem uma tripulação de 8 oficiais e 127 praças, sendo o seu comprimento 130 metros e desloca 8.000 toneladas. Comanda o navio o Capitão de Corveta Chamberlain.

BANDA TOCARA

A propósito da visita dos vasos de guerra americanos ao nosso pôrto, por ocasião das festividades do Natal, está sendo elaborado vasto e interessante programa, visando o congraçamento dos visitantes com o povo do Recife. Para tanto, já está também acertada a colaboração dos marujos «yankees», especialmente de sua banda de música, com os promotores dos festejos natalinos da cidade estando em pauta a apresentação da mesma no programa natalino organizado pela Prefeitura Municipal do Recife, às 21 horas do dia 24 véspera do Natal.

E o seguinte o programa a ser cumprido pelos marujos «yankees» e componentes da banda de música naval:

Dia 24 — Recepção especial à imprensa, rádio e televisão local a bordo do «USS Hermitage», às 14 horas.

Dia 24 — As 21 horas, apresentação da banda de musica naval na Praça Dantas Barreto, em frente ao novo Edifício do IAPI, quando tocará músicas de Natal, no programa sob os auspícios da Prefeitura Municipal do Recife.

Dia 25 — As 21,30, a banda de música naval americana apresentar-se-á na TV—JORNAL DO COMMERCIO Canal 2, com um repertório de músicas do Natal.

VISITAÇÃO PÚBLICA

Dia 26 — As 10 horas, visita às belonaves de grupos infantis pertencentes a organizações filantrópicas préviamente convidadas.

As 15 horas, concêrto da banda de música naval americana para as crianças do Hospital Infantil Manuel Almeida, na Jaqueira.

De 13 às 16 horas, os navios estarão expostos à visitação pública.

Dia 27 — As 10 horas, visita das crianças e órfãos do Clubinho (Boa Vista) ao «USS Hermitage», onde serão recepcionadas com refrigerantes e brinquedos.

As 20 horas, concêrto da banda de música naval americana para os Centros Educativos Operários do Serviço Social Contra o Mocambo.

As 21,30 programa de música popular variada a cargo da banda de música naval americana, no Rádio JORNAL DO COMMERCIO.

Dia 28 — As 10 horas, visita das crianças do Orfanato Céci Costa ao «USS Hermitage», e de um grupo de crianças do Colégio Padre Venâncio ao «USS Graham County».

De 15 às 16 horas, visitação pública às belonaves.

PAPAI NOEL

Dia 29 — As 16 horas, visita ao «USS Hermitage» de um grupo de crianças da Associação Pernambucana de Assistência aos Necessitados (APAN), do Coque, em Afogados.

De 13 às 16 horas, visitação pública aos navios.

As 15 horas, distribuição de presentes e brinquedos às crianças da Chácara Bonji, levados até o local de helicóptero, por um Papai Noel americano, o lendário Santa Claus.



COMANDANTE GEORGE H. ROOD — O Capitão de Fragata George H. Rood, da Marinha dos Estados Unidos, comandante do «USS Hermitage», é natural da Flórida, tendo sido graduado na Universidade de Flórida em 1939. Estando na Marinha de Guerra dos Estados Unidos desde 1941, achava-se a bordo do cdos-troyer «USS Deweys, em Pearl Harbor, durante o ataque dos japoneses em 7 de dezembro

Duelo naval entre Brasil e os Estados Unidos; as armas serão instrumentos musicais

O Movimento de Cultura Popular informou, ontem, que a abertura da Festa de Natal programada para amanhã, às 21 horas, na Avenida Dantas Barreto, será feita pela Banda de Fuzileiros da Marinha Brasileira, em conjunto com a Banda Naval dos Estados Unidos.

Esta apresentação substituirá concêrto sinfônico que, em virtude de obstáculos irremovíveis, não poderá ser apresentado. O restante da programação será integralmente cumprido, constando de canto coral, fogos de artifício e missa campal, celebrada por Dom Carlos Coelho.

ATRAÇÃO

A presença da Banda Naval Norteamericana está despertando vivo interêsse, sendo certo que oferecerá ao grande público um programa de músicas natalinas. Nêsse sentido, o adido cultural dos Estados Unidos vem mantendo contactos com o DDC e o Movimento de Cultura Popular.

A «Navy Band» desembarcará no Recife amanhã, às 10 horas, e a apresentação aqui marcará sua estréia em território brasileiro. Cogita-se de uma revoada de helicópteres sôbre o local, mas não existe nada de positivo.

Um bem cuidado programa, por outro lado, vem sendo elaborado pela Banda Naval Brasileira. Embora não haja propósitos nem animosidades nêsse sentido, espera-se que o concêrto tenha um caráter de emulação entre os dois conjuntos musicais.

O roteiro das pegas a serem executadas pela Banda local inclui músicas de marcante sentido brasileiro, destacando-se «O Guarany» (Carlos Gomes) e «Brasil» (composição popular de Benedito Lacerda). Os outros números são «Luar do Sertão», «Clane Branco», «Melodia do Bosque». A tradicional fantasia «Noite Feliz» abrirá e fechará a programação.

Desconhece-se, por enquanto, o programa a ser cumprido pela «Navy Band».

PREPARAÇÃO DA FESTA

A juventude do MCP, integrada por grande número de universitários e secundaristas, em contacto com os grupos de direção, está reunindo, todos os dias, das 8 às 18 horas, ininterruptamente, na Sala de Imprensa da PMR.

Cuida-se da organização da grande festa, que envolve problemas de tôda ordem, desde a expedição de convites e programas até a coordenação dos Corais e aquestos materiais da promoção, como confecção e empréstimos de bancos, iluminação, divulgação, sistema sonoro, etc.

ESCLARECIMENTOS

A ausência da Sinfônica — colheu a reportagem — sòmente ficou positivada após o estgotamento de todos os esforços possíveis, visando a sua apresentação na Festa.

O programa (que foi reimpresso) já estava pronto, quando alguns músicos informaram que, um contrato na cidade de João Pessoa, os impedia de tocar no Recife no dia 24. Imediatamente, os dirigentes municipais promoveram gestões a fim de assegurar transporte aéreo extra, que os conduziria à capital paraibana após o espetáculo. Isto foi conseguido à custa de ingentes esforços e, quando tudo parecia resolvido, outros músicos lembraram que estavam presos a compromissos com a Televisão, da qual são funcionários.

Juntos à TV, os promotores da Festa de Natal estiveram durante várias horas, tentando convencer aos programadores da importância da apresentação da Sinfônica.

Ponderaram, todavia, os dirigentes da Emissôra, que o programa de Televisão (também já organizado) estava montado em estrutura musical que não comportaria qualquer modificação. A preparação da Festa sofria uma crise aparentemente irremovível quando, providencialmente, surgiu a possibilidade certa da apresentação da «Navy Band» no Recife, pela primeira vez no País e antes de uma longa «tournée» pela América do Sul.

Para garantir um caráter de confraternização e ressaltar as características brasileiras da Festa, o MCP desenvolveu contactos junto ao Comando do 3o. Distrito Naval e recebeu dêste tôda a cooperação possível.

REESTRUTURAÇÃO

Os fatos acima deram motivos justos à Municipalidade para estudar a reestruturação da Orquestra Sinfônica do Recife, conjunto que, no estágio atual, não vem servindo à PMR para as promoções de larga escala.

O maestro Mário Cáncio, um dos fundadores do Movimento de Cultura Popular, empenhou-se exaustivamente para solucionar as dificuldades e colaborará para a reformulação do problema da Sinfônica, o que será efetivado no próximo ano. Aliás, a Sinfônica e Banda Municipal do Recife continuam ensaiando, em regime intensivo, para o Concêrto que darão, no Teatro do Arraial Velho (realização do MCP), a ser inaugurado no Sítio da Trindade, a 29 do corrente.

NOTAS AVULSAS

IV — Brasília continua na dependência do Rio de Janeiro: eis o mal. Ministros e funcionários públicos ainda não têm pouso certo. O mesmo acontece com os parlamentares, de modo geral. Aos poucos, porém, os defeitos vão desaparecendo. A nova Capital vai adquirindo a sua personalidade, a sua estabilidade. Dos deputados pernambucanos direi que os vi sempre afadigados com os seus deveres em Brasília. O deputado Andrade Lima Filho, por exemplo, deu-me a impressão dum representante do povo que, sem nenhum exagêro, chega até ao sacrifício pessoal no cumprimento do seu mandato. Vi-o num só dia redigir oito pareceres para a Comissão de Justiça, de que é membro. Nesse dia — dou o meu testemunho — não almoçou. Se isso não é atender aos reclamos do seu mandato, não sei como qualificar o representante que se faz digno da investidura popular. E' dos mais atuantes deputados o nosso velho companheiro Andrade Lima Filho, que tanto se esforça pelas causas de interêsse pernambucano. O mesmo diga-se de Nilo Coelho, que é, — o lado bom, o maior anfitrião de Brasília; e em cujo apartamento o encontro com João Cleofas e Aldo Sampaio me deixou a certeza de que a nossa representação está fazendo o que pode para servir ao Estado. Como se poderá verificar, o processo relativo à questão da Guanabara, naquele momento, por ter estado ausente do Rio, e precisava de algum tempo para estudá-lo e ouvir a seção recorrida.

Ainda neste caso, o adiamento levou a intenção de evitar a precipitação de choques, usando-se o tempo como amortecedor de paixões.

A UDN Pôs Unidade Interna Acima Da Questão Da Candidatura Juscelino

RIO, 22 (Radiopress) — Venceu ontem no Diretório Nacional da UDN, que fêz sua última reunião dêste ano, uma das três tendências enumeradas aqui, justamente aquela de que participava o Presidente do partido: adiar para um pouco mais tarde, não apenas um pronunciamento conclusivo sôbre o apoio da seção de Goiás a candidatura do snr. Kubitschek no Senado, mas o próprio exame do problema.

A reunião do Diretório, despojada nos seus aspectos exteriores da importância que se lhe emprestava na imprensa, mereceu, entretanto, uma atenção especial. A decisão por assim dizer negativa do adiamento tornou-a mais importante do que se tivesse havido afirmação em qualquer sentido, conhecendo-se a tradição udenista de aceitar o fato consumado, em tôrno do qual voltam sempre a reagrupar-se, mais cedo ou mais tarde, as correntes em conflito. O que se adiou não foi a palavra de ordem que seria pedida pelo grupo submetido à liderança do snr. Adaulto Cardoso; foi simplesmente o debate do problema, que ofereceria fatalmente, por mais reservado que fôsse, o espetáculo inconveniente das dissenções internas de um grande partido vitorioso mas perplexo diante da vitória e, de certo modo, temeroso das consequências dela no plano do seu crescimento como agremiação política.

A decisão de adiar o debate da candidatura Kubitschek resultou de um movimento de prudência, cuja preocupação central era evitar que a UDN, tão necessitada de unidade de vistas e coerência de ação para enfrentar, daqui a pouco mais de trinta dias, algumas questões fundamentais, se perdesse no atalho de um problema secundário e comprometesse a sua autoridade perante o snr. Jânio Quadros, diante de quem se apresentaria, além de insegura, dividida em grupos incapazes de atuar segundo uma linha de vontade correspondente à importância de sua legenda no conjunto das fôrças que elegeram o novo Presidente da República.

Foi a consideração dêsse perigo, e não as circunstâncias muito bem urdidas no curso da reunião, que levou o Diretório à solução aparentemente casual do adiamento do debate, logrando-se a compreensão dos vários grupos que se dispunham na véspera em posição de combate e em campos diferentes.

DOCUMENTAÇÃO

Confirmando a disposição de suscitar o problema, caso a discussão não fôsse naturalmente aberta, o snr. Adaulto Cardoso compareceu à reunião do Diretório com volumosa documentação na qual se fundaria para condenar o apoio da seção de Goiás à candidatura Kubitschek. Aceitou, contudo, pacificamente, a decisão do adiamento, transferindo os documentos (quase todos relativos a transações do Senador Coimbra Bueno no IAPC) à comissão especial designada antes para examinar a questão.

O adiamento foi solicitado por um dos integrantes da própria comissão, snr. Correia da Costa, que falou também em nome do snr. Irineu Bornhausen para argumentar com a necessidade de ser ouvida

DENÚNCIA E DEFESA DA BOSSA NOVA

Adiados os dois problemas explosivos, a reunião do Diretório Nacional da UDN converteu-se num diálogo surpreendente sôbre a conveniência de transformar-se ou não em Estado o Território do Acre, o que chegou a estimular a veia poética do snr. Segismundo Andrade, autor desta oitava improvisada sôbre o joelho: «Esperava-se bem acre. A sessão do Diretório. Realmente Nacionalista e o Bloco Mudancista. Fixou-se o representante paranaense na Bossa Nova, acusando-a de movimentar e dividir o partido nos Estados, quando precisamos estar unidos como um bloco diante do futuro Presidente da República».

Um dos integrantes da Bossa Nova, o snr. Seixas Dória, estava presente e aparteou-o para negar a intenção divisionista que lhe era atribuída e afirmar o empenho do Movimento Renovador em manter exatamente a unidade e a vitalidade do partido. O próprio snr. Magalhães Pinto acudiu em defesa da Bossa Nova, confirmando o snr. Seixas Dória, cujo aparte foi desenvolvido pelo snr. Adaulto Cardoso em pequeno e irônico discurso. Referiu-se e representante carioca aos outros dois «focos de desagregação», para notar que nacionalistas e mudancistas (êstes, se ainda existiam, eram o avêsso dos primeiros, pois desejavam a mudança de Brasília para o Rio) sempre se mantiveram fiéis às decisões do Diretório. E da Bossa Nova disse que ela traduzia «aspirações nossas, recalcadas ou constrangidas por conveniência pessoais ou políticas»; e que era bom existirem grupos de pressão, que têm o efeito de manter a vitalidade da UDN.

O snr. Oton Mader não insistiu em sua denúncia.

Galeria de Arte será inaugurada êste mês; artistas exultantes

A Galeria de Arte, da Prefeitura Municipal do Recife, será inaugurada no próximo dia 29. O escultor Abelardo da Hora, que responde pela Divisão de Parques e Jardins, da PMR, informou à reportagem que haverá uma exposição dos trabalhos dos nossos principais pintores.

«Essa Galeria — acentuou — pretende preencher uma lacuna na vida cultural do Recife, já que outras cidades, como o Rio de Janeiro, São Paulo, Belo Horizonte, Pôrto Alegre e Salvador, têm locais semelhantes para mostras de trabalhos dos seus artistas. Aqui não dispomos de nenhum lugar apropriado. O prefeito Miguel Arraes sentiu o problema, fêz construir a Galeria e conta com o apoio dos nossos pintores e escultores».

PROJETO DE BORSOI

A construção da Galeria de Arte, às margens do Rio Capibaribe, defronte no prédio dos Correios e Telégrafos, vem dando motivo a várias críticas. Uns, acham o local impróprio; enquanto outros não concordam com as linhas arquitetônicas da obra.

O arquiteto Acácio Gil Borsoi — nome renomado — é o responsável pelo projeto, convidado que foi pela Prefeitura com aquela finalidade. Êle acha que é cedo para se falar sôbre a Galeria. Quanto à qualidade do projeto (se está leve ou pesado), a resposta é a conclusão da obra.

O projeto foi feito visando integrar a construção dentro do espírito do jardim e do Rio Capibaribe. Todas as árvores foram conservadas. Aliás, nesse sentido foi feito convite ao paisagista Abelardo Rodrigues, que se encarregará de melhorar e ampliar o seu ajardinamento.

LULA EXPÕRA

O snr. Airton Costa Carvalho, diretor do Patrimônio Histórico, ouvido a respeito da Galeria, declarou que ela é um nada do quanto se poderia fazer.

«Sem o fácil acesso, não se atrai o povo para admirar a arte. A arte, em nosso país, precisa procurar o povo. Respeito a opinião dos outros, mas a Galeria de Arte pouco perturba a paisagem do rio. Em matéria de arquitetura, só se deve julgar a obra depois de executada».

O pintor Lula Cardoso Ayres, vai expor suas telas na Galeria. A propósito, já emprestou sua colaboração com informações sôbre mostras de quadros e a experiência que tem nesta da matéria. Acha o local pequeno, mas sente que daí a Prefeitura do Recife poderá partir para planos mais arrojados. A cidade se ressente de locais modernos e apropriados para exposições, na sua opinião. «De qualquer forma, a Galeria de Arte já está vitoriosa. Conseguiu atrair a atenção de muita gente. Acho-a indispensável; e a Edilidade devia aproveitar essa entusiasmo para fazer outras realizações desse porte».

VEICULO CULTURAL

Para o pintor Francisco Brennand, a Galeria de Arte é um veículo cultural autêntico. Dos melhores que se poderia presentear ao povo. Êle também vai participar da exposição inicial e reservar uma data no calendário a ser elaborado para mostra dos seus trabalhos em cerâmica e pintura. Isso, possivelmente, se dará antes de suas exposições marcadas para Salvador, Rio de Janeiro e São Paulo.

Gostou da idéia da Galeria e julga que, daí, o prefeito Miguel Arraes poderá incentivar a construção do Museu de Arte Moderna, uma aspiração dos artistas plásticos pernambucanos de muitos anos.

POLÍTICOS

apenas 21 nomes ficaram conhecidos, por mais que desem tratos à bola para descoberta do faltoso. Tal situação levou um dos presentes a afirmar que o número de deputados federais por Pernambu- muita gente pensa. Tendo outr tado tal afirmação, travou-se terminou em aposta. Compare constataram ser afetivamente legisladores federais, pelo que do «ausente undécimo». Trat nilo Santa Cruz.

PTB: DEPUTADO CONTRA «TERCEIRA FORÇA»

Ouvimos o deputado J.. bancada do PTB na Assemb do movimento da chamada t com a convocação da Conve para 10 de janeiro próximo v

Disse-nos aquele deputad

I — Começo por estranh ondores da Convenção Regio ções políticas do Partido no e na Assembléia Legislativa. do PTB pernambucano é u País. Tem um senador, que é ministro da Agricultura. Co tes na Câmara Federal e 4 n posta de treze membros, se gislativo;

II — Convém pôr em r dos, mantemos na Presidênci

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☒ CHARGE TO NAVY OP-611

1961 JAN 27 PM 3 20

10843

CONFIDENTIAL
Classification

948

Origin

SENT TO: Amembassy RIO DE JANEIRO - NIACT

Info:

RPT INFO: Amconsul BELEM - NIACT

15

732.5811 953.733 - Santa Maria

XR 953.733 - Santa Maria

Request permission operational visits Belem on or about January 29 connection with SANTA MARIA incident USS WILSON DDE847 Lieutenant Commander L J Holt USN COMDESDIV362 Captain R E Jeffery USN embarked; USS DAMATO DDE871 Commander V L Casbani jr complement each vessel 14 officers 240 men. Limited shore leave requested.

NAVY

Cable reply for PROTOCOL and inform BELEM when permission obtained.

Rusk
RUSK

WATCH OFFICER: IF REPLY TO THIS MESSAGE COMES IN AFTER HOURS PLEASE NOTIFY NAVY DUTY OFFICER CODE 11, EXT. 79930 or 75826.

RM/R
Anal 76
Rev
Cat

732.5811/1-2761 CS/A

CLASSIFIED FILE

732.5811/1-2761

(6)

Drafted by: U/PR:MWPhillips 1/27/61

Telegraphic transmission and classification approved by: MMitchell

Clearances:

EST:Mr.Wilson-substance by phone 1/27

Info.from Mr.Thompson NAVY OP-611-1/27

S/S-CR

JAN 27 1961 PM

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0254

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

1961 JAN 28 AM 11 08

NAVY OP-614 CONFIDENTIAL *Classification*

11504

Origin

Info

SENT TO: Amembassy RIO DE JANEIRO - NIACT 959 16

RPT INFO: Amconsul BELEM - NIACT

Request permission operational visit Belem on or about January 30 to February 2 connection with SANTA MARIA incident USS CANISTEO AO99 Captain T M Foster USN 12 officers 223 men nonsaluting vessel. Limited shore leave requested.

NAVY Cable reply for PROTOCOL and inform BELEM when permission obtained.

Rusk
RUSK

S/S

WATCH OFFICER: IF REPLY TO THIS MESSAGE COMES IN AFTER HOURS PLEASE NOTIFY NAVY DUTY OFFICER CODE 11, EXT 79930 or 75826.

PM/R Anal Rev Cat

732.5811/1-2861 CS/A

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Drafted by: U/PR:MFWalroy 1/28/61

Telegraphic transmission and classification approved by: MMitchell

Clearances:

EST: Previously cleared

S/S-CR

JAN 28 1961 AM 3/5

NIACT verified

Info. from Mr. Thompson NAVY OP-614-1/28

S/S-CR. Swan

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732.5811/1-2861

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OFFICE OF SECRETARIAN AFFAIRS
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Classification Control: 15864
Rec'd: January 29, 1961
1961 JAN 30 AM 7 24:16 p. m.

FROM: Rio de Janeiro

TO: Secretary of State DEPARTMENT OF STATE

NO: 976, January 29, 6 p. m.

NIACT

Re DEPTEL 964

Clearance obtained from GOB.

CABOT

MGG

732.5811/1-2961 HBS

NOTE: MR. VALLIERE (WE) INFORMED 5:50 p.m. 1/29/61 FMH

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ACTION ASSIGNED TO: WE Valliere	ACTION TAKEN none required	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION 1/30/61	DIRECTIONS TO RM/R file



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☐ CHARGE TO

Department of State

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11642

1961 JAN 29 PM 12 40

SENT TO: Amembassy RIO DE JANEIRO NIACT 964

RPTD INFO: CINCLANT

Origin

Info.

Seek GOB clearance soonest for DD-710, USS GEARING, enter Recife January 30 to fuel, embark Rear Admiral Smith and take him to rendezvous with SANTA MARIA. Re CINCLANT message 291530Z info to Alusna Rio.

Reply NIACT.

Rusk
[CAW]

RUSK

Date Desired (Office Only)

732.5811/1-2961

CS/A

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CLASSIFIED FILE

Drafted by: EUR:RAValliere:mw

Telegraphic transmission and classification approved by: EUR - Ivan B. White [CAW]

Clearances:
Navy - Radm. Lee
ARA:EST - AWHemba

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1961 JAN 29 PM 4 10

11658

Origin

Info

SENT TO: Amconsul BELEM NIACT 18

RPTED INFO: Amembassy RIO DE JANEIRO 966
CINCLANTFLT

FOR RADM SMITH USN 7 58

CINCLANTFLT directs that as soon as Brazilian clearance available RAdm Smith proceed Recife by air and embark GEARING. Further orders will be sent you in GEARING.

Rusk
(EBW) RUSK

732.5811/1-2961

RM/R
Anal 32
Rev.
Cat.

Drafted by: EUR:RAVallière:mw

Telegraphic transmission and classification approved by: Ivan B. White EBW

Clearances:
Navy - Admiral Lee

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LWS

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0258

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☒ CHARGE TO NAVY OP-61L

CONFIDENTIAL
Classification

1961 JAN 30 AM 10 30
11712

Origin
Info

SENT TO: Amembassy RIO DE JANEIRO NIACT 969

RPT INFO: Amconsul RECIFE NIACT 74

Request permission operational visits Recife arrivals and departures various times between about January 30 and about February 2 connection SANTA MARIA incident USS VOGELGESANG DD862 Commander R P Formen USN 18 officers 350 men USS NESPELEN AO055 Lieutenant T R Cotten Jr USN 8 officers 75 men both non-saluting vessels. Limited shore leave requested also services pilots.

NAVY

Cable reply for PROTOCOL and inform Recife.

RUSK

732.581

732.581/1-3061

LWS

EUR
U5

Drafted by: U/FR:MRM MMPhillips 1/30/61

Telegraphic transmission and classification approved by: MMitchell

Clearances:

EST: Mr.Crane-substance by phone 1/30 Info.from Mr.Thompson NAVY OP-61L-1/30

S/S-CR
JAN 30 1961 AM

Said O.K.

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732.581/1-3061

0259

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Classification

Control: 17049
Rec'd: FEB 1 9 AM '61 January 31, 1961
1:01 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 989, January 31, Noon

U/PR

PRIORITY

FOR PROTOCOL

DEPTEL 969

Clearances obtained for GEARING, VOGELGESANG, WILSON, DOMATO, CANISTEO, and NESPELEN.

CABOT

jf-9

732.5811/1-3161 HBS

Note: Mrs. Phillips (PR) notified 7:30 PM 1/31 AJW

1/31 Dept. cable clearance would be transmitted electronically to Navy.

2/1 Requested State expedite and send copies to Navy.

mvp.

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0260

CONFIDENTIAL

75

February 1, 1961

TO: The Secretary

THROUGH: S/S

FROM: EUR - Foy D. Kohler

SUBJECT: Status Report - SANTA MARIA - as of 4:00 P.M.

732.5811

In view of the lack of certainty as to whether Galvao and his group would take the SANTA MARIA into the port of Recife to disembark the passengers on the basis of the limited assurances which he has obtained from the Brazilian Government, Admiral Dennison has been authorized to empower Admiral Smith to take an additional step. This step would be to board the SANTA MARIA, with the concurrence of the Brazilian Naval authorities, and to inform Galvao that, if he does not put into Recife, his ship will be tracked continuously by the United States Navy and it is our estimate that a hostile warship would intercept him shortly.

Admiral Smith is meeting with Admiral Fernandes at 4:00 P.M. Washington time to ascertain the results of Brazilian discussions with Galvao aboard the SANTA MARIA. It is my understanding that Admiral Smith may be authorized to proceed with this next step if it becomes apparent that Galvao is not prepared to proceed into Recife on the basis of assurances received, which appear limited to those concerning asylum for himself and his group but which do not appear to give him any assurances regarding continued control of the ship.

732.5811/2-161

Declassified by DMB

EUR:IBWhite:mw
2/25/04

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0261

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1961 MAR 2 PM 7 42

01256

Origin

Info:

SENT TO: Amembassy RIO DE JANEIRO 1151

930.584

Depcirgam 4779 National War College visit.

In order permit more effective over-all schedule NWC at now Department request/proposes arrive March 26 moving Rio-Brasilia schedule forward one day without other change. Confirm acceptability urgently.

Rusk

RUSK

732.5811/3-261

RM/R
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CLASSIFIED FILE

732.5811/3-261

Drafted by: ARA/EST:JFO'Connor/jfo'c 3/2/61

Telegraphic transmission and classification approved by: ARA/EST:JFO'Connor

Clearances:

RPA - Mr. McLean (insubstance)

EST Mr. Wilson

NWC - Capt. Clay (in substance)

S/S-CR MAR 2 1961 PM

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Control: 2483
Rec'd: March 3, 1961
6:44 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1140, March 3, 6 p.m.

DEPTEL 1151

No objection change NWC schedule. Memo with revises program and administrative details will be pouched seventh.

CABOT

jh

732.5811/3-361 HB3

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0263

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Rec'd: March 16, 1961
1:12 AM 8 04

ACTION:
INFO:
RM/R FILES

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1209, March 15, 8 p.m.

PRIORITY

PASS COMMANDANT NATIONAL WAR COLLEGE.

Escola Superior de Guerra has requested from NWC soonest list questions (outside limit ten) around which discussions at ESG would revolve. Embassy hopes questions will cover following subjects at least: Neutralism as a possible goal of Brazilian foreign policy; Brazilian estimate of danger Communist penetration Latin America from Cuban bases; estimate of degree Brazilian vulnerability Communist penetration; Brazilian views on solution Cuban problem and Brazilian participation therein; attitudes toward maintenance Brazilian military agreements with U.S.; objectives proposed Brazilian policy of bridge to Africa.

ESG now planning give luncheon at Brasilia's NWC decision on hosting luncheon requested in Crimmin's memo to Clay now unnecessary.

CABOT

AN

Telephoned Mrg Carter re "passing" to Army. gwc

732.5311/3-1561 H33

MAR 19 4 56 PM '61 FILED

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0264

OUTGOING TELEGRAM Department of State

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☐ CHARGE TO

1961 MAR 21 PM 6 24

10394

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Info

SENT TO: Amembassy RIO DE JANEIRO 1275

8

Your 1209

NWC group has no specific questions to submit for discussion. Suggest Embassy prepare and submit ESG list of questions on behalf of group.

Although not intention NWC limit discussions to specific questions, amenable to Embassy preparing and submitting on its behalf list of questions to ESG, providing useful purpose served.

RUSK

732.5811/3-1661

17
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74

EUR
55
✓

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Drafted by: ARA:RFA:AFHeLeon:hjb 3/21/61

Telegraphic transmission and classification approved by: ARA:RFA:AFHeLeon

Clearances:

EST Mr. Wilson

S/S-CR

MAR 21 1961 PM

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NLS 73-85 #19

0269

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Control: 12058
Rec'd: March 17, 1961
5:35 p.m.

MAR 20 1961
DEPARTMENT OF STATE

FROM: ALUSNA Rio de Janeiro

TO: Secretary of State

NO: 171830Z (Navy Message)

ACTION CNO; INFO CINCLANTFLT, STATE DEPARTMENT, COMSOLANT, COMSERVLANT, NAAO, CHNAVMIS BRAZIL, CHMAAG BRAZIL

A. Your 140435Z NOTAL.

B. State 1220 NOTAL.

1. Clearance granted USS GLACIER operational visit Rio de Janeiro 6-10 April.

RWN-1

732.5811/3-1761

CAA

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CONFIDENTIAL
Classification

Control: 13961
Rec'd: March 21, 1961
6:33 P.M.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1238, March 21, 6 P.M.

INFO:
RM/R FILES

PRIORITY

FOR CAPTAIN CLAY, NATIONAL WAR COLLEGE FROM CRIMMINS.

Your 00043, Embassy telegram 1209.

Prior receipt your 00035 March 16, Escola Superior de Guerra notified Embassy it wished offer luncheon to NWC group in Brasilia and Embassy accepted on behalf NWC for reasons indicated letter March 16. This information contained Embassy telegram 1209 March 15 which forwarded ESG request for list NWC questions for discussion at ESG briefing. ESG anxious receive list soonest.

CABOT

LSA

File
Released to
Navy Group
RM/R 5

732.5311/3-2161 CS

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0267

INCOMING TELEGRAM *Department of State*

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Control: 15749
Rec'd: March 23, 1961
7:52 P.M.

Action
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O
RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1258, March 23, 6 P.M.

ACTION:
INFO:
RM/R FILES

File
Collection R&O
Spec RPAFs
RM/R files

PRIORITY

PASS CAPTAIN CLAY, NATIONAL WAR COLLEGE.

Department telegram 1275 March 21.

Following questions submitted Escola Superior de Guerra: What are goals new foreign policy recently adopted by GOB; In view Brazil's increasing importance in World Councils, how will new policy affect Brazil's position on critical East-West issues; how will new policy affect Brazil's attitude toward cooperation with US in political, economic and military sectors; what is Brazil's estimate of threat to Western Hemisphere posed by actions and attitude of Castro Government and by its association with Communist Bloc; what would constitute, in Brazilian view, a desirable solution to Cuban problem, and what should be role OAS in such solution; what does Brazil conceive its role in Latin America to be; what kind economic assistance and cooperation should US extend to Brazil; what part should foreign private investment play in furthering economic development Brazil; What are goals of Brazil announced policy of rapprochement with new nations Africa.

Advise all members NWC group foregoing presented as coming from NWC and Embassy participation should not in any way be revealed.

CABOT

LSA

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732.5311/3-2361 OS

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0268

INCOMING AIRGRAM *Department of State*

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48

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Classification

PAGE 1 OF 1 PAGES

Action
ARA

Info
AIR
RMR

FROM: Amembassy RIO DE JANEIRO

TO: Secretary of State

NO: G-370

Date Sent: April 26, 1961
Rec'd:

APR 28 4 19 PM '61

Re Dept's G-136

Embassy did not reply to CA-5386 of December 21, 1960, concerning proposed visit of U.S. Air Force Academy 1961 Field Study Group since no objections were perceived to the visit. The Embassy does not usually obtain formal approval for visits of this nature from the Brazilian Government. At present time appropriate U.S. Air Force officers are working with officials of the Brazilian Air Force in preparation for the forthcoming visit.

CABOT

732.5811/4-2561

POL:PRaine:gm
April 25, 1961

LWS

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ACTION ASSIGNED TO: RPMS	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0269

(45)

OUTGOING TELEGRAM Department of State

DCT

1961 AUG 10 PM 4 38

05638

INDICATE: ☐ COLLECT
☒ CHARGE TO NAVY OP-611

CONFIDENTIAL
Classification

Origin: XXXXXX

Info:

ACTION: Amembassy LIMA 117
Amembassy RIO DE JANEIRO 357

NAVY

Request permission USS KITTY HAWK CVA63 saluting vessel Captain W F Bringle USN 242 officers 3115 men make INFORMAL visit RIO DE JANEIRO September 24 to 28. Visit scheduled RIO coincide with Third Inter-American Naval Conference and vessel will conduct air demonstration at sea September 27 for conferees.

LIMA At Embassy's discretion request permission KITTY HAWK make OPERATIONAL visit CALLAO October 16 to 19.

Urgent replies needed planning purposes. Mark for PROTOCOL.

Ball
M.M.
BALL

(3)

Drafted by: U/PR:MMPhillips 8/9/61

Telegraphic transmission and classification approved by: MMitchell

Clearances:
EST:Mr.Wilson-substance by phone 8/8
WST:Mr.Poole " " " 8/9
S/S CR

AUG 10 1961 PM

CONFIDENTIAL
Classification

Authenticated by PM/S

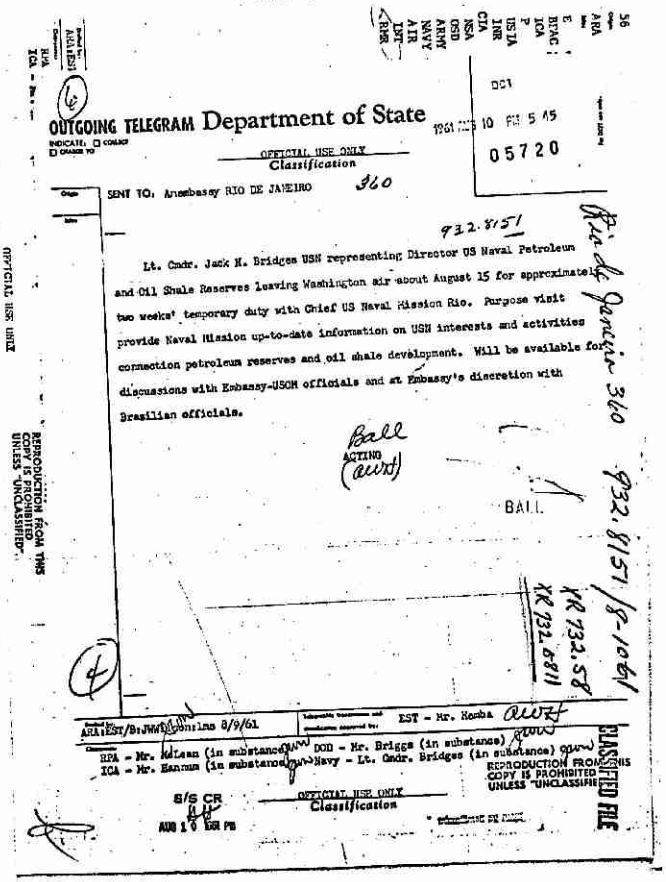
FORM DS-322 2-59

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Reptel 117

432.5811/8-1061

0270



OUTGOING TELEGRAM Department of State

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SENT TO: Amembassy RIO DE JANEIRO 360

732.8151

Lt. Cmdr. Jack M. Bridges USN representing Director US Naval Petroleum and Oil Shale Reserves leaving Washington air about August 15 for approximately two weeks' temporary duty with Chief US Naval Mission Rio. Purpose visit provide Naval Mission up-to-date information on USN interests and activities connection petroleum reserves and oil shale development. Will be available for discussions with Embassy-USCM officials and at Embassy's discretion with Brasilian officials.

Ball
ACTING
(aut)

BALL

EST - Mr. Komba

DOD - Mr. Briggs (in substance)
Navy - Lt. Cmdr. Bridges (in substance)

OFFICIAL USE ONLY
Classification

S/S CR

AUG 10 1961 PM

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CLASSIFIED FILE

732.8151/8-1061
XR 732.58
XR 732.8811

0271

6

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☒ CHARGE TO NAVY OP-614

CONFIDENTIAL
Classification

DCT

1961 AUG 15 PM 7 34

08362

for DCT use only.

Origin: ~~XXXXXXX~~ PROTOCOL

Info: ACTION: Amembassy RIO DE JANEIRO 423

INFO: Amconsul RECIFE 62

Request permission operational visit Recife August 29 to September 4 USS SPIEGEL GROVE LSD32 Captain W G Boyer USN 13 officers 285 men Rear Admiral E B Fluckey USN CTF88 embarked USS YORK COUNTY LST1175 Lieutenant Commander H M Berry USN 10 officers 162 men. Non-saluting vessels.

NAVY

Cable reply for PROTOCOL and inform Recife when permission obtained.

732.5811/8-1561

Rusk

DRAFT

Drafted by: U/PM:MWPhillips 8/15/61

Telegraphic transmission and classification approved by: MMitchell

Clearances: EST:Miss Briggs-substance by phone 8/15

Info.from Miss Monks NAVY OP-614 - 8/15

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FORM DS-322 2-59

S/S-CR

AUG 15 1961 PM

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Classification

0272

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☒ CHARGE TO NAVY OP-611

CONFIDENTIAL
Classification

DCT
1961 AUG 16 PM 5 31
08888
for DCT use only.

Origin [redacted]:

Info:

ACTION: Amembassy LIMA 128
Amembassy RIO DE JANEIRO 436

Dates visit USS KITTY HAWK changed Rio de Janeiro Department's 327 from September 24 to 28 to September 27 to October 1 demonstration at sea still scheduled September 27 Callao Department's 117 changed from October 16 to 19 to October 20 to 23.

NAVY

Rusk
D.M.

RUSK

732.5611/8-1661

EM/R
[illegible] 42

Drafted by: U/PR:MWPhillips 8/16/61
Telegraphic transmission and classification approved by: MMitchell
Clearances: EST & WST:Previously cleared
Info.from Miss Monks NAVY OP-611

S/S-CR
AUG 16 1961 PM

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0273

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AUG 22 1961

DEPARTMENT OF STATE

36
Action
~~PR~~
Info
ARA
NAVY
RMR

Control: 15510
Rec'd: August 21, 1961
8:09 p.m.

FROM: Rio De Janeiro

TO: Secretary of State

NO: 415, August 21, 2 p.m.

ACTION DEPARTMENT 415, INFORMATION RECIFE 29.

DEPTEL 423 repeated Recife 62

Informal approval SPIEGEL GROVE and YORK COUNTY received via navy channels.

BOND

SGC

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DEC-4 1961

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0274

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36
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Info

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NAVY

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CONFIDENTIAL

PROTOCOL
AUG 22 1961
DEPARTMENT OF STATE

Control: 15518
Rec'd: August 21, 1961
8:07 pm

FROM: Rio De Janeiro

TO: Secretary of State

NO: 414, August 21, 2 p.m.

732.5811

DEPTEL 436

Informal approval KITTY HAWK received via navy channels.

BOND

SGC

Rio de Janeiro - 414 732.5811/8-2161

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OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

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Classification

84

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1961 AUG 28 AM 1 59

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for DCT use only.

Origin

Info:

SENT TO: AmConsulxxxx RECIFE PRIORITY

732.5811/8-2761

Recife 84

to Recife

CODE ROOM: PLEASE REPEAT/~~HERE~~ CNO'S DTG 270815Z August (Navy Message)

Control Number 20024, received August 27, 1961, 6:03 a.m.

Rusk (aw)

RUSK

732.5811/8-2761

Telegraphic transmission and classification approved by: EST - Alton W. Hemba

Drafted by: ARA:EST:AWHemba:dhh 8/28/61

Clearances:

S/S CR

AUG 28 1961 AM

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FORM 2-59 DS-322

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Control: 20024

Rec'd: August 27, 1961

6:03 a.m. 10 54

Navy Dept.

FROM: CNO

TO: Secretary of State

NO: DTG 270815Z August (Navy Message)

ACTION: EST 13

INFO:

RM/R FILES

Navy Dept.

PRIORITY

ACTION DEPARTMENT STATE, INFORMATION CINCLANTFLT, COMSOLANT, CTF 88, AMEMBASSY RIO DE JANEIRO, COMFAIRLANT, USS YORK COUNTY, USS SPIEGEL GROVE.

Confirming TELECON Navy Department Duty Captain and State Department Duty Officer. CTF 88, SPIEGEL GROVE and YORK COUNTY visit to Recife 29 August-4 September has been cancelled. SCP-4.

HC/14

Note: See Amconsul Recife 55 to State.

732.5811/8-2761

FILED

Declassified per NARS

(2)

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Control: 20804
Rec'd: AUGUST 28, 1961
6:44 PM

FROM: ATTACHES BRAZIL

TO: Secretary of State

NO: 281715Z AUGUST (AIR FORCE MESSAGE)

Take action E&T/B: Jamieson: lms 9-11-61

NIACT

ACTION COFS USAF DEPTAR, CNO, 1608 ATW CHASN AFB, AFMTC, CAIRO, 370 PMW, MATS LNO RECIFE, MATS LNO RAMEY, MATS SCOTT AFB, EASTAF, MCGUIRE; INFORMATION DEPT OF STATE, 1127 USAF FAG, CINCLANT, CINCLANTFLT, COMFIFTEEN, COMTEN COMSLANT, CHNAVMIS BRAZIL, CINCARIB, CGUSARCARIB, USAIRA BUENOS AIRES, USAIRA MONTEVIDEO, CHUSAFMSN ASUNCION, BUSMC ARMY SECT BRAZIL, JBUSMC AIR SECT BRAZIL

THIS IS A JOINT USAF NAVY ARMY MESSAGE J22. C4I.

MESSAGE IN THREE PARTS.

PART I. IN VIEW PRESENT SITUATION BRAZIL EMBASSY AND FAB EARNESTLY REQUEST MINIMIZE US MILITARY AIR TRAFFIC TO AND THROUGH BRAZIL. WEEKLY SCHEDULED MATS FLIGHT TO RIO TO CONTINUE. BAF WILL SUPPORT AND PROVIDE PROTECTION AS REQUIRED FOR OTHER ABSOLUTELY ESSENTIAL TRAFFIC. THEREFORE, EXCEPT FOR SCHEDULED MATS RUN TO RIO, BLANKET DIPLOMATIC CLEARANCE SUSPENDED FOR MATSVC AEMTC CAIRO, IAGS, AND ANY OTHER AIRCRAFT USING R, B, AND H FLIGHT DESIGNATORS FOR ENTRY BRAZIL. FOR URGENTLY REQUIRED TRAFFIC REQUEST PROCESS DIPLOMATIC CLEARANCE USING PROCEDURES FOREIGN CLEARANCE GUIDE AND GIVING FULL DETAILS PURPOSE OF FLIGHT.

PART II. LOCAL IAGS COMMANDER CONCURS AND IS ISSUING SEPARATE INSTRUCTIONS TO HIS AIRCRAFT PRESENTLY IN BRAZIL CEASE OPERATIONS.

(3)

PART III. JOINT MESSAGE BRAZIL SITUATION SENT TO DATE, 21. NUMBERING SYSTEM STARTS WITH THIS MESSAGE TO FACILITATE IDENTIFICATION FOR ALL CONCERNED. SCP-3. Note: Mr. Crane (ARA) notified 10 PM, 8/28

ELP/22 Copy to SO, 8/28

CONFIDENTIAL CWO-M

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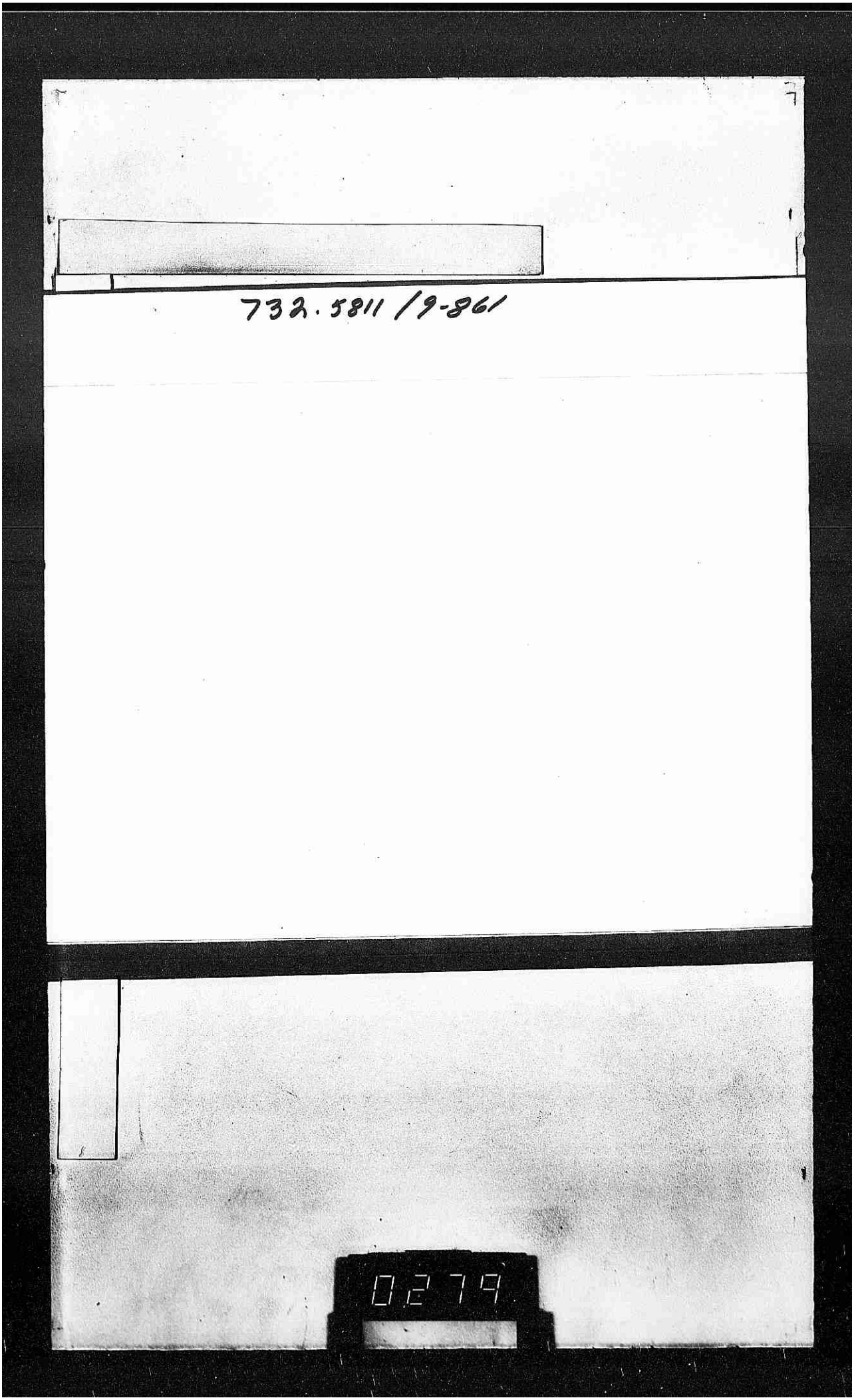
Quick Force Report

KK 732.00

732.5811/8-2861

FILE

0278


732.5811 /9-861
0279

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Control: 5657
Rec'd: SEPTEMBER 8, 1961
3:24 PM

AC:
INFO:
RM/R FILES:

Quiz Force

File in center
EXT/B: Jurisdiction - Laos
9-27-61

FROM: USAIRA RIO DE JANEIRO BRAZIL

TO: Secretary of State

NO: J-56, 081345Z SEPTEMBER

ACTION COFS USAF, DEPTAR, CNO, CAIRC ALBROOK AFB, 1608 ATW CHAS AFB, AFMTC PARTICK AFB, 1370 PMW TURNER AFB, MATS LO RECIFE BRAZIL, MATS LO RAMEY AFB, MATS SCOTT AFB, EASTAF MCGUIRE AFB, INFORMATION 1127 USAF FAG FT BELVOIR, USAIRA MONTEVIDEO, MATLLO ZANDERIY, CINCLANT, CINCLANTFLT, COMFIFTEEN, COMTEN, COMSOLANT, DEPT OF STATE, CHUSAFMSN ASUNCION.

THIS IS A JOINT ARMY, NAVY AND AIR ATTACHE MESSAGE.

HQUSAF FOR AFCIN AND AFOOP/ TR.

REOUR J-22.

THIS MESSAGE IN 4 PARTS.
PART 1: CLEARANCE RESTRICTIONS REMOVED ON FLIGHTS USING R, B AND H FLIGHT DESIGNATORS FOR ENTRY BRAZIL EFFECTIVE IMMEDIATELY.

PART 2. TRAVEL OF MILITARY AIRCRAFT AND PERSONNEL TO AND THROUGH BRAZIL AUTHORIZED PROCEED ON BASIS DIRECTIVES AND PROCEDURES IN EFFECT PRIOR TO 25 AUGUST 61.

PART 3: CHARGE D'AFFAIRES CONCURS.

PART 4: THIS ANSWERS 1608 ATW MESSAGE AOP 0055-J AND AFMTC MESSAGE MTGRY-7-918-E.

RJT

732.5811/9-861

(2)

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SEP 13 1962

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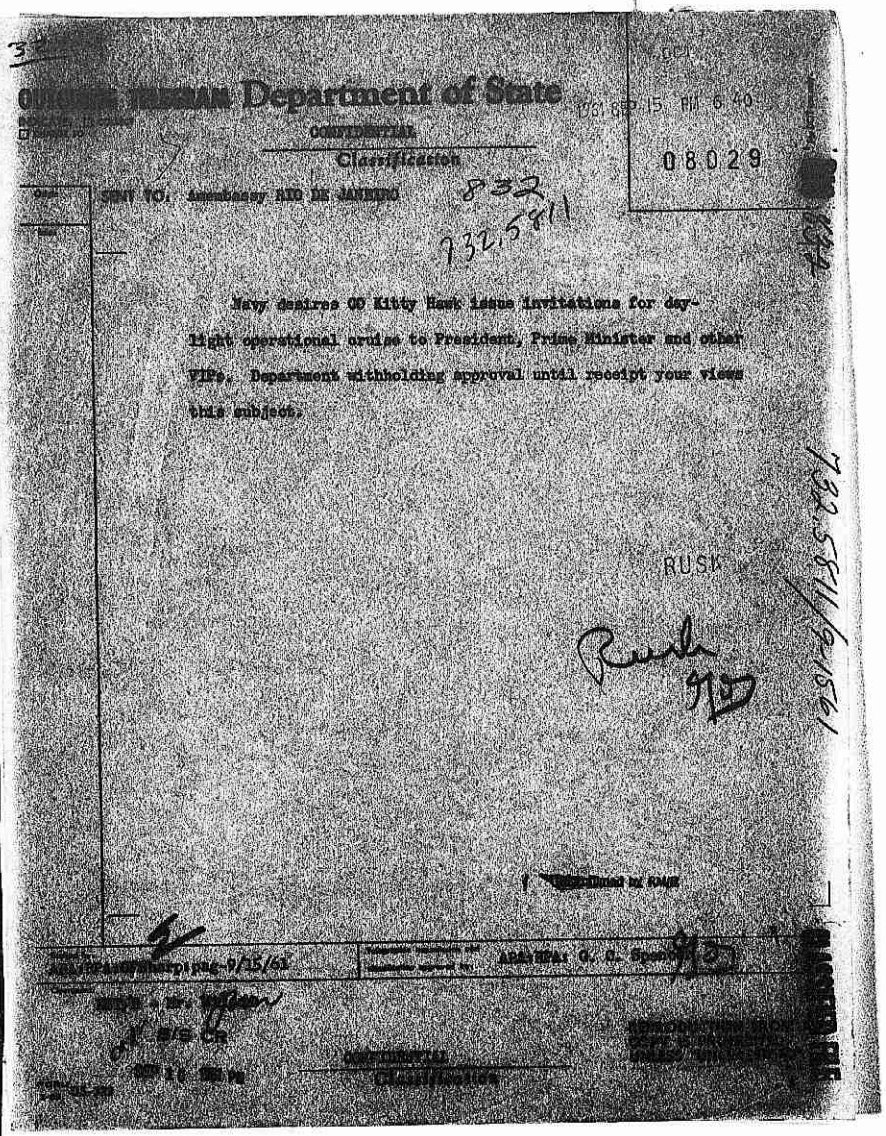
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Department of State

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1963 SEP 15 PM 6 40

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732.5811

Navy desires CV Kitty Hawk issue invitations for day-light operational cruise to President, Prime Minister and other VIPs. Department withholding approval until receipt your views this subject.

RUSK

732.5811/9-1563

Classification

INCOMING TELEGRAM

Department of State

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NUMBERED

Control: 13539

Rec'd: September 20, 1961 7:05 AM

45-41
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RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 783, September 19, 7 p.m.

PRIORITY

Re Department telegram 832

Embassy has no objections proposed issuance CO Kitty Hawk high-level invitations daylight operational cruise. Proposal discussed earlier with CNO and other top Brazilian Navy officials who expressed strong support.

BOND

UMT:HC

Navy informed 1000 9/20/61
(Capt Ball Pan Am O/Rms)
Sharp
APA/S

RIO 783

732.5-8111/9-1961

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NAME OF OFFICER & OFFICE SYMBOL: GB Sharp	DATE OF ACTION: 9/20/61	DIRECTIONS TO RM/R: File

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Department of State

1961 SEP 22 PM 6 20

CONFIDENTIAL

Classification

11862

TO: AMEMBASSY MEXICO CITY 891

NO DISTRIBUTION OUTSIDE DEPARTMENT

Recent US courtesy KITTY HAWK is making maiden voyage from US East Coast to join Pacific Fleet at San Diego. Will visit Rio de Janeiro Sept. 27 - Oct. 1, Valparaiso Oct. 9 - 12 and Callao Oct. 20-23. Believe possible stronger call at Acapulco if this would be helpful our relations with Mexico. Your views requested.

BOWLES

Bowles
(Acting)
(SE)

(3)

Cook

EUR:CMBarnes 9/22/61

EUR - Mr. Tuthill

S/S-RO

Classification

DS-322 9-61

Declassified/Released
US Department of State
EO 12356, Sec. 3.5
NLC-128-10-56-1-2
BY kbh NARA Date 2012

0283

INCOMING TELEGRAM — *Department of State*

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AIR
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UNCLASSIFIED

Control: 8459
Rec'd: November 14, 1961
8:56 pm

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1206, November 14

RM/R
CONTROL COPY

PRIORITY

Reference: Department Circular 891

Foreign Office states it has instructed Brazilian Embassy Washington extend all visa facilities in connection operation Long Legs II but that no request received through Embassy for waiver passport visa requirements for holders ID cards.

GORDON

MLB/8

Rio - 1206

120.58811/11-1461

XT 232.58811

Declassified by RMR

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0284

INCOMING TELEGRAM *Department of State*

UNCLASSIFIED

Control: 11863
Rec'd: December 19, 1961
5:55 p.m.

58
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ARA
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CIA
NSA
OSD
ARMY
NAVY
AIR
RMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1462, December 19

Re CW-3374 and DEPTEL 1691

Samuel H. Weaver, Economic Officer, designated Control Officer for Rio visit: David Mann, Economic Officer, for Sao Paulo visit; and Harry Quinn, Political Officer, for Brasilia visit.

Official approval from GOB obtained.

GORDON

MRJ

Rio -1462 720.5811/12-1961

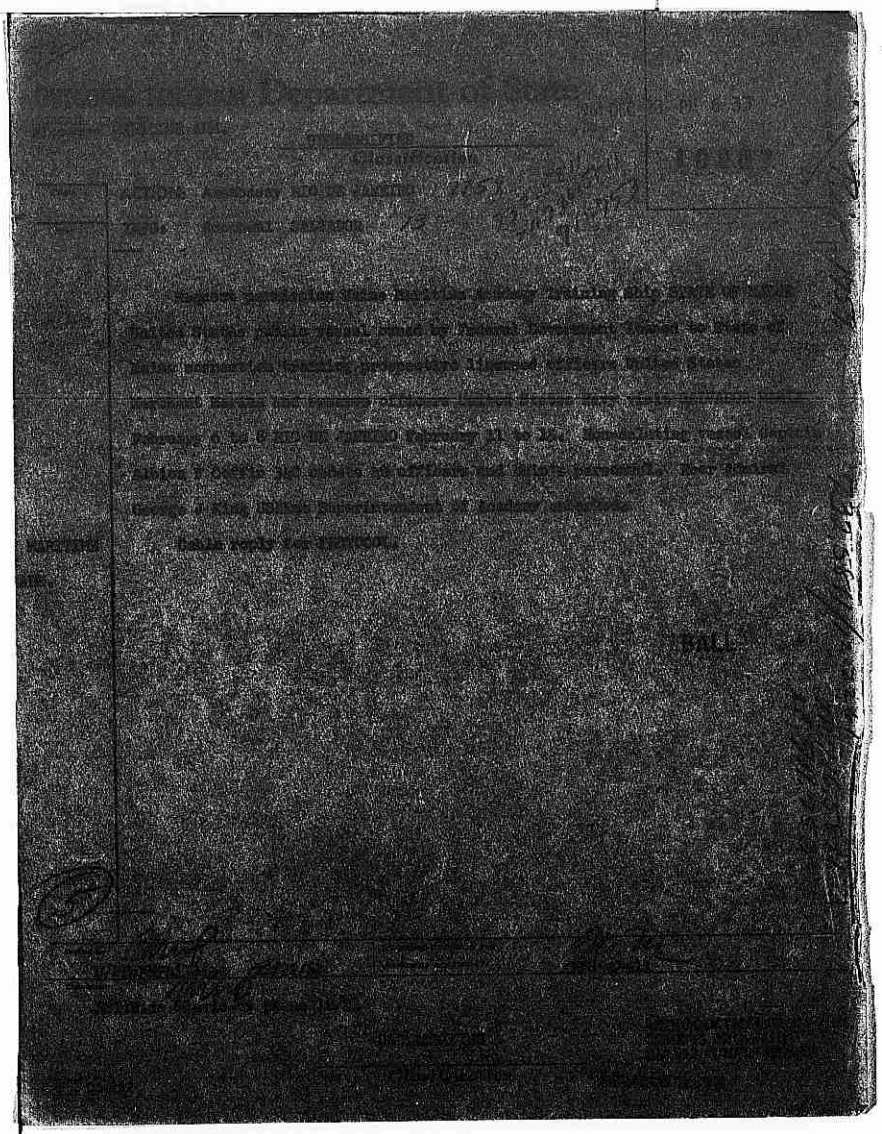
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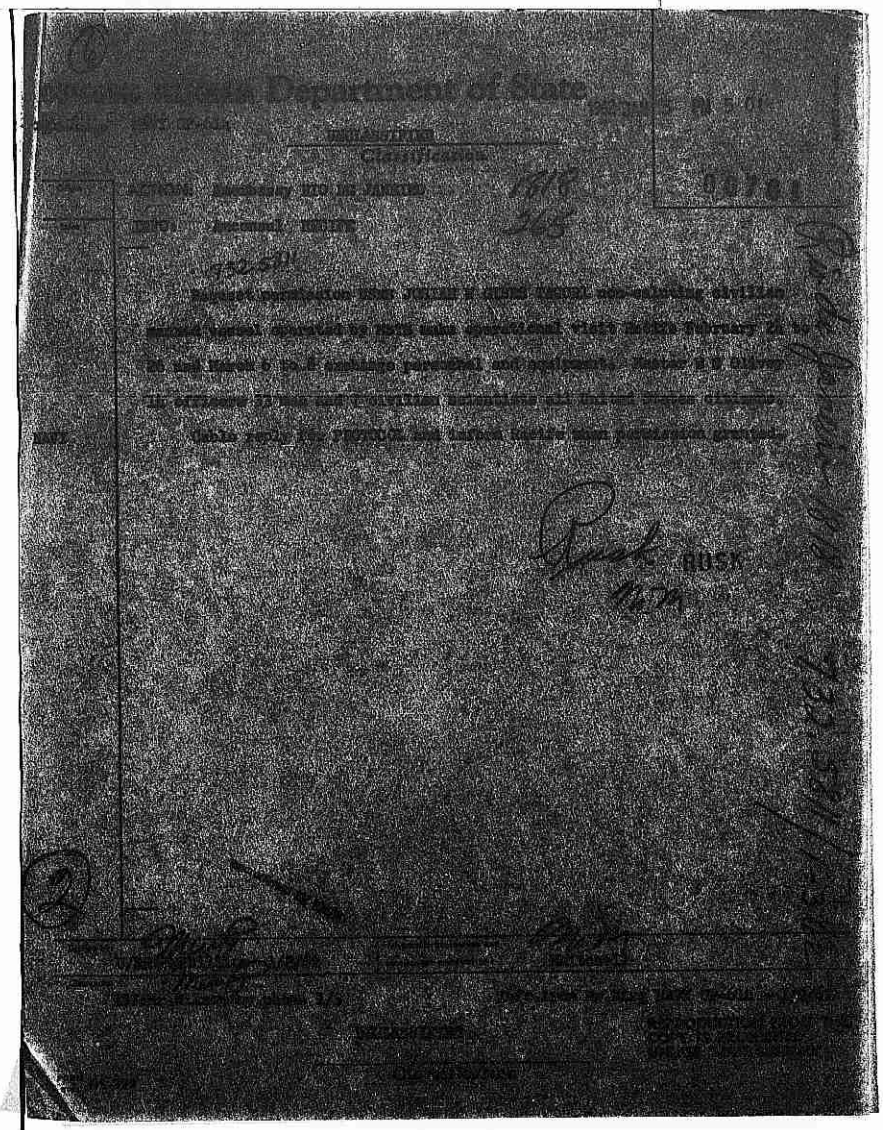
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0285



BALL

0286



0287

(6)

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59
Action
DR
Info
ARA
NAVY
COM
RMR

Control: 6268
Rec'd: January 11 1962
10:57 pm

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1608, January 11

Rio de Janeiro 1608

ACTION DEPARTMENT 1608 INFORMATION SAN SALVADOR 24

FOR PROTOCOL

DEPTEL 1759

732.5811
716.5811
XR 911.753

Permission granted.

DML GORDON

Tel. Miss Feaney's office
(Capt. Everett)
1/12

732.5811/1-1162
XR 716.5811
XR 911.753

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(11)

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ACTION ASSIGNED TO: 1/PIA	ACTION TAKEN: Tel. Miss Feaney Kendall	
NAME OF OFFICER & OFFICE SYMBOL: 1/PIA Boleny	DATE OF ACTION: 1/12	DIRECTIONS TO RM/R: file at.

0288

INCOMING TELEGRAM *Department of State* ACTION COPY

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58
Action
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RMR

UNCLASSIFIED

Control: 11455
Rec'd: Jan. 19, 1962
11:30 p.m.

1962 JAN 20 AM 9 13

FROM: Rio de Janeiro

TO: Secretary of State

OFFICE OF THE CHIEF OF PROTOCOL

NO: 1672, January 19

732.5811

Reference: Department Telegram 1818

Informal approval JOSIAH W. GIBBS visit received via Navy Channels.

GORDON

MLB/8

Rio de Janeiro 1672

732.5811/1-1962

Classified by RMJB

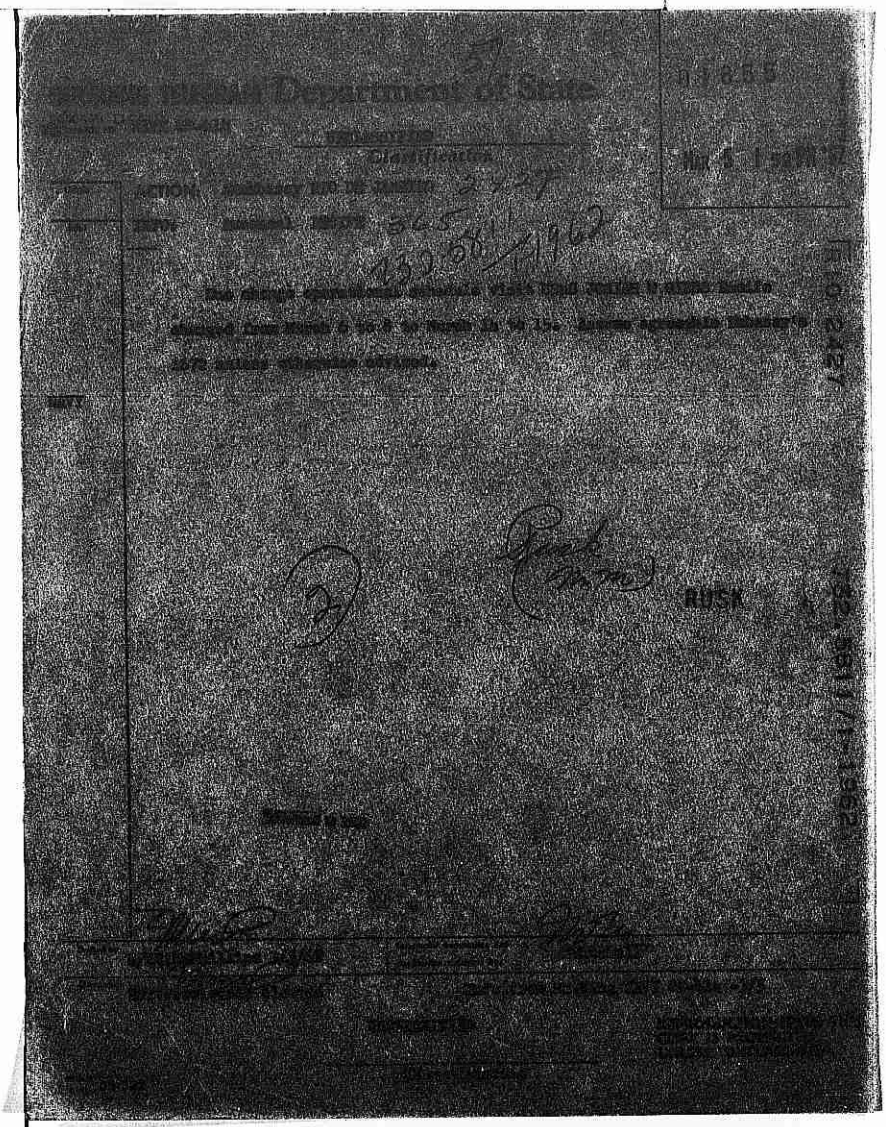
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ACTION ASSIGNED TO: U/PR	ACTION TAKEN		
NAME OF OFFICER & OFFICE SYMBOL: Phillips U/PR	DATE OF ACTION: 1/22	DIRECTIONS TO RM/R: file Mump	

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0290

ORIGIN 85

U/PR-1

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LAB	TAR	TR	XMB
AIR	ARMY	CIA	NAVY 28
OSD	USIA		
	1		

NAVY

6

DEPARTMENT OF STATE
INSTRUCTION

FOR RM/R USE ONLY

CONFIDENTIAL

NO: **W-187 February 15, 1962.**

SUBJECT: Visit of United States Naval Vessel to Rio de Janeiro

REF:

TO: The American Embassy RIO DE JANEIRO

732.5811

It is requested that diplomatic clearance be requested for the USS "Arneb" (AKA-56) to make an operational visit to Rio de Janeiro from April 28 to May 3, 1962.

The "Arneb" is a non-saluting vessel under the command of Captain S. A. Bobczynski, USN, with a complement of 22 officers and 277 men.

Please expedite reply and mark FOR PROTOCOL.

RUSK

Rio de Janeiro W-187

732.5811/2-1562

CONFIDENTIAL

DRAFTED BY: U/PR:MWPhillips 2/15/62

CONTENTS AND CLASSIFICATION APPROVED BY: MMitchell

CLEARANCES:

EST:Mrs.Glavis-substance by phone 2/15

FORM DS-972 3-61

GPO 989028

0291

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INCOMING TELEGRAM *Department of State*

ACTION COPY

PERMANENT RECORD COPY

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UNCLASSIFIED DATE

43
Action

Control: 3366

1962 MAR 6 AM 8 31 Rec'd: March 6, 1962
3:10 a.m.

~~PR~~
Info

FROM: COMM MSTS WASHINGTON DC

OFFICE OF THE CHIEF OF PROTOCOL

ARA
INR

TO: Secretary of State

RMR

NO: 052054Z, March (Navy Message)

USNS Josiah W. Gibbs

ACTION ~~USNS SAN CARLOS~~, INFORMATION CNO, STATE DEPARTMENT, COMM MSTS BROOKLYN, AMCONSUL RECIFE, CINCLANTFLT, CONSOLANT, ALUSNA RIO DE JANEIRO

Diplomatic clearance granted visit Recife, Brazil 6/8 March UNCDIR clearance granted new dates 14/15 March.

MJA-2

Code Room Please correct name of vessel It should be USNS Josiah W. Gibbs not USS San Carlos.

NAVY

732.5811/3-562

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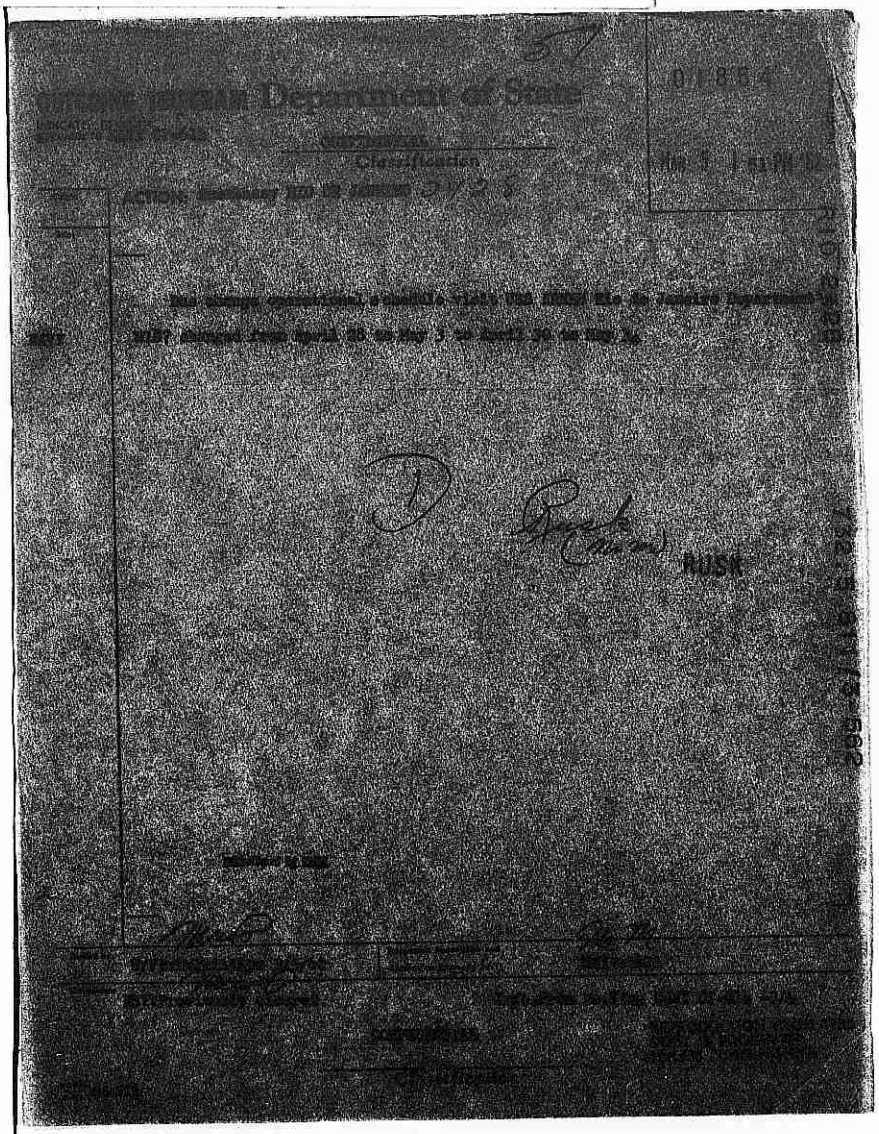
MAY 11 1962

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ACTION ASSIGNED TO:		ACTION TAKEN		DIRECTIONS TO RM/R	
NAME OF OFFICER & OFFICE SYMBOL	Phillips U-PR	DATE OF ACTION	3/6		

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INCOMING TELEGRAM *Department of State*

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1962 MAR 10 AM 9 16
Control: 7122
Rec'd: March 9, 1962
6 pm

OFFICE OF THE CHIEF OF PROTOCOL

FROM: USNS Gibbs

TO: Secretary of State

NO: 091530Z, March

ACTION COMSTSLANTAREA, INFORMATION COMSTS, STATE DEPT WASH DC, AMERCON RECIFE CINCLANT, COMSOLANT, ALUSNA RIO DE JANEIRO, COMSTS

A. COMSTS 052054Z

1. ETA Recife 121700Z, ETD 131500Z
2. UNODIR will assume clearance granted.

DT

Note: Mrs. Phillips (PR) notified 3/10/62 CWO-M

Determined by RMJR

(1)

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732.5811/3-962

MAY 15 10 15 AM '62 FILED

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ACTION ASSIGNED TO:		ACTION TAKEN	
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		DIRECTIONS TO RM/R	

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INCOMING TELEGRAM *Department of State* ACTION COPY
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Control: 9295
Rec'd: March 14, 1962 2:04 pm

FROM: CHMAAG BRAZIL

TO: Secretary of State

NO: BUSDEL 4109, 132345Z MARCH

732.5811
XR 732.56
XR811.0032

ACTION CINCARIB, INFORMATION AID WASHINGTON, OSD/ISA

PART II AID CIVIC ACTION PROJECTS

DURING THE COURSE OF THE VISIT OF THE CIVIC ACTION SURVEY GROUP (KYLE TEAM) DISCUSSIONS WERE HELD CONCERNING THE FEASIBILITY OF IMPLEMENTING THIS FISCAL YEAR "CIVIC" ACTION: PROJECTS UTILIZING THE BRAZILIAN ARMED FORCES WITH POSSIBLE AID SUPPORT. THE TEAM, AFTER CONSIDERING A NUMBER OF PROPOSALS, SUGGESTED AS ONE PROPOSAL THAT THE COUNTRY TEAM EXPLORE FURTHER THE POSSIBILITY OF ESTABLISHING ADVANCED TNG CENTERS IN THE FIELDS OF ELECTRONICS (INCLUDING AIR TRAFFIC CONTROL, COMMUNICATIONS AND RADAR, ILS AND VOR OPERATION AND MAINT) AND METEOROLOGY. CONSIDERATION WAS ALSO GIVEN TO THE ESTABLISHMENT OF A BASIC METEOROLOGICAL NETWORK IN THE NORTHEAST IN SUPPORT OF THE BOHAN TEAM PROGRAM BEING NEGOTIATED AT THIS TIME WITH THE GOB AND IN AN EFFORT TO IMPROVE THE GATHERING OF THE BASIC METEOROLOGICAL INFO REQUIRED TO IMPROVE AIR SAFETY IN THIS VAST REGION IN WHICH INTL AFD NATIONAL AIR TRAFFIC IS EXPANDING IN BOTH THE MILITARY AND CIVILIAN SPHERES.

THE PROJECTS HEREIN PROPOSED WOULD REQUIRE THE EXPENDITURE BY THE UNITED STATES OF APPROX $1.3 MILLION OF EQUIPMENT AND $260,000 IN TECHNICIANS SALARIES AND PARTICIPANT GRANTS DURING THE FIRST FULL YEAR OF OPERATION. US TECHNICAL ASSISTANCE WOULD BE LIMITED TO THE PROVISION OF TECHNICIANS DURING ONLY THE FIRST TWO YEARS AND PARTICIPANT GRANTS TO BRAZILIAN TECHNICIANS WHO WOULD BE SELECTED TO TAKE OVER FULL OPERATION OF THE TNG CENTERS AFTER THE FIRST TWO YEARS. ADDITIONAL EQUIPMENT REQUIRED WOULD BE MINIMAL. THE USAF MSN COULD SUPPLEMENT EQUIPMENT REQUIRED FOR THE ELECTRONICS TNG CTR WITH EQUIPMENT ALREADY ON HAND. BRAZILIAN CONTRIBUTION WOULD APPROXI-

XR 732.56
732.5811/3-1362
XR811.0032
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ACTION ASSIGNED TO	ACTION TAKEN	microfilmed by RMDR
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0295

MATE THAT OF THE US. DURING THE FIRST YR GOB WOULD BE REQUIRED TO EXPEND $880,000 ON LOCALLY AVAILABLE EQUIPMENT, AND SUPPLIES, INSTALLATION OF EQUIPMENT IN THE TNG CTRS AND THE WEATHER STATIONS SUPPLY FROM STOCKS ON HAND EQUIPMENT VALUED AT IN EXCESS OF $100,000, SALARIES OF OVER 200 TECHNICIANS ESTIMATED AT $328,180 AND PROVIDE BUILDINGS VALUED AT ABOUT $800,000 DURING SUCCEEDING YEARS GOB EXPENDITURES WOULD BE IN EXCESS OF $450,000 PER ANNUM (PRINCIPALLY FOR SALARIES).

THE COUNTRY TEAM HAS REVIEWED AND RECOMMENDS FOR POSSIBLE IMPLEMENTATION IN FY 1962 THE PROPOSED PROGRAM SET FORTH BELOW.

AS BRAZIL'S DEVELOPMENT HAS EXPANDED THE AVIATION INDUSTRY HAS EXPANDED AT AN EVEN GREATER RATE AND TODAY THE AIR ROUTES BETWEEN RIO DE JANEIRO AND SAO PAULO ARE THE HEAVIEST TRAVELED AND MOST CONGESTED IN THE WORLD EXCEPT FOR SOME ROUTES IN THE UNITED STATES. AIR TRAFFIC CONTROL, AND CONSEQUENTLY AIR SAFETY, HAS DETERIORATED UNDER THIS EVER INCREASING LOAD AND THE SUPPLY OF QUALIFIED TECHNICIANS TO HANDLE PRESENT FACILITIES IS IN CRITICAL SHORT SUPPLY. IN CONNECTION WITH US AID PROJECT NO 512-F-37ABA, THE OBJECTIVE OF WHICH IS TO PROVIDE BASIC AIR NAVIGATIONAL AIDS ON THIS ROUTE AND THE SUBSIDIARY PORTO ALEGRE TERMINAL ON A DEMONSTRATIONAL BASIS, USAID/B HAS BEEN PROVIDING TRAINING ABROAD AND IN-SERVICE TRAINING IN BRAZIL. AS THE DATE DRAWS NEAR ON WHICH THE EQUIPMENT SUPPLIED BY THE US WILL BECOME FULLY OPNL IT IS BECOMING MORE EVIDENT THAT AN ACCELERATED TRAINING PROGRAM MUST BE MOUNTED IN BRAZIL. THE SITUATION HAS BECOME INCREASINGLY SERIOUS IN THE LAST YEAR BECAUSE OF BRAZIL'S AUSTERITY PROGRAM WHICH MAKES IT MORE DIFFICULT TO SENT TECHNICIANS (PARTICULARLY MILITARY PERSONNEL OF THE CIVILIAN AIR ACTIVITIES OF THE MINISTRY OF AIR) ABROAD. FURTHERMORE, THE SUPPLY OF QUALIFIED TECHNICIANS WITH THE LEVEL OF ENGLISH LANGUAGE KNOWLEDGE REQUIRED FOR TRAINING IN THE US HAS CONTRACTED TO THE POINT WHERE MOST HAVE TO UNDERGO INTENSIVE ENGLISH LANGUAGE

0296

TRAINING IN BRAZIL PRIOR TO SELECTION. THIS ALSO HAS SLOWED DOWN THE TRAINING PROGRAM. THE ONLY FEASIBLE SOLUTION IS THAT OF PROVIDING TRAINING IN BRAZIL IN ORDER TO BE SURE THAT SUFFICIENT QUALIFIED TECHNICIANS WILL BE AVAILABLE TO OPERATE AND MAINTAIN THE $2 MILLION OF AIR NAVIGATIONAL AIDS BEING INSTALLED BY THE COOPERATIVE PROJECT.

THE BRAZILIAN AIR FORCE (FAB) WITH MORE SOPHISTICATED ELECTRONICS EQUIPMENT IN USE AND WITH THE RESPONSIBILITY FOR CARRYING OUT ALL CIVILIAN AIR ACTIVITIES IS ALSO ENCOUNTERING DIFFICULTIES IN PROVIDING ITSELF WITH THE INCREASED NUMBER OF TECHNICIANS IT REQUIRES, PARTICULARLY IN THE ADVANCED FIELD OF ELECTRONICS AND COMMUNICATIONS NOT OBTAINABLE AT GUARATINGUETA.

THE PROVISION OF ASSISTANCE TO GOB IN ESTABLISHING AN ADVANCED ELECTRONICS TRAINING CENTER WHICH WOULD PROVIDE PRACTICAL TRAINING IN MAINTENANCE AND OPERATION OF ELECTRONICS EQUIPMENT, COMMUNICATIONS AND AIR TRAFFIC CONTROL (AND WOULD INCLUDE IN-SERVICE TRAINING AS WELL) WOULD FILL AN URGENT MILITARY AS WELL AS CIVILIAN NEED. ENCLOSURE NO. 1 CONTAINS A BUDGET ESTIMATE AS WELL AS AN ESTIMATE OF THE NUMBER OF TECHNICIANS WHO COULD BE TRAINED PER ANNUM. THE US COST WOULD BE $470,000 OVER A TWO YEAR PERIOD (NOT INCLUDING EQUIPMENT ALREADY ON HAND TO BE FURNISHED BY THE USAF). COST TO GOB (INCLUDING CLASSROOMS, ETC) WOULD BE $740,000 OVER THE TWO YEAR PERIOD. A TOTAL OF 215 MANN YEARS OF TRAINING WOULD BE PROVIDED DURING THE TWO YEARS WHICH, IF PROVIDED IN THE US UNDER USAID AND USAF SPONSORSHIP WOULD COST THE US AT LEAST $1.29 MILLION AND WOULD COST GOB OVER $500,000 FOR INTERNATIONAL TRAVEL ALONE.

A FACTOR LIMITING THE FUTURE EFFECTIVENESS OF USAID/B AIR NAVIGATIONAL AIDS PROJECT IS THE ALMOST COMPLETE LACK OF A MODERN METEOROLOGY SYSTEM IN BRAZIL. ALTHOUGH BRAZIL HAS MANY "WEATHER OBSERVERS" AND A LARGE STAFF ASSIGNED TO THE SEVERAL "MET" SERVICES, THEIR TECHNICAL KNOWLEDGE OF

0297

CONFIDENTIAL

-4- BUSDEL 4109, 132345Z MARCH FROM CHMAAG BRAZIL

THE SUBJECT IS PRACTICALLY NONEXISTENT AND EQUIPMENT IS ANTIQUATED, OUT OF ORDER OR NONEXISTENT. SINCE METEOROLOGY AND ACCURATE WEATHER FORECASTS ARE ESSENTIAL TO AIR TRAFFIC CONTROL AND AIR SAFETY, USAID/B CONSIDERS THESE INTEGRAL PARTS OF ITS PROJECT AND HAS BEEN ASSISTING GOB IN AN EFFORT TO IMPROVE ITS TWO PRINCIPAL SERVICE ATTACHED TO THE AIR MINISTRY AND THE MINISTRY OF AGRICULTURE. THE GOV RECOGNIZED THE URGENCY OF IMPROVING ITS MET SERVICES AND ELIMINATING ITS MANY DEFICIENCIES. IT IS PROVIDING INCREASING AMOUNTS FOR THE PURCHASE OF MORE MODERN EQUIPMENT. HOWEVER, A MASSIVE TRAINING EFFORT IS REQUIRED TO RAISE THE LEVEL OF TRAINING OF ITS MANY UNDER TRAINED OBSERVERS. (THERE ARE ONLY TEN TRAINED METEOROLOGISTS IN THE VAST COUNTRY LARGER THAN THE CONTINENTAL US. WE HAVE 6000 IN THE US).

THERE IS NOT ONLY A GREAT NEED TO ASSIST BRAZIL IN IMPROVING ITS MET SERVICES IN ORDER TO PROVIDE NECESSARY INFORMATION FOR MILITARY AND CIVILIAN AIR OPERATIONS BUT THERE IS ALSO AN URGENT NEED IN CONNECTION WITH BETTER PLANNING IN CROP PRODUCTION IN AGRICULTURE AND FOR COMMERCE AND INDUSTRY. IN ADDITION, WITH THE INCREASING JET TRAFFIC (PRINCIPALLY US AIRCRAFT) ACROSS GREAT REACHES OF BRAZIL WITH NO ADEQUATE WEATHER FORECASTS, SAFETY OF OPERATIONS IS ENDANGERED. THIS IS TRUE EVEN IN THE SHORT HOP ROUTE BETWEEN RIO AND SAO PAULO AND RIO AND BELO HORIZONTE WHERE THE LACK OF ACCURATE WEATHER INFO AS ENDANGERED THE LIVES OF MANY PERSONS (INCLUDING CONGRESSMAN MONAGHAN AND WEAVER AND PARTY) AND WILL CONTINUE TO CONSTITUTE A DANGER UNTIL BRAZIL IMPROVES ITS MET SERVICES AND ATTENDANT COMMUNICATION OF WEATHER INFORMATION.

THIS PROPOSED PROJECT THEREFORE HAS A HIGH DEGREE OF MILITARY AS WELL AS CIVILIAN PRIORITY. ASSISTANCE WILL IMPROVE CAPABILITIES IN BOTH SECTORS.

THE COUNTRY TEAM IS PROPOSING THE ESTABLISHMENT

CONFIDENTIAL

0298

OF THE MODEL METEOROLOGICAL AND TRAINING CENTERS, ONE IN RECIFE AND ONE IN RIO DE JANEIRO AT A COST TO THE US OF $296,610 FOR EQUIPMENT AND $150,000 FOR TECHNICAL ASSISTANCE AND PARTICIPANT TRAINING DURING THE FIRST YEAR (PART OF THE LATTER COSTS ALREADY INCLUDED IN USAID/BS FY 1962 APPROVED PROGRAM). COSTS TO GOB WOULD AMOUNT TO ABOUT $168,000 (INCLUDING IN KIND VALUE OF: BUILDINGS, $60,000; SALARIES OF TECHNICIANS, $46,000; AND EQUIPMENT IN STOCK, $35,000 (DURING THE FIRST YEAR AND ABOUT $50,000 PER YEAR IN SUCCEEDING YEARS.)

IN ADDITION, IN SUPPORT OF THE BOHAN TEAM PROPOSED PROGRAM IN THE NORTHEAST AND EXPENDED CIVIC ACTION PROGRAMS ON THE PART OF THE BRAZILIAN ARMY (PARTICULARLY THE FIRST ENGINEERING GROUP, SUPPORT OF WHICH IS THE SUBJECT OF A SEPARATE MESSAGE), THE COUNTRY TEAM IS PROPOSING THE ESTABLISHMENT ON A DEMONSTRATION BASIS OF A BASIC METEORDOGICAL NETWORK IN THE NORTHEAST CONSISTING OF SEVEN PRIMARY SURFACE OBSERVATION WEATHER STATION, SIX SECONDARY SURFACE AND PILOT STATIONS AND FIVE REWINSONDE STATIONS. THESE STATIONS WOULD ALSO BE EQUIPPED WITH TELETYPE CIRCUITS IN ORDER TO SUPPORT THE METEOROLOGICAL TRAFFIC GENERATED; IN TIMES OF NATURAL DISASTERS-FLOODS HAVE BEEN PREVALENT IN PART OF THE AREA IN RECENT YEARS-AS WELL AS FOR MILITARY TRAFFIC, THUS ADDING TO THE COMMUNICATIONS CAPABILITY OF THE AREA. THE INFORMATION GATHERED WOULD PROVIDE ESSENTIAL DATA FOR USABLE FORECASTS AND FOR RESEARCH, PARTICULARLY THE HYDROLOGICAL RESEARCH, AGRICULTURAL RESEARCH AND IRRIGATION PROJECTS INCLUDED IN THE PROPOSED NORTHEAST PROGRAM. COST TO THE US WOULD BE $399,000 FOR EQUIPMENT FOR THE WEATHER STATIONS AND $355,000 FOR TWO RADIO TELETYPE CIRCUITS, TRANSMITTERS AND RECEIVERS, TELEPRINTER EQUIPMENT AND POWER GENERATORS. COST TO GOB WOULD BE APPROXIMATELY $560,000 (INCLUDING IN KIND VALUE OF: PERSONNEL SALARIES, $282,000; EQUIPMENT IN STOCK, $70,000; AND BUILDINGS $138,000) DURING THE FIRST YEAR AND ABOUT $350,000 PER YEAR THEREAFTER. BUDGETS FOR THIS PROJECT FOR THE MET

0299

TRAINING CENTERS ARE CONTAINED IN ENCLOSURE NO. 2.

WHILE THESE PROPOSED PROJECTS WILL NOT PROVIDE IMMEDIATE IMPAST, THEIR ULTIMATE EFFECTS IN ADDITION TO IMPROVING MILITARY AND CIVILIAN CAPABILITIES IN FIELDS FOR WHICH THE MILITARY HAS PRIMARY RESPONSIBILITY WILL BE HIGHLY BENEFICIAL TO THE CIVILIAN ECONOMY THROUGH PROVIDING MORE EFFECIENT SERVICES OF AN ESSENTIALLY CIVILIAN NATURE. THEY NOT ONLY WILL PROVIDE IMMEDIATE SUPPORT TO HIGH PRIORITY PROJECTS IN WHICH USAID AND MAP ARE COOPERATING AND THUS ASSIST IN MORE RAPIDLY ATTAINING US OBJECTIVES, THEY WILL ALSO GIVE ADDED PROTECTION TO EXPENSIVE US JET ACFT AND US CITIZENS TRAVELING ON THESE PLANES THROUGH PROVIDING A GREATER MARGIN OF AIR SAFETY.

WITH REF TO PART III OF AIDTO CIR X-195 OF FEB 14, 1962, NEGOTIATIONS WITH RESPECT TO THE NORTHEAST PROGRAM HAVE PROGRESSED WELL AND WHILE NO MAJOR PROBLEMS ON PROGRAM CONTENT HAVE DEVELOPED (SEE TOAID 309), DR CELSO FURTADO WISHES TO STUDY FURTHER THE CCC TYPE CAMP PROPOSAL AND CARRY OUT DISCUSSIONS WITH THE BRAZILIAN MILITARY. . FOR THIS REASON IT WAS DECEDED TO POSTPONE FOR LATER CONSIDERATION POSSIBLE ADDITIONAL SUPPORT OF THIS ACTIVITY. HOWEVER, THE PROPOSAL TO SUPPLY HEAVY EQUIPMENT TO THE FIRST ENGINEERING GROUP IN THE NORTHEAST WILL PROVIDE SUPPORT TO MANY PHASES OF THE NORTHEAST PROGRAM. THE COUNTRY TEAM ALSO HAS DECIDED PRIOR TO ARRIVING AT FINAL DECISION TO CARRY OUT FURTHER STUDY OF THE REQUEST BY THE MINISTER OF AIR FOR A LOAN TO PURCHASE FIVE C-130.

THE COUNTRY TEAM PROPOSES THAT THE COSTS OF THE ABOVE PROJECTS BE FINANCED BY AID/W OUT OF THE DEVELOPMENT GRANT FUNDS EARMARKED AS AID INPUT FOR CIVIC ACTION AS ADDITIVE TO THE EXISTING COUNTRY PROGRAM INCLUDING THE NORTHEAST PROGRAM.

ABOVE IS QUOTED FROM EMBASSY AIRGRAM POUCHED TO AID/W. ENCLOSURES NOT BEING TRANSMITTED. SCP 4.

RGD

0300

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INCOMING TELEGRAM — *Department of State* — PERMANENT RECORD COPY

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SECRET

Control: 9785
Rec'd: March 15, 1962
12:53 AM

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2096, March 14, 9 p.m.

DEPARTMENT PASS CINCARIB AND DEFENSE

Re Department Circular telegram 1505

No objection program outlined reference telegram.

GORDON

CJ/1

Note: Passed to CINCARIB, Poland. 3/14/62.

RIO 2096

732.5811/3-1462

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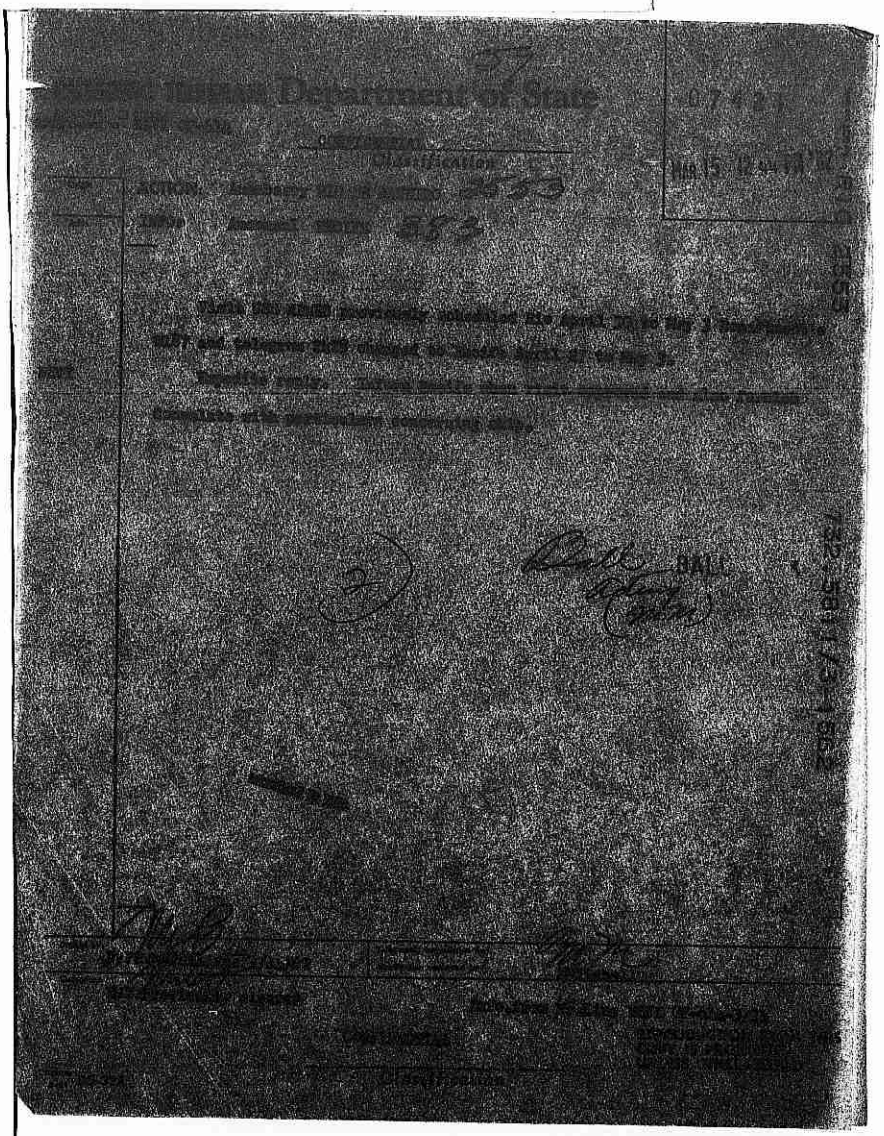
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Date 3-22-62
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ACTION ASSIGNED TO: G/PM	ACTION TAKEN: SECRET Notified Defense Dept. Awaiting action
NAME OF OFFICER & OFFICE SYMBOL: Moses G/PM	DATE OF ACTION: 15 Mar 62
	DIRECTIONS TO RM/R

0301



0302

OUTGOING AIRGRAM

Department of State

CONFIDENTIAL
Classification

NO. CAp2211

MAR 16 2 45 PM '62

Page ___ of ___ Pages

SENT TO: Amembassy, RIO DE JANEIRO
INFO: POLAD CINCARIB
SUBJECT: Proposed US Military Participation in Brazilian 1962 Independence Day Celebrations

JOINT STATE-USIA-DEFENSE Message

USIA has made following suggestions:

To recreate feeling of good-will and close association of Brazil and U.S. during World War II, it is proposed that those American military leaders who bring to Brazilian minds memories of comradeship in arms visit Brazil on occasion of their September 7, Independence Day. In addition, it is suggested they tour various areas of country where American servicemen were stationed. Many of these were located in critical Northeast where there is still a large untapped reservoir of friendship for U.S. Seemingly all that is required to have it coalesce is to give it a chance for expression through "saudade" visits such as these, and Alliance for Progress actions. Since most of such U.S. military bases had their beginnings around 1942, a twenty-year after commemoration would be a natural reason for such attentions.

The Brazilian military requested presence of General Mark Clark (and other American commanders in Italy and those assigned in Brazil during the war) at ceremonies held in Rio in 1960, for returned Brazilian war dead from Italy. They were not able to attend and USIA arranged for honor guard from Arlington Unknown Soldier's Tomb to participate. Brazilians also requested that either U.S. Air Force or U.S. Navy transport their war dead from Italy to Brazil, but our Government declined, thus losing an opportunity to recreate an aura of good feelings. But an expression of friendship from our military at this time could unite democratic officers of Brazilian armed forces and lift their sagging morale caused by their failure to present a unified front during the Quadros resignation crisis.

[illegible]

Reclassified by RMH

CONFIDENTIAL
Classification

Drafted by: WHA:EST:RWellman:ed 2/26/62
Airgram transmission and classification approved by: ARA/ - EST Mr. Wellman
Clearances: Defense(in draft)USIA ARA/P CU -Mr. Williams (substance)

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Origin ARA-4
Info RMR-1 DCT-1 CU-9 USIA-2 OSD-12 NSA-3 Army-8 Navy-3 AID-3

Disc. Desired (Office Only)

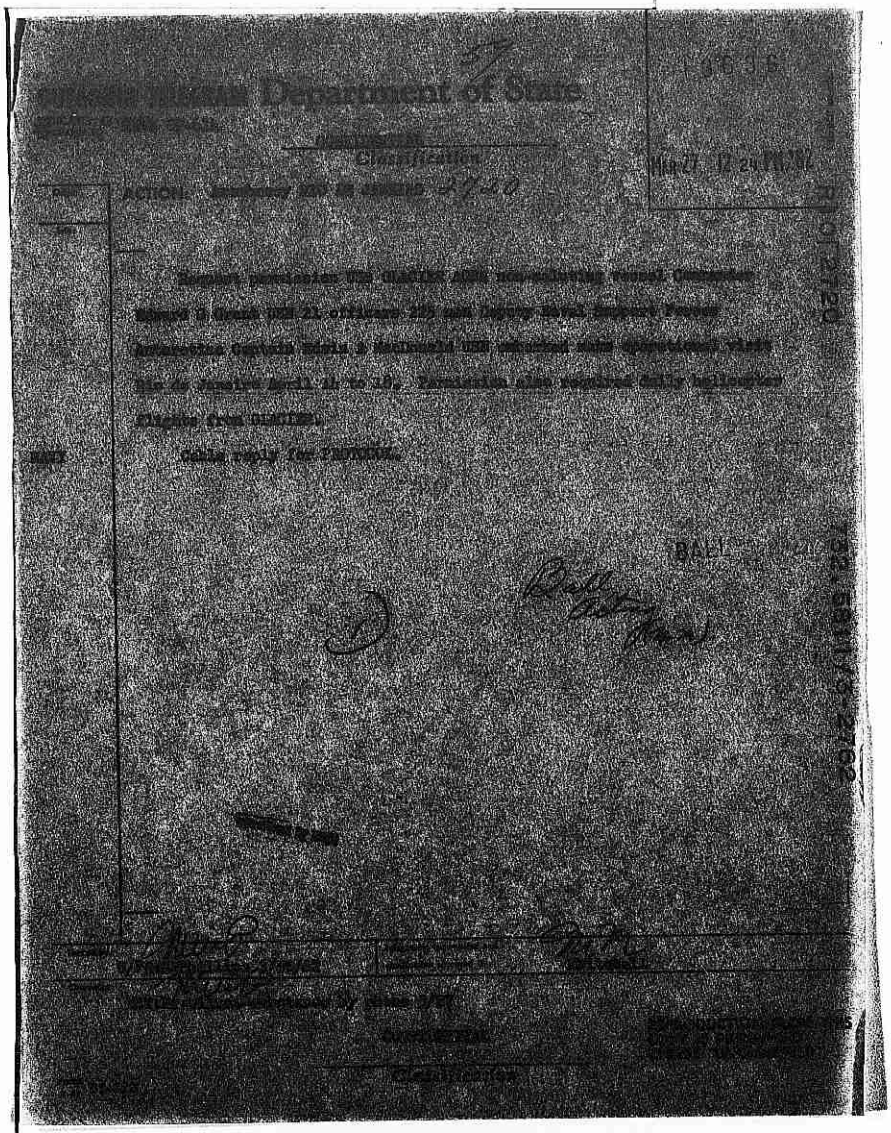
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832.424/3-1662

XR 732.5611

6/11/32

0303



Department of State

Classification

ACTION:

0304

INCOMING TELEGRAM Department of State PERMANENT RECORD COPY

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Control: 20481
Rec'd: MARCH 30, 1962 5:55 a.m.

RIO 2282

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FROM: Rio de Janeiro

TO: Secretary of State

NO: 2282, March 29, 5 p.m.

ACTION QUITO PRIORITY 10, INFORMATION SANTIAGO 44, BUENOS AIRES 134, DEPARTMENT 2282

DEPARTMENT PASS POLAD CINCARIB FOR INFORMATION

FOR NATIONAL WAR COLLEGE FROM HENDERSON

Hotel reservations confirmed night April 4 for NWC party. Embassy briefing now to be held morning April 5 rather than April 6. This only change previously established schedule of activities. Sending informational material Santiago by courier.

BOND

SMD:HC

NOTE: Relayed to CINCARIB POLAD 3/30/62

(2)

720.5811/3-2962
XR 732.5811

DEPARTMENT OF STATE RECEIVED
1962 MAR 30 AM 9 36
COMMUNICATIONS CENTER

Declassified by RMJR

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ACTION ASSIGNED TO: INR/CS	ACTION TAKEN	DIRECTIONS TO RM/R
NAME OF OFFICER & SERVICE SYMBOL: INR/IS	DATE OF ACTION: 4/6/62	

0305

ORIGIN/ACTION		
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TR	XMB	AIR 3
ARMY 8	CIA 14	NAVY 3
OSD 16	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

(Departmental and Foreign Service)

732.5811/4-462
XR 732.5811

UNCLASSIFIED

A-426
NO.

TO : Department of State 1962 APR 6 PM 3 42

Attn : Colonel George W. Marthens,
Industrial College of the Armed Forces

RECORDS ANALYSIS & DISTRIBUTION BRANCH

FROM : Amembassy, RIO DE JANEIRO DATE: April 4, 1962

SUBJECT : ICAF Visit.

REF :

It will be necessary to hire a bus for transportation of ICAF group from and to airport on overnight stop in Rio, April 18 and 19. Cost will be approximately Cr$ 15,000 or US$ 45.00. Please advise if funds available.

Suggest that only overnight bags be brought to hotel in order to expedite departure on following morning.

BOND

UNCLASSIFIED

FOR DEPT. USE ONLY
☑ In ☐ Out

FORM DS-323
11-61

Drafted by: ECON:SHWeaver/lsc April 2, 1962

Contents and Classification Approved by: Edward J. Bash

Clearances:

0306

AIR POUCH
HANDLING INDICATOR

UNCLASSIFIED

For Department Use Only
732.5811/4-1362

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

810
NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 13, 1962
DATE

REF : ---

20 For Dept. Use Only	ACTION	INFO	DEP	RM/R	NEA	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IC	ICA
	MRA-4			2								5*				
		OTHER			ATTY	COM	FRB	INT	LAB	TAR	TR	XMB				
	REC'D 4-19-62				AIR	ARMY	CIA	NAVY	OSD	OCR	USIA	NSA				
					3	5.	9*	3	3*			3				

SUBJECT: Visit by Group from the National War College

A group of thirty-seven faculty members and students of the National War College, with Major General Francis T. Pachler, USA, in charge, spent the period April 4-8 in Rio de Janeiro.

As of possible interest to the Department, the following are attached:

1. Roster of the group. - 5 copies
2. Schedule of activities. 5 copies
3. Copy of a brochure prepared for the information of the group (only one copy available). 1 copy
4. Guest list for the reception in honor of the group. 5 copies
5. Copy of the transcript of an exchange of questions and answers which took place during the visit of the group to the Brazilian War College. 5 copies

For the Chargé d'Affaires a.i.:

Joseph S. Henderson
Counselor of Embassy
for Consular Affairs

Enclosures: (5) as stated.

As enumerated above

JSHenderson:gmh
REPORTER

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FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0307

(43)

INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

58
Action
PR
Info
ARA
NAVY
RMR

CONFIDENTIAL

RECEIVED DEPARTMENT OF STATE
1962 APR 7 PM 5 21

Control: 4943
Rec'd: April 7, 1962
9:20 p.m.

FROM: Rio De Janeiro

TO: Secretary of State OFFICE OF THE CHIEF OF PROTOCOL

NO: 2393, April 6, 9 p.m.

732.5811

FOR PROTOCOL.

DEPTELs 2553, 2720.

Informal approval visits Arneb and Glacier received via Navy channels.

BOND

MRJ

Rio - 2393

732.5811/4-662

FILED
Jun 13 2 22 PM '62

(1)

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NAME OF OFFICER & OFFICE SYMBOL	Phillips - PR/PR	DATE OF ACTION	4/9	

0308

32

Copy # 160 destroyed, RM/R 7/8

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT ☐ CHARGE TO

CONFIDENTIAL
Classification

P 02439

JUN 5 9 20 PM '62

RIO 3507

Origin

Info

ACTION: Amembassy RIO DE JANEIRO 3507

INFO: POLAD CINCCARIB

FROM MARTIN FOR AMBASSADOR

LIMIT DISTRIBUTION

Embtel 2417, CA 2211

Special US military participation in Brazilian Independence Day celebration September 7 available as follows: Army, Navy, Air Force each willing (1) provide honor guard five cadets its service academy and (2) approach retired officers who were associated with Brazilian Armed Forces during World War II with view their attendance.

Before recommending allocation from limited Department funds for travel and per diem request you review Embassy strong endorsement project and give me benefit of your judgment, in light current military-civilian relations and attitudes in Brazil and recent developments in hemisphere focusing attention on role of military under civilian constitutional governments, whether US military participation on this occasion would promote US interests.

END

RUSK

Microfilmed by RMJR

Drafted by: ARA:EST:HRWellman:zeg 6/5/62

Telegraphic transmission and classification approved by: ARA - Mr. Martin

Clearances:

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CONFIDENTIAL
Classification

DS-322

0309

32

INCOMING TELEGRAM *Department of State* ACTION COPY

PERMANENT RECORD COPY

33 SECRET COPIES RECEIVED NUMBERED

Action: ARA

Control: 7255
Rec'd: April 11, 1962
3:30 p.m.

Info: SS, SR, G, SP, L, CAP, P, USIA, NSC, INR, CIA, NSA, OSD, ARMY, NAVY, AIR, RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 2417, APRIL 10, 9 PM

ACTION DEPARTMENT 2417, INFORMATION POLAD CINCARIB UNNUMBERED.

STATE PASS USIA AND DEFENSE.

RE CA-2211.

EMBASSY STRONGLY ENDORSES PARTICIPATION IN INDEPENDENCE DAY CELEBRATIONS IN RIO DE JANEIRO AND BRASILIA BY (1) DISTINGUISHED US MILITARY LEADERS ASSOCIATED WITH US-BRAZILIAN MILITARY COOPERATION WORLD WAR II AND (2) US CADET CONTINGENTS (WHOSE CONTACTS THEIR BRAZILIAN COUNTERPARTS ALSO WOULD BE USEFUL). TO EMBASSY'S KNOWLEDGE NO BRAZILIAN REQUEST FOR VISIT US MILITARY ELEMENTS YET MADE. HOWEVER, SUCH REQUEST, WHICH SUGGEST OUGHT COME FROM AT LEAST MINISTERIAL LEVEL, PROBABLY COULD BE EASILY GENERATED.

EMBASSY HAS STRONG RESERVATIONS RE VISITS US MILITARY TO PARTICULARLY SENSITIVE BRAZILIAN NORTHEAST ONE MONTH PRIOR ELECTIONS WHOSE OUTCOME OF SPECIAL IMPORTANCE US. LEFT AND CENTER-RIGHT ARE SHARPLY DIVIDED IN VARIOUS NORTHEASTERN STATES AND PRESENCE US MILITARY WOULD QUITE LIKELY BE EXPLOITED BY LEFT TO FOSTER IDEA US "IMPERIALISM" AND MIGHT ALSO EMBARRASS CENTER-RIGHT. IF BY SEPT ALLIANCE FOR PROGRESS HAS PRODUCED CONSIDERABLE IMPACT IN AREA (POSSIBILITY WHICH NOW SEEMS REMOTE) EMBASSY WOULD HAVE FEWER RESERVATIONS. HOWEVER, EVEN IN SUCH OPTIMUM CIRCUMSTANCE, US MILITARY VISITS MIGHT NOT BE ADVANTAGEOUS, SINCE LEFT COULD USE THEM TO BOLSTER THEIR POSITION THAT ALLIANCE FOR PROGRESS IS ESSENTIALLY MEANS ENSURING US CONTROL OF BRAZIL.

SHOULD POLITICAL SITUATION SUBSTANTIALLY IMPROVE BEFORE SEPT, EMBASSY WILL

Copy No(s) 122 Date 4/12 Declassified by RM/R

(2)

SECRET

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0310

AIR POUCH
HANDLING INDICATOR

UNCLASSIFIED

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732.5811/4-1362

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 810 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 13, 1962 DATE

REF : ---

20 For Dept. Use Only	ACTION	ARA-4	INFO	DEPT	RM/R 2	REP	AF	ARA	EUR	FE	NEA	CU	INR 5	E	P	IO	ICA
				OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB					
	REC'D 4-19-62				AIR 3	ARMY 5	CIA 9	NAVY 3	OSD 3	OCB	USIA	NSA 3					

SUBJECT: Visit by Group from the National War College

A group of thirty-seven faculty members and students of the National War College, with Major General Francis T. Pachler, USA, in charge, spent the period April 4-8 in Rio de Janeiro.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
APR 23 1962

As of possible interest to the Department, the following are attached:

1. Roster of the group. - 5 copies.
2. Schedule of activities. 5 copies
3. Copy of a brochure prepared for the information of the group (only one copy available). 1 copy
4. Guest list for the reception in honor of the group. 5 copies
5. Copy of the transcript of an exchange of questions and answers which took place during the visit of the group to the Brazilian War College. 5 copies

For the Chargé d'Affaires a.i.:

Joseph S. Henderson
Counselor of Embassy
for Consular Affairs

Enclosures: (5) as above

As enumerated above

FILED
JUN 6 2 52 PM '62

JSHenderson:gmh
REPORTER

UNCLASSIFIED

FORM 6-61 FS-439 GPO 912596

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ACTION ASSIGNED TO:	ARA	ACTION TAKEN	no action
NAME OF OFFICER & OFFICE SYMBOL	EST/B	DATE OF ACTION	6-6-62
	RC	DIRECTIONS TO RM/R	file

0311

Enclosure No. 1 to
Despatch No. 810
from Rio de Janeiro

Roster of National War College Group
visiting Rio de Janeiro, April 5-8
4

Faculty and Staff

Maj Gen Francis T. Pachler, USA	+Deputy Commandant, Military Affairs
Col Albert J. McChristy, USAF	++Member, Dept Educational Development
Col Roy C. Heflebower, Jr.,USAF	Member, Dept Political Affairs
Col Willis E. Beightol, USAF	Member, Dept Military Affairs
Capt Alton B. Parker, USN	Member, Dept National Strategy
Col Donald J. Decker, USMC	Director, Dept Educational Development
Major Bernard A. Gresick, USA	Comptroller
1st Lt M. Christensen, USA	Aide to General
Major J. W. Ransone, USA	Trip Medical Doctor
Raymond Russell	Clerk

Students

Army

Black, Edwin F., Col
Claypool, Charles B., Col
Gorn, John W., Col
Keller, Lucian F., Col
Munster, Daniel F., Col
Nelson, Robert K., Col
Snoddy, Cecil C., Col

Navy

Davies, Thomas D., Capt
Glenn, Everett M., Capt
Swanson, Leroy V., Capt
Timmes, Francis X., Capt
Wentworth, Ralph S., Jr., Cdr
Zumwalt, Elmo R., Jr., Capt

Air Force

Baer, John W., Col
Cassiday, Benjamin B., Jr., Col
Garland, William C., Col
Lewis, Charles D., Col
McLaughlin, Burl W., Col
Robbins, Jay T., Col
Wimberly, Charles L., Col

Civilian

Burns, Findley, Jr., State
Calloway, Kenneth W., State
Collins, James F., State
Ingram, George M., State
Ledet, Wilton P., DOD
Stutesman, John H., Jr., State

Marines

Wilson, Louis H., Col, USMC

\+ Trip Director
++ Trip Executive

0312

Enclosure No. 2 to
Despatch No. 810
from Rio de Janeiro

PROGRAM OF VISIT OF NATIONAL WAR COLLEGE GROUP

Rio de Janeiro, April 4-8

	Time		Dress
		Wednesday, April 4	
	1815	Arrival Galeão International Airport (Military Side)	Informal
	1830	Depart airport for hotel	
	1915	Arrive hotel	
		Evening free	
		Friday, April 6	
Thurs. Apr. 5	0830	Depart hotel for Chancery	
	0900 - 1145	Briefing at Chancery (Conducted by Chief of Mission, Chairman USDEL, JBUSMC, and Embassy staff, covering political, military, economic, and psychological aspects of Brazilian situation)	Class A
	1145	Major General Pachler and others depart for courtesy call	
	1200	Depart for Escola Superior de Guerra (ESG)	
	1230 - 1400	Luncheon given by ESG	Class A
	1400 - 1600	Briefing by and discussions with faculty and students at ESG	
	1600	Return to hotel	
	1830	Depart hotel for Embassy residence	

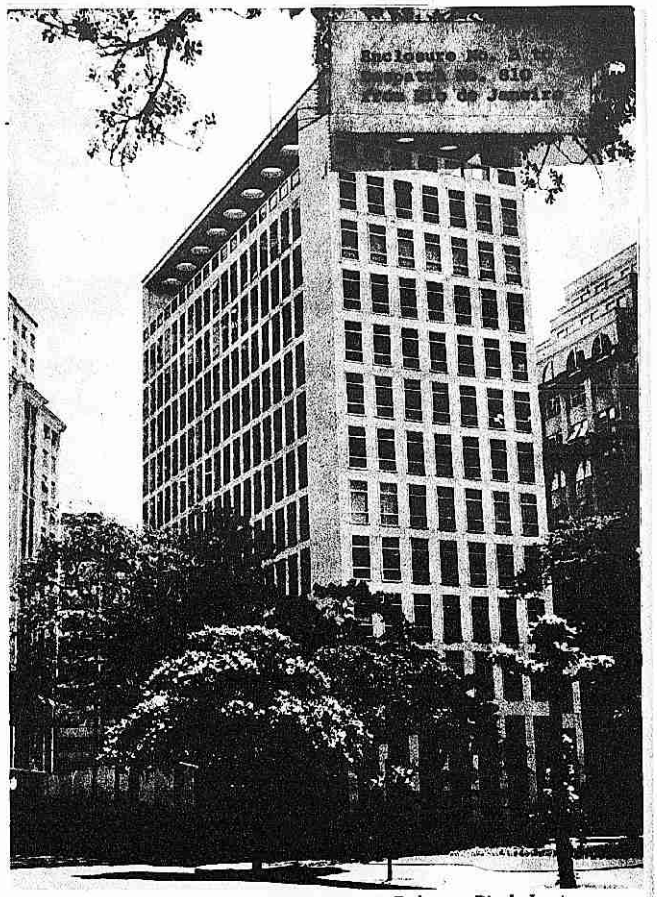
0313

Time		Dress
	Friday, April 6 (cont'd)	
1900 - 2100	Reception in honor of NWC Group	Class A
2115	Return to hotel	
	Remainder of evening free	
	Saturday, April 7	
	Day free for consultations, shopping or sightseeing	
1845	Depart hotel for dinners and cocktail buffets (Army, Navy, Air Force and civilian groups)	Informal
	Sunday, April 8	
0645	Depart hotel for airport	Informal
0800	Depart for Brasilia	



National War College
Briefing at Chancery
April 6, 1962

0900 - 0920	Introductory remarks by Chargé Niles Bond
0920 - 0940	Military Aspects -- Major General George R. Mather, Chairman USDEL, JBUSMC
0940 - 0950	Questions
0950 - 1010	Political Aspects -- Robert Shields, Political Section
1010 - 1020	Questions
1020 - 1045	Break
1045 - 1105	Economic Aspects -- Leonard Saccio, Minister for Economic Affairs, and Robert Eakens, Counselor for Economics
1105 - 1115	Questions
1115 - 1135	Psychological Aspects -- Aldo D'Alessandro, Counselor for Public Affairs
1135 - 1145	Questions



View of American Embassy, Rio de Janeiro

YOUR VISIT TO BRAZIL

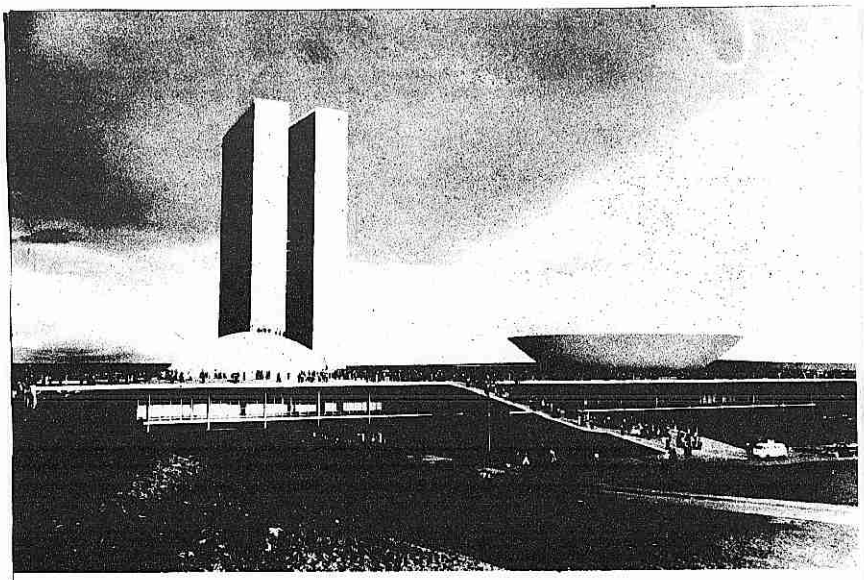
PROGRAM OF VISIT OF NATIONAL WAR COLLEGE GROUP

Rio de Janeiro, April 4-8

Time		Dress
	WEDNESDAY, APRIL 4 ~~Thursday, April 5~~	
1815	Arrival Galeão International Airport (Military Side)	Informal
1830	Depart airport for hotel	
1915	Arrive hotel	
	Evening free	
	Friday, April 6	
THURS. Apr. 5 0830	Depart hotel for Chancery	
0900 - 1145	Briefing at Chancery (Conducted by Chief of Mission, Chairman USDEL, JEUSMC, and Embassy staff, covering political, military, economic, and psychological aspects of Brazilian situation)	Class A
1145	Major General Pachler and others depart for courtesy call	
1200	Depart for Escola Superior de Guerra (ESG)	
1230 - 1400	Luncheon given by ESG	Class A
1400 - 1600	Briefing by and discussions with faculty and students at ESG	
1600	Return to hotel	
1830	Depart hotel for Embassy Residence	
1900 - 2100	Reception in honor of NWC Group	Class A
2115	Return to hotel	
	Remainder of evening free	

0317

Time		Dress
	Saturday, April 7	
	Day free for consultations, shopping, or sightseeing	
1845	Depart hotel for dinners and cocktail buffets (Army, Navy, Air Force, and civilian groups)	Informal
	Sunday, April 8	
0645	Depart hotel for airport	Informal
0800	Depart for Brasilia	

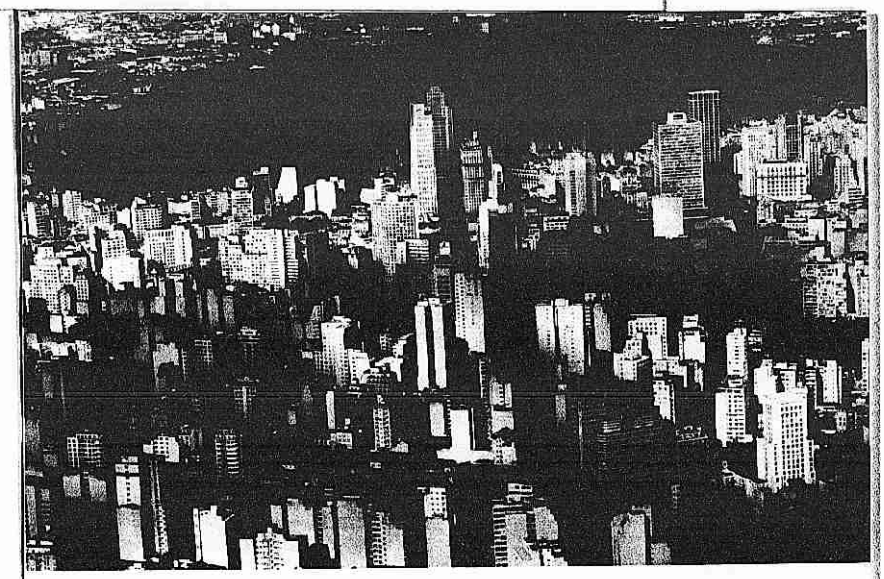


The Praça dos Três Poderes (Three Powers Square) in Brasília, Brazil's new capital, showing modern Congress buildings.

0319

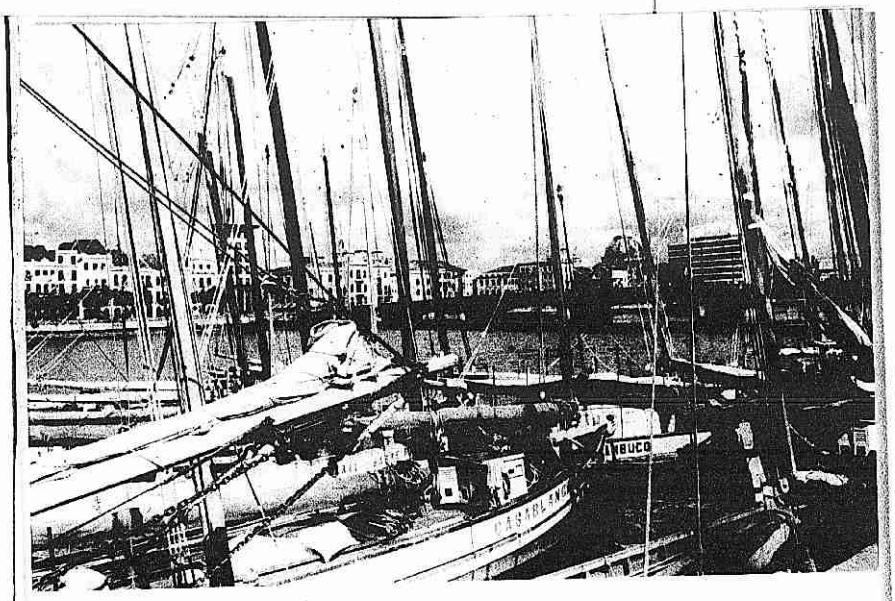


A bird's-eye view of Rio de Janeiro, with the Sugar Loaf in the background and Corcovado in the foreground, topped by huge statue of Christ the Redeemer.



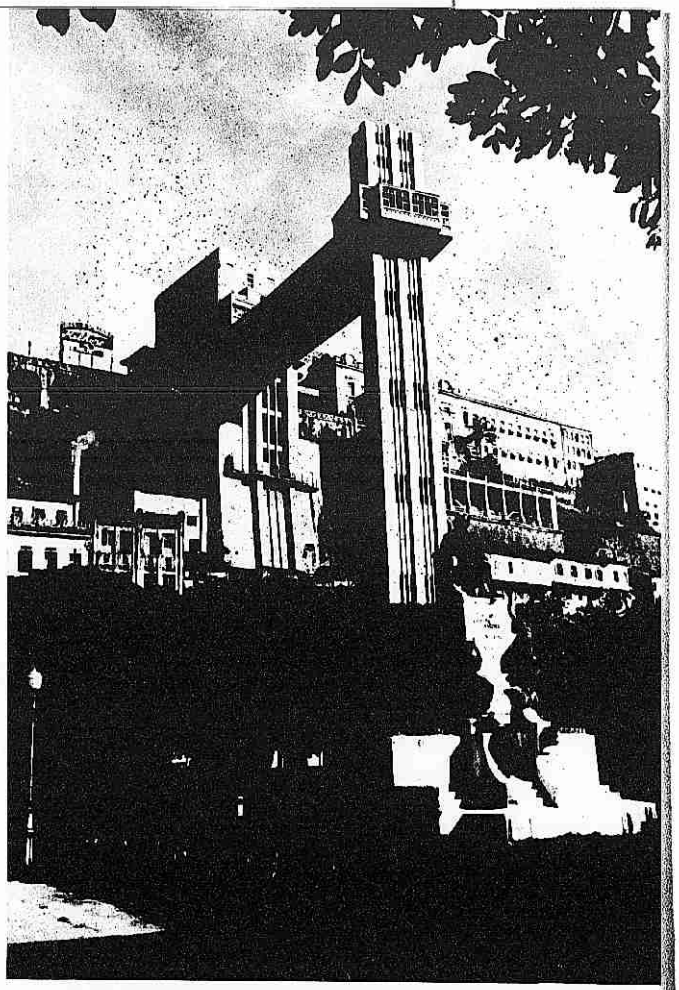
The heart of São Paulo, capital of São Paulo State and known as the world's fastest-growing city.

0321



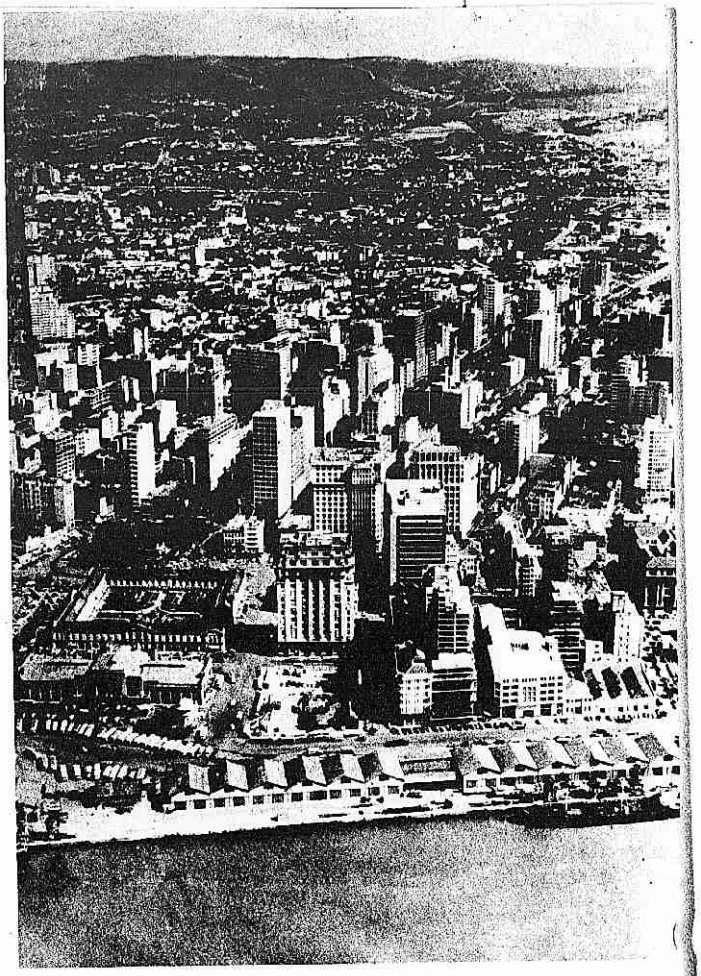
Partial view of Recife, capital of Pernambuco State, with fishing boats in the foreground.

0322



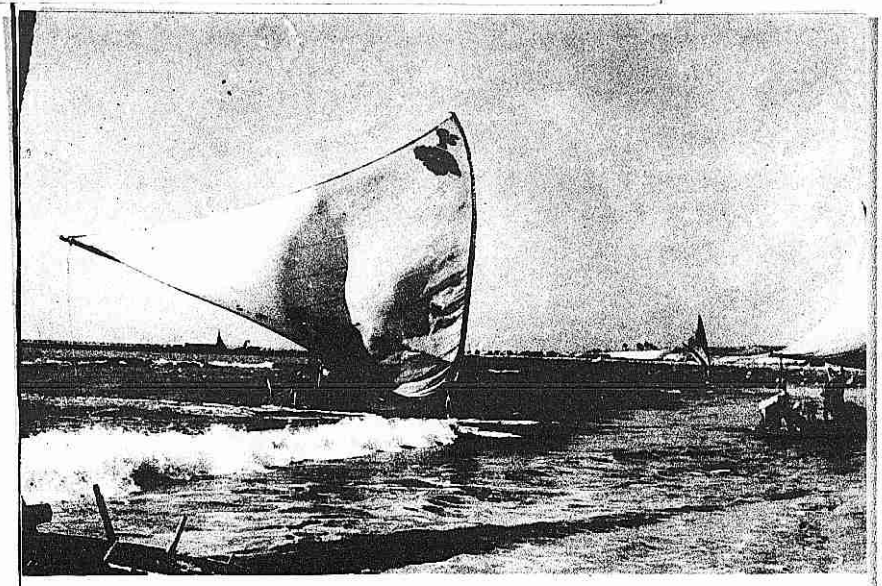
Elevator connecting the two levels of Salvador, capital city of the State of Bahia.

0323



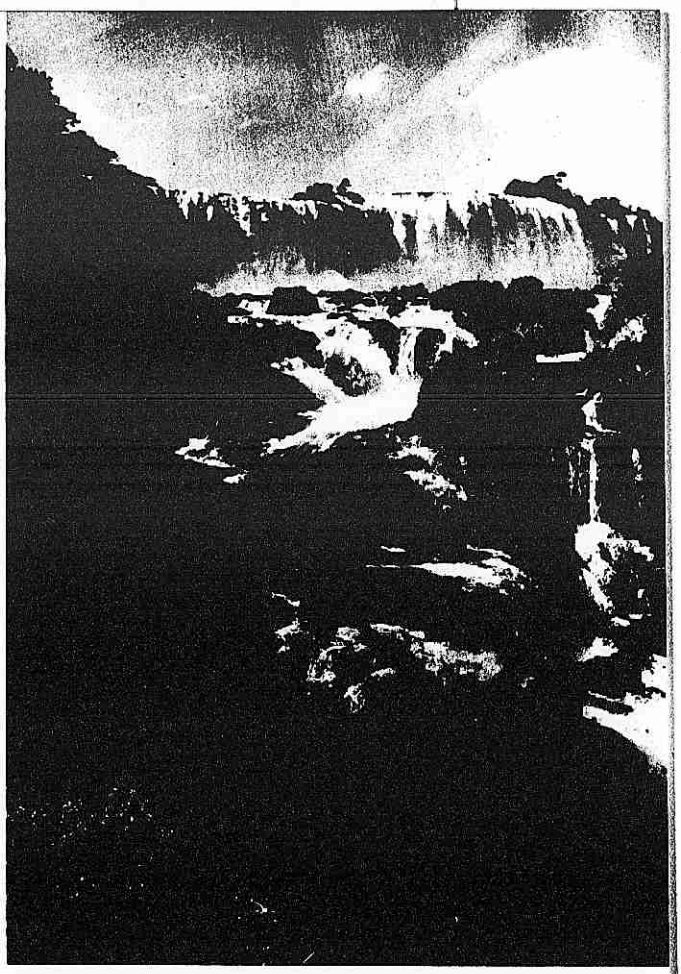
A view of Porto Alegre, capital of Rio Grande do Sul State, with the docks in the foreground.

0324



Fishermen on their primitive «jangadas» (rafts) arriving ashore on the coast of Ceará State.

0325



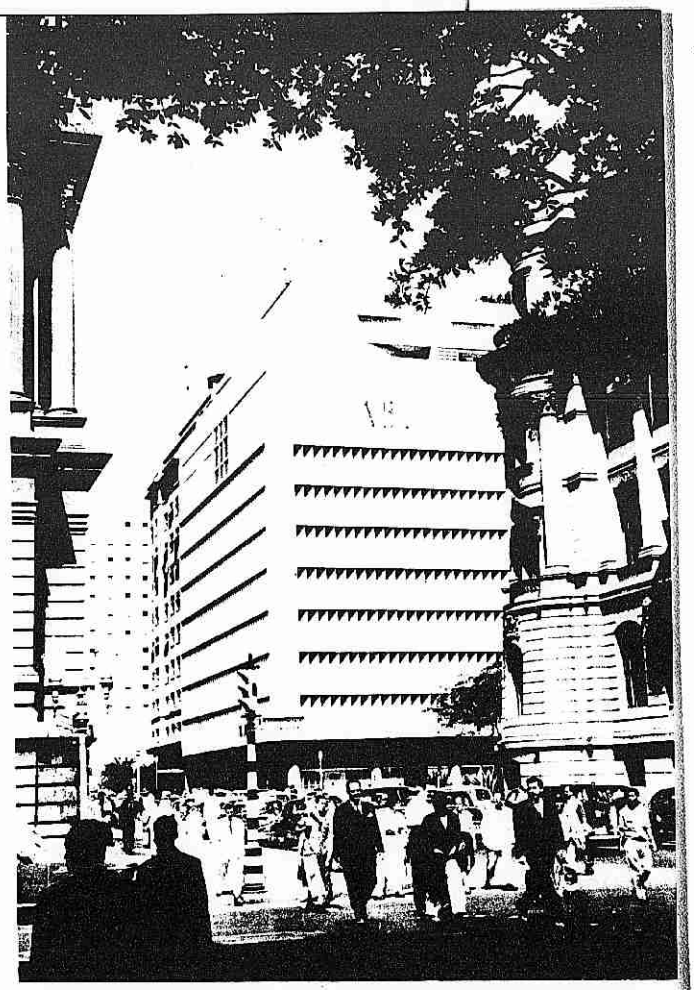
Iguaçú Falls in the South of Brazil, on the Argentine border, a tourist attraction in both countries.

0326



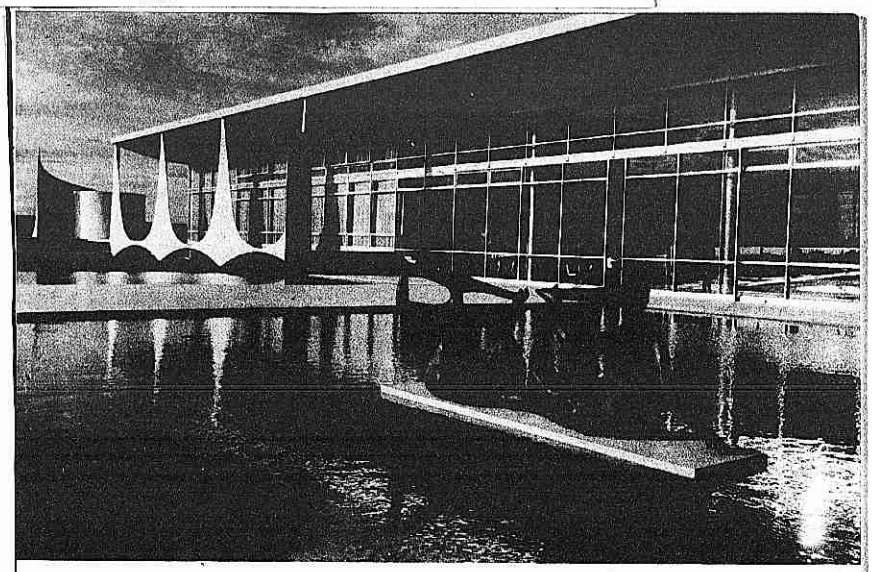
Outside an ancient church in the town of Congonhas do Campo, State of Minas Gerais, the «Prophets» statues by «Aleijadinho» are a famous sight.

0327



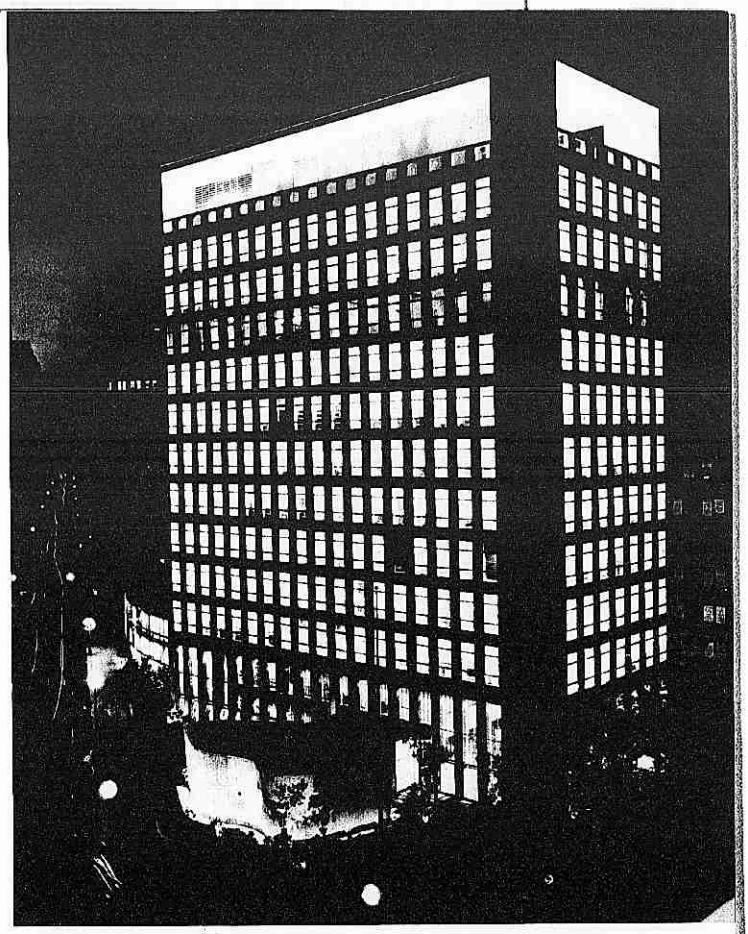
A landmark famous for its striking modern design is the Brazilian Press Association (ABI) Building in downtown Rio.

0328



Alvorada (Dawn) Palace, the President's official residence in Brasília, the new Brazilian capital.

0929



NIGHT VIEW OF AMERICAN EMBASSY

0330

Enclosure No. 4 to
Despatch No. 810
from Rio de Janeiro

GUEST LIST

Reception in honor of Members of the
US National War College
Given by the American Chargé d'Affaires
and Mrs. Bond
at the Embassy Residence on
Friday, April 6, 1962 - 7:00 to 9:00 p.m.

+++++

Receiving Line: Chargé d'Affaires and Mrs. Bond
Major General Francis T. Pachler, USA
Deputy Commandant of the National
War College

+++++

Visiting Guests: Thirty-seven members of the
National War College

+++++

Officers to assist
with introductions: Mr. Joseph S. Henderson
Colonel Henry Lucas
Lt. Colonel William P. Renny
Major Frank P. Connelly
Lieutenant Philip Wehrman

+++++

At door: Richard Scarfo
Francis Campbell
Capt. Bernard Laeffke
Lt. Joseph M. P. Knight

0331

National War College Group

Major General Francis T. Pachler, USA, Deputy Commandant
Colonel Albert J. McChristy, USAF, Trip Executive
Colonel Roy C. Heflebower, Jr., USAF, Faculty
Colonel Willis E. Beightol, USAF, Faculty
Captain Alton E. Parker, USN, Faculty
Colonel Donald J. Decker, USMC, Faculty
Major Bernard A. Gresick, USA, Faculty
1st Lieutenant M. Christensen, USA, Aide to Gen. Pachler
Major J. W. Ransone, USA, Trip Medical Doctor
Colonel Edwin F. Black, USA
Colonel Charles D. Claypool, USA
Colonel John W. Gorn, USA
Colonel Lucian F. Keller, USA
Colonel Daniel F. Munster, USA
Colonel Robert K. Nelson, USA
Colonel Cecil C. Snoddy, USA
Colonel John W. Baer, USAF
Colonel Benjamin B. Cassiday, Jr., USAF
Colonel William C. Garland, USAF
Colonel Charles D. Lewis, USAF
Colonel Burl W. McLaughlin, USAF
Colonel Jay T. Robbins, USAF
Colonel Charles L. Wimberly, USAF
Captain Thomas D. Davies, USN
Captain Everett M. Glenn, USN
Captain Leroy V. Swanson, USN
Captain Francis X. Timmes, USN
Commander Ralph S. Wentworth, Jr., USN
Captain Elmo R. Zumwalt, Jr., USN
Colonel Louis H. Wilson, USMC
Mr. Findley Burns, Jr., State
Mr. Kenneth W. Calloway, State
Mr. James F. Collins, State
Mr. George M. Ingram, State
Mr. Wilton P. Ledet, DOD
Mr. John H. Stutesman, Jr., State

Aircraft Crew

Five officers

0332

Escola Superior de Guerra

Faculty:

Vice Admiral and Mrs. Luiz Teixeira Martini
Major General and Mrs. Ignácio de Freitas Rollim
Brigadier General and Mrs. Théophilo Ottoni de Mendonça
Rear Admiral and Mrs. Murillo Vasco do Valle e Silva
Brigadier General and Mrs. Milton Barbosa Guimarães
Colonel and Mrs. Francisco Ernesto Paes Leme
Colonel and Mrs. Lindolpho Ferraz Filho
Colonel and Mrs. Antônio Andrade de Araújo
Colonel and Mrs. Januário João del Ré
Colonel and Mrs. Lauro Moutinho dos Reis
Colonel and Mrs. Domingos Ignácio Viegas
Colonel and Mrs. Augusto Teixeira Coimbra
Colonel and Mrs. Benedito Carlos de Moraes
Colonel and Mrs. José Ayrton Bezerra Studart
Captain and Mrs. Archanjo Pereira da Silva
Colonel and Mrs. Argus Lima
Lt. Colonel and Mrs. Joaquim Vitorino Portella Ferreira Alves
Lt. Colonel and Mrs. Rui Alencar Nogueira
Lt. Colonel and Mrs. Braz Teixeira Filho
Major and Mrs. Altamiro Telles Mendes
Major and Mrs. Livio de Magalhães Chaves
Major and Mrs. Jorge Luiz Senra Pessoa
Captain and Mrs. Orlando Ferreira dos Santos
Captain and Mrs. Affonso Bello Wanderley
Captain and Mrs. Francisco Ferreira Chaves Filho
Captain and Mrs. Newton Vitória de Carvalho
Commander and Mrs. Alberto Almeida de Rezende
1st Lieutenant and Mrs. Aderbal Mesquita
1st Lieutenant and Mrs. Luzio Pinheiro de Miranda
1st Lieutenant and Mrs. Franklin de Souza
2nd Lieutenant and Mrs. Ariston Batista de Resende
Dr. and Mrs. Antonio Saturnino Braga
Professor and Mrs. Manoel Moreira de Barros e Silva
Dr. and Mrs. Heitor Felix Ferreira da Silva
Professor and Mrs. Heitor Marçal

Higher War Course:

Major General and Mrs. Octacilio Terra Ururahy
Vice Admiral and Mrs. Moacyr Rodrigues da Costa

0339

Higher War Course (cont'd)

Brigadier General and Mrs. Aluízio de Miranda Mendes
Brigadier General and Mrs. Paulo Leite Rezende
Minister and Mrs. Jorge de Oliveira Maia
Rear Admiral and Mrs. Antonio Borges da Silveira Lobo
Brigadier General and Mrs. Dario Coelho
Dr. and Mrs. Geraldo Rodrigues dos Santos
Colonel and Mrs. Agemar da Rocha Santos
Colonel and Mrs. Artur Duarte Candal Fonseca
Dr. and Mrs. Clovis da Cruz Mascarenhas
Dr. and Mrs. Gastão Hugo Teixeira Lobão
Dr. and Mrs. Carlos Theophilo de Souza e Mello
Colonel and Mrs. Horácio Candido Gonçalves
Dr. and Mrs. Hugo Cardoso da Silva
Dr. and Mrs. Raimundo Augusto de Castro Moniz de Aragão
Colonel and Mrs. Haroldo Pradel de Azambuja
Dr. and Mrs. Antonio Augusto Rogerio Teixeira Mendes
Dr. and Mrs. José Hilário de Oliveira e Silva
Colonel and Mrs. João Augusto Montarroyos
Father Fernando Bastos de Ávila
Dr. and Mrs. George Daniel Landau
Colonel and Mrs. João Batista da Costa
Mr. and Mrs. Alberto dos Santos Abade
Dr. and Mrs. Domingos Marques Grello
Colonel and Mrs. Jacintho Pantoja Pires Coelho
Dr. and Mrs. Antonio Seabra Móggi
Dr. and Mrs. Alfredo de Almeida Paiva
Colonel and Mrs. João Luiz Vieira Maldonado
Dr. and Mrs. Geraldo Parreiras
Mr. and Mrs. José Carlos Junqueira Schmidt
Colonel and Mrs. Alvaro Tourinho Junqueira Ayres
Dr. and Mrs. Luiz Teixeira Alves de Lima
Dr. and Mrs. Armindo Beux
Colonel and Mrs. Benedito Carlos de Moraes
Captain and Mrs. José Luiz Paes Leme
Captain and Mrs. Attila Rodrigues Novaes
Captain and Mrs. Boris Markenson
Dr. and Mrs. Carlos Alberto O'Reilly Garcia
Captain and Mrs. Mauro de Carvalho Aguiar
Mr. and Mrs. Eneas Almeida Fontes

0334

Armed Forces Command and General Staff Course:

Colonel and Mrs. Fernando da Silva Machado
Colonel and Mrs. Roberval Gomes da Costa
Lt. Colonel and Mrs. Salomão Naslausky
Lt. Colonel and Mrs. Epaminondas Ferraz da Cunha
Lt. Colonel and Mrs. Ismael da Motta Paes
Commander and Mrs. Vânius de Miranda Nogueira
Lt. Colonel and Mrs. Hugo de Andrade Abreu
Lt. Colonel and Mrs. Hélio Langsch Keller
Lt. Colonel and Mrs. Luiz Dantas de Mendonça
Commander and Mrs. José Ferreira Guarita
Commander and Mrs. Arthur Benigno Machado
Lt. Colonel and Mrs. Newton Gonçalves Rocha
Lt. Colonel and Mrs. Anibal Gurgel do Amaral
Lt. Colonel and Mrs. Ferdinando de Carvalho
Lt. Colonel and Mrs. Octavio Tosta da Silva
Lt. Colonel and Mrs. Jayme Moreno
Lt. Colonel and Mrs. Octavio Pereira Costa
Major and Mrs. Francisco Boaventura Cavalcanti, Jr.

Federal Government

Minister of Foreign Affairs and Mrs. Francisco Clementino de San Tiago Dantas
Deputy and Mrs. Renato Bayma Archer da Silva, Under-Secretary of State for Foreign Affairs

State of Guanabara

Governor and Mrs. Carlos Lacerda
Dr. and Mrs. Luiz Carlos Mancini, Secretary of Administration
Dr. and Mrs. Mario Lorenzo Fernandez, Secretary of Finance
Dr. and Mrs. [redacted], Secretary of Justice, ADAUCTO LUCIO CARDOSO
Dr. and Mrs. Flexa Ribeiro, Secretary of Education
Commander and Mrs. Julio de Sá Bierrenback, Military Assistant to Governor
Dr. and Mrs. José Candido Moreira de Souza, Secretary of Agriculture
Dr. and Mrs. Marcello Garcia, Secretary of Health
Brigadier and Mrs. Helio Costa, Secretary of Transportation and Public Works

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State of Guanabara (cont'd)

Dr. and Mrs. João Marie Havelange, Secretary of Sports
Dr. and Mrs. Raphael de Almeida Magalhães, Secretary to the Governor

Foreign Ministry

Ambassador and Mrs. Carlos Alfredo Bernardes, Secretary General of Political Affairs
Ambassador [redacted]. Henrique Rodrigues Valle, Asst. Secretary General of American Affairs
Ambassador and Mrs. Octavio Augusto Dias Carneiro, Asst. Secretary General of Economic Affairs
Minister and Mrs. Ramiro Elysio Saraiva Guerreiro - North American Affairs
Minister and Mrs. Carlos Frederico Duarte Gonçalves da Rocha - Central American Affairs
Minister and Mrs. Mario Tancredo Borges da Fonseca - South American Affairs
Minister and Mrs. Raul Henrique Castro e Silva de Vincenzi, Chief of Protocol

Members of the Diplomatic Corps

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H.E. The Ambassador of Pakistan and Mrs. Syed Murshed
H.E. The Ambassador of Norway and Mrs. Cappelen
H.E. The Ambassador of Finland and Mrs. Ingman
The Chargé d'Affaires of Ceylon and Mrs. Pathmarajah
H.E. The Ambassador of China and Mrs. Li
H.E. The Ambassador of Australia and Mrs. Jamieson
H.E. The Ambassador of Iran and Mrs. Hamzavi
The Chargé d'Affaires of India and Mrs. Hussain
H.E. The Ambassador of Canada and Mrs. Chapdelaine
H.E. The Ambassador of Denmark and Mrs. Möller
H.E. The Ambassador of Sweden, Mr. Jens Malling
H.E. The Ambassador of Great Britain and Lady Wallinger
H.E. The Ambassador of Yugoslavia and Mrs. Barisic
H.E. The Ambassador of Japan and Mrs. Tatsuke
H.E. The Ambassador of the United Arab Republic and Mrs. Mustafá

Heads of Foreign Missions (cont'd)

The Chargé d'Affaires of Greece, Mr. Evnage G. Lykouris
H.E. The Ambassador of Belgium and Mrs. Colot
H.E. The Ambassador of the Netherlands and Baroness van Aduard
H.E. The Ambassador of Indonesia and Mrs. Hanifah
H.E. The Ambassador of Austria and Mrs. Lennkh
The Chargé d'Affaires of Germany and Mrs. Moltmann
H.E. The Ambassador of Syria and Mrs. Abdel Magid Trabulsi
The Chargé d'Affaires of Argentina, Mr. Francisco Alberto de La Vega
H.E. The Ambassador of Bolivia, Dr. German Quiroga Galdo
The Chargé d'Affaires of Chile and Mrs. Mário Vergara
H.E. The Ambassador of Colombia and Mrs. Daria Botero Isaza
H.E. The Ambassador of Costa Rica and Mrs. Marti Vargas
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H.E. The Ambassador of Ecuador and Mrs. Ponce Yepez
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H.E. The Ambassador of Mexico and Mrs. Garcia Robles
H.E. The Ambassador of Nicaragua and Mrs. Sanson Balladares
The Chargé d'Affaires of Panama, Dr. Gustavo a Mendez V.
H.E. The Ambassador of Paraguay and Mrs. Raul Peña
H.E. The Ambassador of Peru and Mrs. Echecopar - Herce
Monsignor Armando Lombardi, The Papal Nuncio (Dean D.C.)
H.E. The Ambassador of Uruguay and Mrs. Salvador M. Ferrer Serra
H.E. The Ambassador of Venezuela, Dr. José Luis Salcedo Bastardo
H.E. The Ambassador of Honduras and Mrs. José R. Castro

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Mr. and Mrs. Miguel Angel Espeche Gil (Argentina - Attaché)
Mr. and Mrs. Sebastião Maria de Almeida Santos de Castello Branco (Portugal)
Mr. and Mrs. C. I. Ransden (Great Britain - Counselor)
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Other Foreign Diplomats (cont'd)

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Foreign Service Attachés

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Commodore and Mrs. Angel Bartolomé Crocci (Air)
Colonel and Mrs. Raul Pablo Aguirre Molina (Army)
Vice Commodore and Mrs. Roberto Luis Nanziot (Asst. Air)

Bolivia:

Colonel and Mrs. Jaime Bilbao Zubieta (Asst. Army)
Major and Mrs. Mario Eguia Achaval (Air)
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Mexico:

General and Mrs. Luis Alamillo Flores (Army)

Paraguay:

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Major and Mrs. Vicente Fernando Quiñones (Air)
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Portugal:

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Colonel and Mrs. Fernando R. Blanco (Air)
Captain and Mrs. Conrado J. Olazábal (Navy)

Venezuela:

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Colonel and Mrs. Jesus Manuel Buitrago Vivas (Army)
Captain and Mrs. Manuel N. Herrera Correa (Navy)

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Gen. de Exer. and Mrs. Emilio Rodrigues Ribas, Jr., Chief of Staff
Gen. de Div. and Mrs. Oscar Rosa Nepomuceno da Silva, Deputy Chief of Staff

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Brazilian Army (cont'd)

Gen. de Exer. and Mrs. José Machado Lopes, Chief, Dept. of Logistics
Gen. de Exer. and Mrs. Nicanor Guimarães de Souza, Chief, Dept. of Production and Works
Gen. de Exer. Osvino Ferreira Alves, I Army Commander
Gen. de Div. and Mrs. Jair Dantas Ribeiro, 1st Military Region Commander
Gen. de Div. and Mrs. Augusto da Cunha Maggessi Pereira, 1st Infantry Division Commander

Brazilian Navy

Admiral and Mrs. Angelo Nolasco de Almeida, Minister of the Navy
Admiral and Mrs. Ary dos Santos Rongel, Chief, Naval Opr.
Admiral and Mrs. Pedro Paulo de Araujo Suzano, Secretary General of the Navy
Rear Admiral and Mrs. Luiz Philippe de Saldanha da Gama, Brazilian Navy Representative, JBUSMC
Vice Admiral and Mrs. Helio Garnier Sampaio, Commander-in-Chief, Fleet
Vice Admiral and Mrs. Luiz Octavio Brazil, Director General, Bureau Ordnance
Vice Admiral and Mrs. José Moreira Maia, Vice Chief Naval Operations
Vice Admiral and Mrs. Mario Costa Furtado de Mendonça, Commandant 1st Naval District

Brazilian Air Force

Major Brigadeiro and Mrs. Clovis Monteiro Travassos, Minister of Air
Ten. Brig. and Mrs. Armando de Souza e Mello Araripoia, Chief of Staff
Ten. Brig. and Mrs. Ajalmar Vieira Mascarenhas, Inspector General
Maj. Brig. and Mrs. Antonio Alves Cabral, Commander ECEMAR
Maj. Brig. and Mrs. Armando Perdigão, Commander 3rd Air Zone
Maj. Brig. and Mrs. Joelmir Campos Araripe Macedo, Director Air Routes
Maj. Brig. and Mrs. Martinho Candido dos Santos, Commander COMTA
Brig. and Mrs. Oswaldo Balloussier, Sub-Inspector General



Armed Forces General Staff

General and Mrs. Oswaldo de Araujo Motta, Commander, Armed Forces General Staff
Gen. de Brig. and Mrs. Hugo Panasco Alvim, Sub-Chief Army
Rear Admiral and Mrs. Augusto Roque Dias Fernandes, Sub-Chief Navy
Brigadeiro and Mrs. Francisco Teixeira, Sub-Chief Air Force
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Dr. and Mrs. Godofredo Cesar de Mattos, Dir. Social & Political Div.
Dr. and Mrs. Hennio Correia da Silva, Chief Inspector
Inspector and Mrs. CARLOS NAVARRO DE ANDRADE

National Research Council

Vice Admiral and Mrs. Octacilio Cunha

Brazilian Press

Mr. and Mrs. Herbert Moses (A.B.I.)
Mr. and Mrs. Rogerio Marinho (O Globo)
Mr. and Mrs. Josué Guimarães (Agência Nacional)
Mr. and Mrs. Adolpho Bloch (Manchete)

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Brazilian Press (cont'd)

Mr. and Mrs. Nascimento Brito (Jornal do Brasil)
Mr. and Mrs. Danton Jobim (Diário Carioca)
Mr. and Mrs. Sergio Lacerda (Tribuna de Imprensa)
Mr. and Mrs. Alberto Dines (Fatos e Fotos)
Mr. and Mrs. José Guimarães (Correio da Manhã)
Mr. and Mrs. José Garcia de Souza (Correio da Manhã)
Mr. and Mrs. João Ribeiro Dantas (Diário de Notícias)
Mr. and Mrs. Guilherme Miller (Diário de Notícias)
Mr. and Mrs. Wagner Teixeira (Jornal do Commércio)
Mr. and Mrs. Eduardo Santa Maria (O Jornal)
Mr. and Mrs. Hoche Ponte (O Globo)
Mr. and Mrs. Julio Maria de Souza (Diário de Notícias)
Mr. and Mrs. Everardo Guilhon (O Mundo Ilustrado)
Mr. and Mrs. José Guilherme Viegas (Agência Nacional)
Mr. and Mrs. Wilson Figueiredo (Jornal do Brasil)

American Press

Mr. and Mrs. Thomas Masterson (AP)
Mr. and Mrs. H. Denny Davis (UPI)
Mr. and Mrs. Juan de Onis (New York Times)
Mr. and Mrs. William P. Williamson (Brazil Herald)
Mr. and Mrs. Leslie Warren (McGraw-Hill)
Mr. Henry Hogg (Bras.-Amer. Survey; also London Economist)
Mr. and Mrs. Paul Vanorden Shaw (Brazil Herald)
Mr. and Mrs. Wilson Hall (NBC)
Mr. and Mrs. John Blashill (Time-Life)
Mr. and Mrs. Leonard Gross (Look Magazine)
Mr. Charles Kuralt (CBS)

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Miscellaneous

Mr. and Mrs. Frank P. Zezza
Mr. and Mrs. Carlos Paquet

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Mr. and Mrs. Robert Eakens
Mr. and Mrs. Joseph Henderson
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Mr. and Mrs. John Fishburn
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Miss Dernice Goldstein
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Miss Ruth E. Boggs
Miss Mary Louise Stevenson
Miss Susan Scavone
Miss Georgia Wyrick
Miss Doris M. Laack
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Miss Anne Dancy
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Miss Denise Penna
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Miss Evangelina Barros
Miss Therezinha Soares
Miss Silvia Gobira
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Sgt. Gilbert Segarra
Cpl. Ronald J. Brand
Cpl. Jesus Factor
Cpl. Adelaide Lopez
Cpl. William J. Lopez
Sgt. Byron A. Wolder
Cpl. James F. Flanagan
Cpl. Walter N. Dunbar

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Enclosure No. 5 to
Despatch No. 810
from Rio de Janeiro

U.S.

QUESTIONS TO THE NATIONAL WAR COLLEGE

1. To what extent are the studies conducted by the National War College taken into consideration by the United States Government ?

1. To maintain the academic character of the National War College and to prevent the College from being diverted from its academic objectives, its charter from our Joint Chiefs of Staff specifically prohibits it from making studies and doing other staff work for government agencies.

However, the College does exert a great influence on our government through its graduates. Over 1400 of our alumni are active in government assisting in the formulation and implementation of US national security policy.

Two of these graduates are now with the President's White House Staff. Several hold positions as Assistant Secretaries of State and others have important assignments in Treasury Budget, and the US Information Agency. The Deputy Director of the Voice of America is a graduate.

Among the military officers who are graduates is Admiral Anderson, the Chief of Naval Operations; General Lemnitzer, of the Army, the Chairman of the Joint Chiefs of Staff, served on the staff of the College; also General Breitweiser, Air Force, was formerly Chief of Intelligence, and Gen Munn is Assistant Commandant of the Marine Corps. Approximately 40% of the general and flag officers on the staff of the Joint Chiefs of Staff are graduates.

Such individuals have a strong influence on the decisions of the US government. In addition all problem solution, and research papers at the College are available and are frequently used by governmental agencies.

2. What influence have these graduates in the formulation of the United States International policy ?

2. In addition to the general statement above, it should be pointed out that almost every US Embassy has graduates holding important positions. Mr. Joe Henderson, Counselor for Consular Affairs in the US Embassy here

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is a graduate of last year's class. He made the trip to Rio de Janeiro with our trip group last year as a member of the class. In two embassies we have visited on this trip both the Ambassadors and the Political Officers were graduates.

3. Does the progress attained by the United States science and technique, now plainly proven with the flight of Col John Glenn, regain for the USA the lost ground in the field of space between Russia and the U.S. ?

3. Col Glenn's spectacular space flight, with everyone on the globe free to see its success - or failure - if that had happened, has done much to remove the impression that the USA is behind in the field of space. It is impossible to truly know who is leading in this field since we have complete knowledge of only our programs. The USA has many more scientific satellites in orbit than the USSR. These are not always spectacular but they are of great scientific value. Night before last we saw our communication satellite pass over Santiago. It has been in orbit for months, is still used for communications. The multitude of scientific details that have been discovered by the many US satellites have been made available largely to all the scientists of the world.

4. In addition to the National War College and the Industrial College of the Armed Forces, does the United States operate any other training establishment of the equal level, which deals specifically with the well-being and the development of the Nation, preparing the American citizen for the performance of high level State functions ?

4. There is one other similar establishment operated by the government and several are operated by foundations or by industry.

The Senior Officers'Seminar of the Department of State has a course of study comparable to the National War College course. The present class numbers 20, four of whom are military officers and the remainder senior foreign service officers. In the private sector, the Brookings Institute of Washington operates a Seminar for business executives to acquaint them with the problems of the US government. The age and caliber of these 3 executives is similar to that of the National War College class. It is a potential source of top level civilian executive appointees for the government.

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Industry has numerous similar courses for executives directed toward government-industry relations. The General Electric Company conducts such a course which was planned by a former National War College faculty member. It has class members from several South American countries. Its class includes Vice Presidents and similar officials of the General Electric Company.

5. We know that the nuclear war creates new and transcendental problems connected inherently with survival of populations. How are the studies developed at the National War College for facing these problems ? What measures are being suggested in the different sectors ?

5. Our studies, first, make the class aware of the seriousness of these problems by briefings on nuclear weapons, their delivery means and effects. With this background, the remainder of the year's studies devote much time to the problems resulting from these new developments in warfare. We consider such topics as the influence of nuclear weapons on strategy, general war, limited war, deterrence, psychological and economic warfare, and disarmament. The final problems of the year, which will begin when we return from this trip, are devoted to US policy and strategy in a world over which hangs the threat of a nuclear war. The means of survival and the problems of reconstruction in event of nuclear attack are surveyed thoroughly in order to arrive at appropriate policies and measures for civil defense.

The measures are so complex and varied that time does not permit elaboration here.

6. Since the Program of Alliance for Progress is for long term execution, is there a proper mind in the public opinion which will make possible its continuity in case there is a change in the government direction by the U.S. democratic process ?

6. The attitude of the government and people of the United States toward the Alliance for Progress is unlikely to change with any change in the Administration in Washington. Starting with the Act of Bogotá, the forerunner of the Alliance for Progress, which was fostered by a Republican Administration,

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the Alliance has received bipartisan support in Congress and widespread public support. Public opinion in the United States recognizes that the defense of democracy in this hemisphere requires a prompt and profound strengthening of economic, social and political democracy in Latin America and has shown its disposition to give fullest support to the efforts of Latin American countries to achieve this goal. The history of the world-wide Aid program which was started in 1948 as a bi-partisan effort (Democratic President, Republican Congress) is along the same lines. This does not mean that there may not be a change in the program for other reasons relating to its effectiveness, such as the failure of the individual countries in Latin America to effect the reforms and changes which are called for in the Carta de Punta del Este. In other words, the factors affecting United States attitude toward the Alliance for Progress would reside in reasons other than a change in Administration.

7. For what reason does the National War College only admit as students, representatives of government agencies, when in modern war all the sectors of the Nation are involved ?

The National War College is operated by the Joint Chiefs of Staff for the education of senior officers of the Armed Forces and of the Department of State. The size of the class is now 132, the maximum its facilities permit. Since its academic techniques depend on close personal relationships, to increase the College's size and facilities would reduce its effectiveness. The Armed Forces, and the other agencies of the Executive Branch of our government require all spaces in the College. It is the view of our Joint Chiefs of Staff that the requirements of the Armed Forces and of the Department of State come first and if there is need for additional education, another organization should be established for the purpose of educating personnel of other agencies both government and civilian. In fact, such a proposal is under consideration by Congress.

We feel there is great merit in exposing business leaders, professors, newspapermen - men in all walks of civilian life - to studies such as the NWC pursues. For the reasons above, however, the student body has not been expanded. There is, however, a summer seminar conducted by the NWC, two weeks, attended by 200 outstanding leaders from all areas of the country.

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Their subjects of study are similar to many of the NWC academic year.

8. What are the views of the National War College as to the problem of disarmament being considered on the basis of elimination of National Armed Forces, having in view in particular the role which they represent in the defense of democracy in the Latin American countries ?

8. The problem of arms control is now receiving a great deal of attention in the US. It is discussed at length by the class at the National War College. The College itself has no official view since it does not have "school solutions". It is probably the most important problem facing the world today. Our eventual objective should be to have internal security forces only and to devote the wealth that is now being devoted to arms to improve the education and well being of all peoples of the world. The great problem is how to do this without jeopardizing the freedom of the Free World.

It is regrettable that the world has never really known peace except for very brief periods. We would like to hope that the fears of nuclear holocaust as well as an increased regard for human rights, dignity and lives will lead all countries to honestly strive for world peace.

The US is taking positive steps to achieve the objective in this regard, in the form of its proposals at Geneva.

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QUESTIONS TO THE BRAZILIAN NATIONAL WAR COLLEGE

Question 1. How has Brazil's estimate of the threat to the Western Hemisphere by the Castro government been affected by recent modifications in Cuba's internal situation and external relations, including its military build-up with Soviet-bloc aid?

Answer. The Government of Cuba has without doubt adopted the Marxist-Lenin ideology and constitutes presently a center of ideological radiation affecting all of the nations of the American continent. With the establishment of the identity of its political regime, the government of Cuba is susceptible, in a possible evolution, to affiliation an an integral part of the Soviet Bloc.

As a consequence, its threat to the Western Hemisphere results:

- from the repercussions of the communist propaganda in the structure of the different countries of the American Continent varying obviously with the capacity for internal resistance of each one.

- from the geographic position of Cuba together with the referenced integration in the communist bloc, circumstances which could transform that nation into a focal point, as a Soviet base, in the heart of the Americas, capable of assuming an important role in the military strategy of the bloc with unfavorable repurcussions to the security and solidarity of the continent.

We dont consider however that this threat is irremovable.

The internal resistance of the Latin American countries can be strongly reinforced to the point of annulling the effects of these subversive communist activities if it is decided to move on with decision and energy, a true real battle against the problems of under development, generators of poverty, and the favorable atmosphere for the rapid growth of revolutionary ideas.

It will certainly be more of an economic battle, both in money and in lives, above all more human and in greater harmony with the laws of God than the battles that might occur in the military field if such problems are not given attention.

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In this particular, we desire to give emphasis to the importance of the role of the United States, the country of our illustrious visitors, whose present Government, putting into reality the ideas contained in "Operation Pan America" of the Brazilian Government, created The Alliance for Progress that wonderful instrument, that powerful arm, which without being secret or diabolical is of more value than nuclear weapons to deter the revolutionary wave which threatens the solidarity, integrity and the peace of the community of the Americas.

At the same time, we believe that every effort should be made, all lines of action should be attempted, to promote the reintegration of Cuba, reestablish its democratic principles and its position within the community of the Americas.

Question 2. What are Brazil's views with regard to colonialism in the Western Hemisphere?

Answer. The Brazilian Government, in recent declarations and in the latest international conferences, has demonstrated that it is against all any any colonialism whether it be east or west.

Question 3. How does Brazil interpret, and what lessons does it believe can be drawn from, current developments in Argentina?

Answer. Brazil's highest authorities have already expressed the feeling that the present crisis taking place in that noble nation is a question of internal order which only pertains to the Argentine people. Since this crisis is as yet not fully developed, it is still premature to benefit by any lessons.

Prime Minister Tancredo Neves said:

"Loyal to the unchangeable principle of non-interference in foreign policy of any nations, Brazil does not even feel that it should express an opinion over the events that are taking place there. We must trust that maturity and balance will not fail, in this hour, those responsible for the political and social destiny of the glorious Argentine nation, so that we may continue to always count on Argentina in the constant struggle for the peaceful consolidation and improvement of the democratic institutions of the continent and of the world."

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The President of the Republic in his message to President Bettancourt of Venezuela:

"Brazilian government follows, within the most strictest observance of the principle of non-intervention, the development of the political process which is taking place at this moment in the Argentine nation, in the firm hope that the authority of the country will be fully established in accordance with the internal laws and with the democratic principles that are the basis of the Inter-American system.

Question 4. To what extent does the War College consider the peasant leagues to represent a threat to internal order?

Answer. The poverty existing in certain areas of Brazil result from grave economic and social problems which suffocate the local populations. Making possible the merging of groups of the population around common claims movements, distorted by clever leaders, communists or simply demagogues, originating in this way the Peasant Leagues.

Exploited by the Marxists such leagues may act as dangerous nuclei of social agitations as well as instruments of support to subversive activities.

The problem, however, we reiterate, in its origin, is of an economic and social nature.

The approval of some basic reforms in the framework of the country, above all a statute for the use of land more consistent with the national realities, has long been desired and demanded, is already considered by the government and may serve as a brake on expansion of the problem.

Other complementary measures to raise the low standard of life of these populations, if adopted, could assist significantly in resolving this serious national problem,

We would like to give emphasis to the important role which the Alliance for Progress can play in the necessary joint effort to eliminate these problems. If, according to what has already been programmed, effective assistance is directed at those regions with the objective of assuring the local population at least a

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minimum level of life compatible with human dignity.

Question 5. What consequences, favorable and unfavorable, do you anticipate from renewal of relations with the Soviet Union?

Answer. In deciding to renew diplomatic relations with the Soviet Union, Brazil considered that the following favorable consequences would result:

a) Increase of exportations, amplification of foreign trade and gaining of new markets;

b) Exercise fully the determination do maintain normal relations with all nations regularly constituted and recognised by international consensus. In the case of the Soviet Union - charter member of the United Nations and one of its most active participants as well as leader of the communist bloc - some of the nations to which Brazil already maintained diplomatic and commercial relations;

c) Brazil finds itself in a better position to act toward the decrease of international tensions and consequently better qualified to contribute more effectively to world peace.

Brazil/ necessarily considered also the unfavorable consequences of the action and admits that such consequences are in more or less the same degree as those experienced by western countries which maintain relations with the Soviet.

The renewal of relations is nevertheless too recent to determine definitive judgments.

Question 6. What does the War College consider to be the most important aspects of the Alliance for Progress in Brazil, and what actions by the United States and Brazil would you consider most important ks in furthering this program?

Answer. The Brazilian Superior War College understands that the most important aspects of the Alliance for Progress are those which are related to the betterment of man, chiefly in the fields of health and education.

We would point out as important in this since those actions destined to improve education at all levels is to form personnel qualified to attend to the requirements for manpower generated by the program itself.

We would cite, in addition, the undertakings intended for the creation or improvement of water and sewage systems to combat infant mortality and the improvement of living conditions and food of the people.

Such actions should be planned by the two Governments for execution during the duration of the Program.

Question 7. How does the War College view the recent expropriation of a U.S. owned public utility in Rio Grande do Sul? Does it reflect popular reaction against private or foreign investors or protest against inadequate public services? What does the War College consider to be the best solution from the standpoint of Brazilian interests of the problem of public utilities in Brazil?

Answer. The expropriation effected in Rio Grande do Sul does not represent a popular reaction against private or foreign investments. It was but the exercise of a prepogative on the part of the State Government, without transgressing the federal constitution, with the purpose of making adequate a public service which is deficient.

A short while ago, referring to public services, His Excellency the President of the Republic made the following statements before the American Chamber of Commerce:

"In the past we have enjoyed the collaboration of the techniques, the organizing ability and the resources of foreign capital, especially in the field of such utilities..... Truth compels us to ~~ß~~ confess, however, that circumstances of various kinds combined to cause the system to exhaust itself in its evolution, leaving large areas of attrition and causing friction between public opinion, the concessionaires and the government..... If the public utility concessionaires, for various reasons, can no longer carry out their work of serving the people well, if the companies themselves affirm that they are no longer obtaining satisfactory results, and since we want capital which is here to remain here in enterprises in which it will not be disturbed and in which it can offer a greater contribution to national progress, it will not be difficult to find the solution for an understandin

which, meeting the urgent national and popular interests, at the same time will not create difficulties or cause losses to the investors of capital."

Question 8. In view of (1) recent Soviet progress in nuclear research through secretly prepared and massive atmospheric explosions and (2) Russian refusal to agree on a Western-proposed nuclear test ban under international controls, how does the War College view the announced intention of the United States to pursue, in the interest of Western security, nuclear research through atmospheric tests?

Answer Concerning this question, the Brazilian Government position was expressed by the Foreign Minister in Geneva as follows:

Brazil expressed disapproval in plain words when the Soviet Union conducted in October last a series of such tests thereby assuming the responsibility for reopening competition when an encouraging truce had prevailed since 1958. Similarly, Brazil expressed the wish that decision - which is still conditional - by the United States to resume such tests would not be carried out. There are two reasons why we are inflinchingly opposed to these tests which we formally condemn. The first is that they, more than any other means, encourage attempts to secure temporary offensive or defensive superiority which inevitably leads to warlike pressures being exerted in States which happen to be in a more favorable position. The second is that we fear that there would be radioactive contamination of the stratosphere, thereby gradually reducing the margin of tolerance and endangering not so much the present but the future of the human race. When one considers that the utilization of nuclear energy even for peaceful purposes leaves, in the present state of technological knowledge, a residue which in fact reduces this margin cannot be extended, it is easy to infer what bearing the conduct of such rival tests has on our duty to future generations.

The technicians of the nations most advanced in the nuclear field agree, I believe, upon the feasibility of effective

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controls of tests both under water, in the atmosphere and in the biosphere, without a more thorough control being necessary. We are also of the opinion that these tests should be suspended without further delay. As far as underground tests are concerned, studies should be promptly made to determine the minimum degree of on-site inspection indispensable for ensuring that commitments undertaken were being carried out.

It seems that an agreement on this point could be reached without further delay and be entrusted to a sub-committee to be formed immediately for that purpose.

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AIR POUCH — UNCLASSIFIED
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FOREIGN SERVICE DESPATCH

For Department Use Only
732.5811/4-1962

FROM : Amembassy Brasilia Office — 828 NO. — April 19, 1962 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CW-4465, November 28, 1961

APR 26 1962

20 For Dept. Use Only	ACTION	ARA-4	INFO	DEF	RM/R 2	REF	AF	ARA	EUR	FE	NEA	CU	INR 5	E	P	IO 5	ICA
				OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	KMB					
	REC'D 4-28-62				AIR	ARMY 5	CIA 9	NAVY	OSD 3	OCB	USIA	NSA 3	DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS				

SUBJECT: Visit of National War College Group to Brasilia

RM/R File

MAY - 1 1962

(1)

Major General Francis T. Pachler, Deputy Commandant of the National War College, accompanied by seven members of the faculty and staff, and twenty-seven students, arrived in Brasilia at 1030 hours on April 8, 1962, and departed at 7:00 the following morning.

The following items which may be of interest to the Department and which were prepared for and distributed to the group are attached in 3 copies each:

1. Schedule of activities.
2. Description of Brasilia.
3. Announcement regarding Information Center and Currency Exchange.
4. "Free Time Activities" information sheet.
5. Guest List for Reception on April 8, 1962.

For the Ambassador:
William H. McLean

Enclosures: (15)
As enumerated

William H. McLean
Administrative Officer

APPROVED: Philip Raine
Philip Raine
Counselor of Embassy for Political Affairs

FILED
MAY 9 1 37 PM '62

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NAME OF OFFICER & OFFICE SYMBOL		DATE OF ACTION	DIRECTIONS TO RM/R

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INCOMING TELEGRAM . Department of State

ACTION COPY

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44-43
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Control No: 13499
Rec'd: April 20, 1962
1:13 a.m.

FROM: Sao Paulo

TO: Secretary of State

NO: 592, April 19, Noon

ACTION: ESAlo
INFO:
RM/R FILES: file no action ESTIB JWW 4-24-62

PASS CINCARIB FOR GENERAL OMEARA

Delighted at prospect your visit Sao Paulo.

BRADDOCK

CFL

Note: Passed to CINCARIB 4/19/62 11:10 p.m.

(1)

SAO PAULO 732.5311/4-1962

FILED
JUN - 5 1962

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EM/AN

This document consists of 1 page.
Copy no. 5 of 9 copies. Series A.

611.327/4-1362
AR 732-5631

APR 25 1962

[redacted]

Dear Mr. Williams:

Reference is made to telegram no. 1343 from the American Embassy, Rio de Janeiro, dated April 13, 1962 concerning MATS flights to Fernando de Noronha, in connection with the Embassy's note of Resolution on the Island.

The Embassy observes that the Brazilian military and the Foreign Office have refrained themselves to cooperate in this matter of high political sensitivity and expresses strongly against any future extension of these flights through cargo by the point which would fall short of the modest scale of the Government of Fernando de Noronha for the Island's inhabitants. The Department concurs in the Embassy's recommendation. We also agree with the Embassy that any decision regarding the number of flights or type and size of aircraft used in this operation should be made in light the content of these considerations.

Sincerely yours,

Edwin M. Martin
Assistant Secretary

The Honorable
Byron Williams,
Deputy Assistant Secretary
of Defense,
Department of Defense,
Washington 25, D.C.

Informalized by NHL/R

ARA:EST/B:CHGordon:am
4/23/62

Clearances: ARA - Mr. McLeod (substance)
G/PM - [redacted] Mr. Winfree

[redacted]

(1)

FAS 5-8711/4-25-62

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Control: 17928
Rec'd: April 27, 1962
3:08 a.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 2540, April 26

FOR INDUSTRIAL COLLEGE OF THE ARMED FORCES
FT. L. J. MCNAIR

TO MARZETTA FROM MARTHNES

For your information and dependents of this group, hotel in Rio de Janeiro changed from Miramar to Capacabana Palace, Avenida Atlantica 1702, Rio de Janeiro, Brazil, Phone 571818, cable Hobalcop.

GORDON

CJ/1

RIO 2540

732.5611/4-2662

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NAME OF OFFICER & OFFICE SYMBOL:	DATE OF ACTION: 4/27/62	DIRECTIONS TO RM/R: file

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MAY 2 19[illegible]
732.5811/4-3062

FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo — 255 NO. — April 30, 1962 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CW-3374, October 16, 1961

20 For Dept. Use Only	ACTION	ARA-4	INFO	DEPT	RM/R 2	REP	AF	ARA	EUR	FE	G/PM 1	CU	INR 5	E			
				OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB					
	REC'D 5-4-62				AIR 3	ARMY 5	CIA 9	NAVY 3	OSD 3	OCB	USIA	NSA 3					

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DEPARTMENT OF STATE
INTERAGENCY RECORDS
MAY 7 1962

SUBJECT: Visit in São Paulo of Students from the Industrial College of the Armed Forces

Vice Admiral Rufus E. ROSE, Commandant of the Industrial College of the Armed Forces, Mrs. Rose, Lt. Commander Martin ZENNI, the Admiral's aide, and seventeen students from the ICAF visited São Paulo April 22 - 26, 1962. They were accompanied by Colonel George W. MARTHENS, II, and Mr. Claire F. MUNCY, Trip Director and Executive Officer, respectively.

The group visited the plants in São Paulo of Refinações de Milho, Brazil (Corn Products Company), Pfizer Corporation do Brasil, Willys-Overland do Brasil, and Indústria de Pneumáticos Firestone. In Santos, the group visited the Cubatão hydro-electric plant of São Paulo Light S/A, and observed sorting and grading of coffee for export at Anderson, Clayton e Companhia. Admiral and Mrs. Rose and the students toured Santos harbor in a tug provided by Wilson Sons Ltda., a British firm which operates tugs and furnishes other services to shipping in Santos. The directors of all of these companies seemed pleased at being visited by a group of high-ranking US officers.

Admiral Rose made a courtesy call on General Nelson de MELLO, Commander of the Second Brazilian Army and highest-ranking Brazilian officer in São Paulo; and General and Mrs. de Mello were among the guests at a dinner offered by Minister and Mrs. Braddock for Admiral and Mrs. Rose. The Braddocks also offered a reception for the ICAF students, at which a number of Brazilian officers and their wives were present, as well as managers of the companies visited and their wives.

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Page 2 of
Encl. No.
Desp. No. 255
From São Paulo

The group departed from São Paulo on the morning of April 26 to spend the day in Brasilia and to continue to Rio de Janeiro on the evening of the same day.

For the Minister Consul General:

Scott C. Lyon
Consul

Copies: AmEmbassy, Rio de Janeiro (Military attaches).

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GPO 902667

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732.5811/5-362

FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE — NO. 81

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE May 3, 1962

REF :

MAY 4 1962

For Dept. Use Only		DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P		
ACTION	ARA-4	INFO	2								5				
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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 11 1962

SUBJECT: CINCARIB Visits Pôrto Alegre and Brazilian Third Army

At 7:00 pm on April 26, Commander-in-Chief, Caribbean Command, Lieutenant General Andrew P. O'Meara, U.S. Army, arrived at Pôrto Alegre in his own aircraft in order to make an official visit to the Brazilian Third Army, commanded by General de Divisão Nestor Penha Brasil. CINCARIB departed for São Paulo and Rio de Janeiro at 11:45 am., April 28. CINCARIB's official party was composed of Mrs. O'Meara; Minister Clare A. Boonstra, FSO-1, POLAD; Colonel W. M. Fondren, USA J-3, Caribcom; Lieutenant Colonel F. M. Barricklow, USAF, Assistant J-2, Caribcom; and Major R.S. Pohl, USA, CINCARIB's aide-de-camp. Also present during the official visit to Pôrto Alegre, having arrived at 12:45 pm., April 26, were Major General George R. Mather, USA, Chief, U.S. Section, JBUSMC; Lieutenant Colonel Arpod Artwohl, USAF; and Captain Bernard Loeffke, USA, both members of General Mather's contingent.

Early in the week the Consulate had been in contact with General Penha Brasil and members of his Third Army staff in order to draw up a program which would give General O'Meara's party an appreciation of the military establishment in Rio Grande do Sul. The Consulate is pleased to report that a close and mutually beneficial liaison has already been established with General Penha Brasil and his staff and this was further cemented by the CINCARIB visit.

Following his arrival at Salgado Filho Airport, where he was met by General Penha Brasil, General Mather, and members of the Consulate staff, full military honors were rendered, and the party proceeded to a leading hotel, where a small dinner was offered to the visitors by the Consul. After dinner, a briefing by the "Consulate Team" was held at the Consulate for the visitors which terminated at 11:00 pm., General O'Meara remarking that in his 15 months as CINCARIB he had never been offered a briefing after office hours. He seemed pleased that the country team

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concept was in operation at a subordinate post, and appeared to be satisfied with the information on, and assessment of the current Rio Grande do Sul situation.

On April 27 CINCARIB and his party, accompanied by General Penha Brasil flew to Bage, on the Uruguayan border in General Mather's USAF C-47 where they visited the Third Cavalry Division. During the flight a briefing was held on Third Army's organization, activities and order of battle. Returning to the Brazilian Air Force Base at Gravatai, CINCARIB was met by Brigadeiro Adamastor Beltrão Cantalice, Commander of the Fifth Air Zone, and inspected the base. That evening a reception was held by General Penha Brasil at his residence.

On April 28 CINCARIB and his party inspected Third Army's Guard Company, which is a public order and internal security organization located in Porto Alegre. The state of readiness of the unit appeared to be similar to the "ready company" on duty with the XVIII Airborne Corps at Ft. Bragg, which the reporting officer had seen about a year ago. Although the company was undoubtedly on the alert from the moment CINCARIB entered its compound, a surprise alert showed that approximately 120 well-trained troops could move out in 3 minutes. It was after this demonstration that General Penha Brasil, his acting Chief of Staff Colonel Milton and his G-3, Colonel Manta, told the reporting officer that Third Army's principal deficiencies are telecommunications and transportation equipment.

At 11:40 am., Generals O'Meara and Mather, and their parties departed Salgado Filho Airport on CINCARIB's aircraft for São Paulo.

The Consulate firmly believes that Generals O'Meara and Mather made a highly favorable impact on Third Army and further strengthened General Penha Brasil's already strong pro-U.S. attitude. It will be recalled that Penha Brasil, an artilleryman, has strong ties with Fort Sill as well as with Fort Bragg where, as Brazil's top paratroop commander, he made two jumps. Moreover, he was a troop commander with the Brazilian Expeditionary Force in Italy during World War II.

According to reports, General Penha Brasil's principal role as Commander of Third Army, with 6 divisions (3 cavalry, 3 infantry) under command, is to keep an eye on Governor Leonel Brizola's potentially subversive activities. The Consulate has gained the distinct impression that Penha Brasil would not hesitate to use Third Army troops to maintain the internal order and stability of Rio Grande do Sul.

Aware of the reporting officer's attendance at the Counter Guerrilla Operations Course at Fort Bragg during May and June, 1961, General Penha Brasil has invited him to conduct a short seminar on this subject for himself and his top staff officers. If no objection is perceived to doing so, the reporting officer intends to accept the invitation in the near future.

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Page 3 of
Encl. No.
Desp. No. 81
From PORTO ALEGRE

The schedule for CINCARIB's visit is enclosed.

Frederick D. Sharp III
American Consul

Encl.: CINCARIB's schedule

cc.: Amembassy,Rio (with enclosure)
Consular Affairs, Rio (with enclosure)
Political Section, Rio(" ")
Army Attache, Rio (" ")
Political Affairs, Brasília (with enclosure)
POLAD, CINCARIB, Panamá (with enclosure)
Brazil Desk, Washington (with enclosure)

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Page 1 of
Encl. No. 1
Desp. No. 81
From PÔRTO ALEGRE

SCHEDULE FOR CINCARIB's VISIT TO PÔRTO ALEGRE

April 26, 1962

12:15 pm Arrival of Major General Mather and party.

3:00 pm General Mather call on General Penha Brasil at Third Army Headquarters.

7:00 pm Arrival of CINCARIB from Lima.

8:00 pm Dinner at City Hotel, Americans only.

9:30 pm Briefing at Consulate, by "consulate team".

April 27, 1962

8:00 am Departure for Bagé by U.S. C-47
Visit Third Cavalry Division.

3:30 pm Arrival Gravataí Air Force Base
Inspection of Base.

8:00 pm General Penha Brasil's Reception.

April 28, 1962

10:00 am Inspection of Third Army Guard Company.

11:45 am Departure of CINCARIB and party.

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FOREIGN SERVICE DESPATCH

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FROM : Amcongen SÃO PAULO — 260 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 7, 1962 DATE

MAY 9 - 1962

REF :

			DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
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		REC'D 5/11		AIR 3	ARMY 5	CIA 8	NAVY 3	OSD 3	OCB	USIA 8	NSA 3					

SUBJECT: Visits to São Paulo of CINCCARIB Lt. General Andrew P. O'Meara and of Major General Theodore F. Bogart, Chief of CINCCARIB Army Element

Lt. General Andrew P. O'Meara, accompanied by Major General George R. Mather of the Joint Brazil United States Military Commission, several officers of their respective staffs including USPolad Clarence P. Boonstra, and Mrs. O'Meara, made an informal visit to São Paulo April 28 to April 29. General O'Meara was met at the airport by a group of Brazilian Military officers including General de Divisão Aurélio de Lyra TAVARES, Commander of the Second Military Region; General de Divisão Waldemar LEVY Cardoso, Commander of the Second Infantry Division; General Alberto Ribeiro PAZ, Chief of Staff of the Second Army; and by the Consul General.

At a dinner given by the Consul General that evening for his National War College classmate General O'Meara, which was attended by General de Exército Nelson de MELLO, Commander of the Second Army, and Generals Tavares and Paz, General O'Meara attempted to draw out General Nelson de Mello as to the latter's views on the extent of communism in Brazil and in the State of São Paulo, particularly in the military, and on what measures were being taken to guard against it. General de Mello's replies indicated that he did not consider communism a significant threat to Brazil today, and certainly not in the State of São Paulo. He said that communists and their followers amounted to only about 5% of the country's population and had no strength in the government. He stated that there was a slight infiltration of the military forces at the non-commissioned officer level, but not such as to cause alarm, and felt that the short one-year period of enlistment effectively discouraged the development of communism in the ranks. As for the State Police of São Paulo, he expressed complete

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 14 1962

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NAME OF OFFICER & OFFICE SYMBOL	EST/B-Jww	DATE OF ACTION	5-17-62		

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confidence in its loyalty and said that there had never been a case of mutiny in this body. If General Nelson de Mello was taking any special precautions against communism within his own command, he did not mention them.

General O'Meara offered his own views with regard to the danger of communism in the hemisphere and the need to be constantly on the alert because of explosive social conditions in some of the underdeveloped regions.

General O'Meara told me afterwards that he was not much impressed by General Nelson de Mello's recognition of the communist danger, and compared him unfavorably in this respect with General PENHA BRASIL in Rio Grande do Sul who he said was training a special force to deal with communist and other disturbances and who had identified 40 communists among his non-commissioned officers and already eliminated 8 of them.

It is my opinion, based on other talks with General Nelson de Mello, that he is by no means "soft" where communists are concerned and could be depended upon to act vigorously in defense of the Government and the Constitution against any communist attempt to overthrow them. He may not be highly imaginative in uncovering communist efforts at subversion. He is probably correct in assessing as slight the present communist danger in the State of São Paulo. According to our information General Nelson de Mello is one of the three or four key military figures in Brazil today.

Lt. General O'Meara's informal visit was followed on May 2 - 4 by a long-planned official visit of Major General Theodore F. Bogart and members of his staff, accompanied again by Major General Mather of JBUSMC. Arrangements for this visit were handled entirely by General Mather and the Brazilian Army. The Consul General was present at one military luncheon for General Bogart on May 3, given at the Regional Subsistence Establishment of the Second Military Region and attended by General Nelson de Mello and all the Brazilian Army Generals and high officers in the São Paulo area. At this occasion General Tavares, on behalf of General de Mello, made a speech in which he stated categorically and with seeming sincerity that the Brazilian Army was bound to the American Army not only by their shared experience as comrades-in-arms in World War II but by their common devotion to Western Christian civilization and to representative democratic government.

The feeling demonstrated by the Brazilian military during both these visits was cordial and close, and unquestionably the visits were useful in cultivating an already good relationship which exists despite a noticeable difficulty of language communication between most American and Brazilian officers.

Daniel M. Braddock
Minister Consul General

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FOREIGN SERVICE DESPATCH

875
NO.

FROM : Amembassy, Rio de Janeiro

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 10, 1962
DATE
MAY 11 1962

REF : CW-3374, October 16, 1961

22 For Dept. Use Only	ACTION	ARA-4	DEPT	RMR 2	REP 1	AF	ARA	EUR	FE	NEA	CU	INR 5	E 3	P	IO	ICA
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	REC'D 5/14			AIR 3	ARMY 5	CIA 9	NAVY 3	OSD 3	OCB	USIA 8	NSA 3					

SUBJECT: Visit to Rio of Industrial College of the Armed Forces Group.

Vice Admiral Rufus E. ROSE, Commandant of the Industrial College of the Armed Forces, Mrs. Rose, Lt. Commander Martin ZENNI, the Admiral's aids, and seventeen students of the Industrial College of the Armed Forces visited Rio from April 26 - May 1, 1962. They were accompanied by Colonel George W. MARTHENS, II and Mr. Claire F. MUNCY, Trip Director and Executive Officer respectively.

The group received a briefing from Embassy officers and visited the textile plant of Companhia Progresso Industrial do Brasil at Bangu near Rio; the Duque de Caxias refinery, Synthetic Rubber Plant, and Guanabara Marine Terminal of Petroleo Brasileiro S.A.-Petrobrás; and the lamp and electrical equipment plant of General Electric S.A. At the Marine Terminal the group was given a luncheon by the President of Petrobras, Dr. Francisco MANGABEIRA. The managers and staff of these plants all seemed to be pleased to be visited by a group of high-ranking U.S. officers.

Minister and Mrs. Niles W. BOND gave a reception for the ICAF group at the Embassy Residence which was attended by a number of Brazilian officers, Government officials, and directors of the companies visited.

The Brazilian Escola Superior de Guerra received the ICAF group and gave a luncheon for them at their headquarters in the Fortaleza de São João in Urca. After the luncheon a discussion was held consisting of questions and answers presented by the two groups. After the discussion Admiral Rose presented a plaque to Vice Admiral Luiz Teixeira MARTINI, Commandant of the Escola Superior de Guerra, to commemorate the ICAF visit.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 15 1962

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U.S. GOVERNMENT PRINTING OFFICE: 1961 O - 613319(17)

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Admiral Rose, accompanied by Rear Admiral Haslett P. WEATHERMAX, Chief, Naval Delegation, Joint Brazil-U.S. Military Commission, made a courtesy call on General Oswaldo Araujo MOTTA, Chief of Staff of the Armed Forces General Staff of Brazil.

The group departed Rio by air on the morning of May 1, to return to the United States.

For the Ambassador:

Samuel H. Weaver

Samuel H. Weaver
Economic Officer

Approved:

Edward J. Bash

Edward J. Bash
Commercial Attaché

0372

ORIGIN/ACTION: ARA-4

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ARMY	CIA	NAVY
DOD	USIA	NASA 4

Action Copy

DEPARTMENT OF STATE

AIRGRAM

(Departmental and Foreign Service)

732.5811/5-2262

A-492 NO.

CONFIDENTIAL

NUMBERING

1962 MAY 25 PM 3 21

1962 MAY 25 PM 1 05

ACTION: OFFICE OF MEDIA SERVICES, ANALYSIS & DISTRIBUTION BRANCH

INFO: RM/R FILES

TO : Department of State

INFO: Amcongen, SÃO PAULO A-10

FROM : Amembassy, RIO DE JANEIRO

DATE: ~~May 22~~, 1962

SUBJECT : GLENN VISIT

REF : Deptels 2945, 3227

No national or international scientific space conferences planned or anticipated in near future.

However, Dr. Werner Von Braun has been informally invited, and reportedly has accepted, to come to Brazil to give two lectures and to visit scientific establishments. First lecture would be in Rio and sponsored by the National Research Council, University of Brazil, and the Academy of Sciences; second in São Paulo sponsored by Research Council and University of São Paulo. No definite time has been set for visit, but thinking is in terms of late July or August.

Col. Vieira da Rosa, Chairman, Space Committee, National Research Council, now in U.S. in connection COSPAR meeting in Washington. He expected back any day with firmer news re visit Von Braun.

These lectures might provide opportunity for Glenn visit Brazil under aegis National Research Council and Brazilian Universities.

As Department will note, however, prospective timing of lectures coincides with probable period of President Kennedy's visit to Brazil, a coincidence which would tend to detract from impact of both visits.

While visit by astronaut Glenn at whatever time and under whatever sponsorship would undoubtedly have considerable favorable impact in Brazil, it is Embassy's view that period of maximum effectiveness of such a visit has already passed and that this effectiveness will---

FILED JUN 13 1962

CONFIDENTIAL

FORM DS-323 11-61

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Drafted by: SCAnderson:NWBond:dml

Contents and Classification Approved by:

Clearances:

GPO 926563

0373

CONFIDENTIAL

- 2 -

progressively diminish as Glenn's orbital flight is pushed further into history by new and perhaps more sensational space feats, both U.S. and Soviet. This should not be regarded as constituting recommendation against Glenn visit if and when proper timing and circumstances can be worked out, however, since Embassy would welcome such visit. It is merely to indicate that "dramatic dividends in terms popular goodwill and esteem for U.S." referred to in Embtel 1931 should be expected to be considerably less dramatic today and decreasingly so henceforth.

GORDON

CONFIDENTIAL

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32

ACTION COPY

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INCOMING TELEGRAM *Department of State*

53

UNCLASSIFIED

Control: 20498
Rec'd: MAY 28, 1962
4:54 PM

RIO 2796

Action
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Info
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CIA
NSA
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AIR
RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 2796, MAY 28

REFERENCE: DEPARTMENT TELEGRAM 3347, CA-2577

NO OBJECTION VISIT. CLEARANCE EXPECTED BY JUNE 10.

GORDON

COT

6/4/62 RMR file

320.51

7.32.5611/5-2862

microfilmed by RMR

(1)

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0375

32

INCOMING TELEGRAM *Department of State*

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RIO 2956

43
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Info
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Control: 12157
Rec'd: JUNE 15, 1962
7:08 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 2956, JUNE 15, 6 PM

INFO: RM/R FILES

DEPARTMENT PASS POLAD CINCARIB FOR INFORMATION

LIMIT DISTRIBUTION

FOR MARTIN

RE DEPARTMENT TELEGRAM 3507

I STRONGLY ENDORSE SPECIAL US MILITARY PARTICIPATION BRAZILIAN INDEPENDENCE DAY CELEBRATION AS NOTED REFTEL. CONSIDERATIONS YOU RAISE SECOND PARAGRAPH REFTEL ARE IRRELEVANT SUCH TYPE PARTICIPATION, AND IN ANY CASE STRONG BRAZILIAN TRADITION OF MILITARY SUPPORT FOR CONSTITUTIONAL AND CIVIL GOVERNMENT AND WARM RECOLLECTIONS HERE OF WARTIME COLLABORATION MAKE US PARTICIPATION EMINENTLY DESIRABLE.

BELIEVE PARTICIPATION GENERAL MARK CLARK WOULD BE PARTICULARLY EFFECTIVE AND SUGGEST HE BE QUERIED RE POSSIBLE ATTENDANCE.

WILL APPROACH BRAZILIAN MILITARY RE APPROPRIATE INVITATIONS ON RECEIPT FINAL WORD FROM YOU. SUGGEST PROMPT ACTION.

GORDON

TAB

NOTE: RELAYED TO POLAD CINCARIB 6/15/61

Copy No. 1 of 5 Destroyed in RM/R Date 6-20-62 Name

(2)

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INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

47-48 SECRET

Control: 17726
Rec'd: JUNE 22, 1962 6:50 PM

RIO 3010

Action ARA

Info SS SR G SP L H CAP AID P USIA NSC INR CIA NSA OSD ARMY NAVY AIR RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 3010, JUNE 22, 7 PM

PASS CINCARIB FOR INFORMATION

DEPARTMENT PASS DEFENSE

OSD WASHINGTON TELEGRAM 151659Z JUNE.

EMBASSY STRONGLY RECOMMENDS VISITS SENIOR OFFICER TO BRAZIL FOR ORIENTATION BE DISCONTINUED UNTIL AFTER ELECTIONS OCTOBER 7 IN ORDER AVOID LEFTIST-NATIONALIST EXPLOITATION SUCH VISITS IN SUPPORT THESIS (ALREADY ADVANCED OVER NATION-WIDE RADIO NETWORK BY GOVERNOR BRIZZOLA OF RIO GRANDE DO SUL-EMBTEL 2772) US MILITARY AND ECONOMIC "OCCUPATION" OF BRAZIL.

GORDON

LMJ/JT/20

NOTE: RELAYED TO CINCARIB JUNE 22, 1962

732.5611/6-2262

*Copy No(s) 1 Destroyed in RM/R Date 7-32-62 Name

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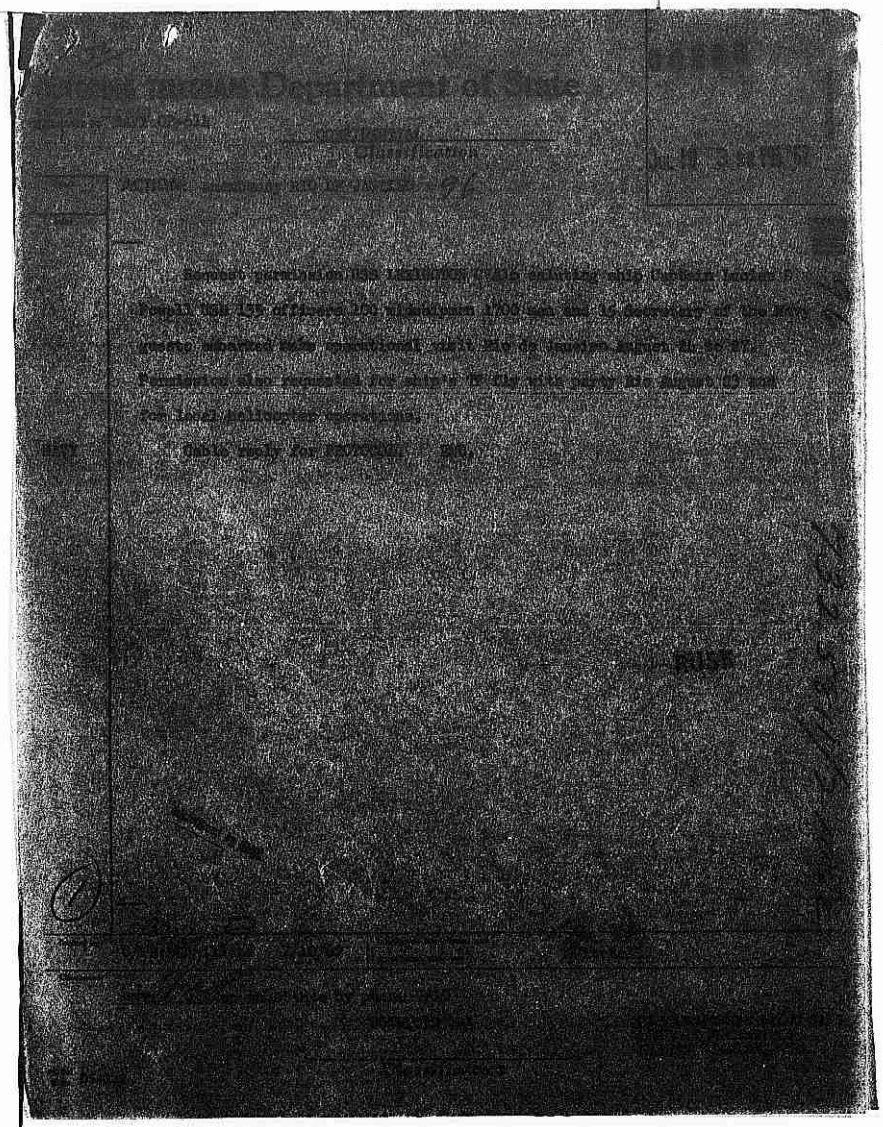
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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0377



0378

ORIGIN/ACTION

RMR 2	REP	AF
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AGR	COM	FRB
INT	LAB	TAR
TR	XMB	AIR
ARMY	CIA 10	NAVY 3
OSD	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

732.5811/7-1362
XR 720.5811
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A-47 NO.

RECEIVED DEPT OF STATE

CONFIDENTIAL HANDLING INDICATOR

TO : Department of State

1962 JUL 20 AM 9 20

OFFICE OF THE CHIEF OF PROTOCOL

FROM : Amembassy Rio de Janeiro DATE: July 13, 1962

SUBJECT : Visit of US Naval Vessel

REF : Embassy Despatch 1021, June 18, 1962

The Foreign Office has informed the Embassy that it has no objection to the projected visit of the USS Oxford to Rio de Janeiro between October 11 and 17, 1962. (The Oxford's itinerary was changed according to information received direct from US Navy sources.)

For the Ambassador:

Frank Micelotta
Third Secretary of Embassy

APPROVED:

Niles W. Bond
Deputy Chief of Mission

JUL 26 9 24 AM FILED

CONFIDENTIAL

FORM DS-323 4-62

FOR DEPT. USE ONLY
☑ In ☐ Out

Drafted by: POL:FMicelotta:rpc

Contents and Classification Approved by:

Clearances:

0379

INCOMING TELEGRAM **Department of State** ACTION COPY

PERMANENT RECORD COPY

54
Action
PR

UNCLASSIFIED

RECEIVED
DEPARTMENT OF STATE
Control: 9559
Rec'd: July 13, 1962
1962 JUL 13 PM 2:50 p.m.

Info
ARA
RMR

FROM: COMSTS

TO: Secretary of State

NO: 131801Z July

U/PR
OFFICE OF THE CHIEF
OF PROTOCOL

ACTION USNS MIRFAK, INFORMATION CNO, STATE DEPARTMENT, COMSTSLANT AREA, CINCLANTFLT, COMSOLANT, ALUSNA RIO DE JANEIRO

DIPLOMATIC CLNC

A. OPNAVINST 3128.3C

1. DIPLOMATIC CLNC GRANTED VISIT RIO DE JANEIRO, BRAZIL ETA/ETD ON OR ABOUT 18/20 JUL.

LTR/4

FILED
OCT 3 10 12 AM '62

732.5611/7-1362

UNCLASSIFIED

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DEPARTMENT OF STATE

54

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Control: 9785
Rec'd: July 13, 1962 AM 9 30
6:22 p.m.

RIO 122

Action
PR

Info

FROM: Rio de Janeiro

OFFICE OF THE CHIEF OF PROTOCOL

ARA
NAVY
RMR

TO: Secretary of State

NO: 122, July 13, 4 p.m.

FOR PROTOCOL

720.5811

Department telegram 3820.

Informal approval MIRFAK visit received via Navy channels.

GORDON

MGM /3

FILED
SEP 26 12 00 PM '62

Classified by DSR

1

File Miss Meeks-Navy

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	
Meeks-WHP	7/17	File Room

732.5811/7-1362

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RECEIVED
DEPARTMENT OF STATE
Control: 13877
Rec'd: JULY 19, 1962
10:57 AM 19 PM 5 15

OFFICE OF THE CHIEF OF PROTOCOL

RIO 161

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 161, JULY 19, 11 AM

FOR PROTOCOL

REFERENCE: DEPARMENTS TELEGRAMS 96 AND 97

INFORMAL APPROVAL VISITS LEXINGTON AND CONSTELLATION RECEIVED VIA NAVY CHANNELS

GORDON

HLN

732.5-MAP/7-1962

JUL 19 5 55 AM

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NAME OF OFFICER & OFFICE SYMBOL	Phillips-H/PR	DATE OF ACTION	7/23
		DIRECTIONS TO RM/R	file Navy

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INCOMING TELEGRAM

Department of State

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NUMBERED

CONFIDENTIAL

COPIES REC'D ARA

Action
ARA

Control: 3637
Rec'd: AUGUST 5, 1962 53
8:13 AM

Info
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RMR

FROM: COMUSMILGP BRAZIL

TO: Secretary of State

NO: 042120Z AUGUST

INFO:

RM/R FILES

ACTION DA PRIORITY, INFORMATION CINCARIB, CGUSARIB, OSD, ISA, STATE DEPARTMENT.

1. REF A. DA917633 DTG 017242 AUG 62 B. BUSDEL 4152.

2. DO NOT CONSIDER LIMITED ASPECTS OF GEN DARNELL'S PRESENTLY CONTEMPLATED PRESENTATION WILL SATISFACTORILY MEET WAR COLLEGE DESIRES WHICH WERE CONTAINED REF B PARTICULARLY IN VIEW LARGE CIVILIAN ELEMENT OF GROUP AND CURRENT STUDIES AT NATIONAL AND INTERNATIONAL LEVEL OPERATING AS MUCH IF NOT MORE INTEREST IN ECONONIC AND INDUSTRIAL ASPECTS OF MOBILIZATION REQUIREMENTS THAN MILITARY. BELIEVE PRESENTATION SHOULD BE MUCH BROADER AND SPEAKER SHOULD BE PREPARED TO HANDLE QUESTIONS INCLUDING MECHANICS OF WARTIME PRESIDENTIAL POWERS.

3. US EMBASSY CONCURS.

SCP-4

REE

732.5811/8-462

FILED

MAR 15 1963

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ORIGIN/ACTION S/SA-2

RM/R	REP	AF
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ARA 3	EUR 3	FE
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AGR	COM 10	FRB
INT 7	LAB	TAR
TR	XMB	AIR 3
ARMY 5	CIA 10	NAVY 5
OSD 12	USIA 8	NSA 3
NSF 2	NRC 2	NAS 3

AMB
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Pol
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NSF - 2
CF - 2
RF - 1
Navy Att.
Air Att.
IAGS
Mr. Cederstrom, USGS

DEPARTMENT OF STATE

AIRGRAM

732.5811/8-1462

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HANDLING INDICATOR

A-186 NO.

UNCLASSIFIED

TO : DEPARTMENT OF STATE AUG 20 AM 9 10

RECORDS ANALYSIS & DISTRIBUTION BRANCH

FROM : Amembassy, RIO DE JANEIRO DATE: August 14, 1962

SUBJECT: Visit to Rio de Janeiro of Admiral Coates, Director ONR; and Navy Interest in Research.

REF :

RESUME

Admiral Coates, Director of the Office of Naval Research, called on Chargé to express continuing interest of the Navy Department in having a representative in the Defense Research Office now being established in Rio de Janeiro as part of the U.S. Regional Science Office.

Admiral Coates also addressed the Brazilian Naval War College during his very short stay, and made an excellent presentation of the rewarding experience of the U.S. Navy in supporting research, both basic and applied. His hosts were very pleased to have this intimate picture and are hopeful that Admiral Coates' visit will have a beneficial effect on the Ministry's budget allocations to the Marine Research Institute and other research activities.

FILED 62 AUG 21 AM 7:12

OFFICE OF THE SCIENCE ADVISER S/SA

AUG 24 1962

no action required

AM 7 8 9 10 11 12 1 2 3 4 5 6 PM

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FORM 4-62 DS-323

Drafted by: Dr. André C. Simonpietri (7/23/62)

Contents and Classification Approved by: Robert Eakens, Acting Deputy Chief of Mission

Clearances:
In draft: Capt. Ireland, Naval Att.

0384

Rear Admiral L. D. Coates, USN, Director of the Office of Naval Research, spent a few hours in Rio de Janeiro on his recent return trip from Buenos Aires to Washington. He arrived Friday afternoon, July 20, and an appointment was set up with him late that day by Capt. James M. Ireland, Naval Attaché here, with Minister Bond, Chargé d'Affaires. The purpose of the visit to the Chargé was apparently to appraise the Ambassador that the Department of the Navy is giving continuing thought to the possible appointment of a Navy representative to the Defense Research Office being established in Rio de Janeiro as a part of the United States Regional Science Office. It will be recalled that Capt. Ernst R. Moeller, USN, Medical Officer to the U.S. Naval Mission to Brazil, has been made available to the DRO on an interim basis.

Admiral Coates reviewed the Navy's long-time interest in scientific and technical work in Brazil and touched upon the special type of operation in which they would presumably be interested were they to have a representative stationed here: the collection and exchange of scientific information, rather than an effort to find institutions or individual scientists who might be interested in cooperative research projects as such, although the latter would not be excluded. In this connection he made specific reference to the very fine scientific reporting done by the ONR Office in London. The Admiral advised the Chargé that they are looking for the person who might serve as their representative.

In the background statement concerning US-Brazil collaboration, reference was made to assistance given in the thirties by the USN Hydrographic Office to the Brazilian Navy in the establishment of the Brazilian Hydrographic Office, modelled on its U.S. counterpart; and to the establishment of the Institute of Naval Research (Instituto de Pesquisas da Marinha) some years ago. In the latter case assistance was provided by the U.S. Navy in the person of two consultants made available to Brazil in 1955 and 1957. The first of these, Dr. Emmanuel Piore, now with I.B.M., spent a very short period here in 1955 during which time he visited various Navy installations in Rio de Janeiro and elsewhere in the country. Dr. Piore presented a report on his estimate of Navy communications needs, with particular reference to electronics, together with recommendations. These were exceptionally well received.

One of the recommendations made by Dr. Piore was that approximately 5% of the Navy budget be devoted to research. Although they recognized the merit of the recommendation, many doubted that this relatively high percentage could possibly be allocated for the purpose. The Brazilian Navy Department, in fact, allocated 1/2 of 1 percent. In this connection, the second expert, Capt. Goulart, recognizing that the 5 percent figure was very high, urged 3 percent. However, the figure remains at the moment at the 1/2 of 1 percent.

0385

Capt. José Claudio BELTRÃO Frederico, head of the Instituto de Pesquisas da Marinha, advised me that, although it was better than nothing at the beginning, this figure is no longer adequate and that, instead of improving the situation, they are now falling behind.

In the light of the above situation, Brazilian Navy scientists and technicians were delighted at the prospect of Admiral Coates' visit. They invited him to address the Naval War College, at which session they hoped that Naval officers, who had been blocking the efforts to increase the budget for research within the Navy, would hear him speak on the experience of the ONR and the benefits which have accrued to the U.S. Navy from sponsorship of research.

On Saturday morning, July 21, Admiral Coates addressed the Naval War College at 9:00 AM. He spoke to a packed auditorium, and did a superb job of accentuating the value of research, both basic and applied, to the Navy. He stressed the unexpected bonuses which at times come from undirected research, giving specific examples such as, for instance, fuel research, which had made possible today's Polaris. He covered both the physical and the life sciences, as well as engineering. His delivery was so clear and his concepts so well expressed that even those who did not have a good command of English apparently had no difficulty following him.

After the presentation of his paper there was a period of questions and answers. These touched upon the Navy's experience in the educational process, with particular reference to post-graduate training. The theme of percentages was also brought up, that is: of Navy's total budget what is the percentage being devoted to research and how is this divided. Admiral Coates gave the total figures for research in the U.S.N. budget and then, in the breakdown, cited the relative amounts allocated to the Office of Naval Research and the Naval Research Laboratory.

He explained that the ONR devotes preferential attention to the basic sciences but that it also works with applications; and that the NRL does roughly the reverse. He stressed continually the numbers of civilian scientists and technicians employed by the Navy in its various establishments, accentuating this by giving figures showing how many Commissioned Officers there were in ONR and NRL as compared with civilians. This aspect was important because the Brazilian Navy scientists who are Commissioned Officers have urged that they be authorized to hire more and more full time civilian scientists. The Brazilian Commissioned Officer, for reasons of service and promotion, as in the case of many navies, can rarely stay longer than two years in any post. This constant movement, of course, militates against the build-up of cadres of trained personnel specializing in specific areas of research, hence recourse to full time civilians.

The Brazilian Navy's Budget Officer was present, as had been hoped, and seemed most attentive.

Admiral Coates' Brazilian hosts seemed to be enormously pleased at the results of his presentation and answers to questions. Judged on that basis alone certainly his visit was most worthwhile.

The above text was reviewed by the Naval Attaché, Capt. James M. Ireland, who had invited the Scientific Attaché to accompany him on the visit to the Chargé as well as to the Brazilian Naval War College. The Embassy understands that the Naval Attaché is quoting liberally from this Airgram in a report to his own service.

For the Ambassador:

Approved by:

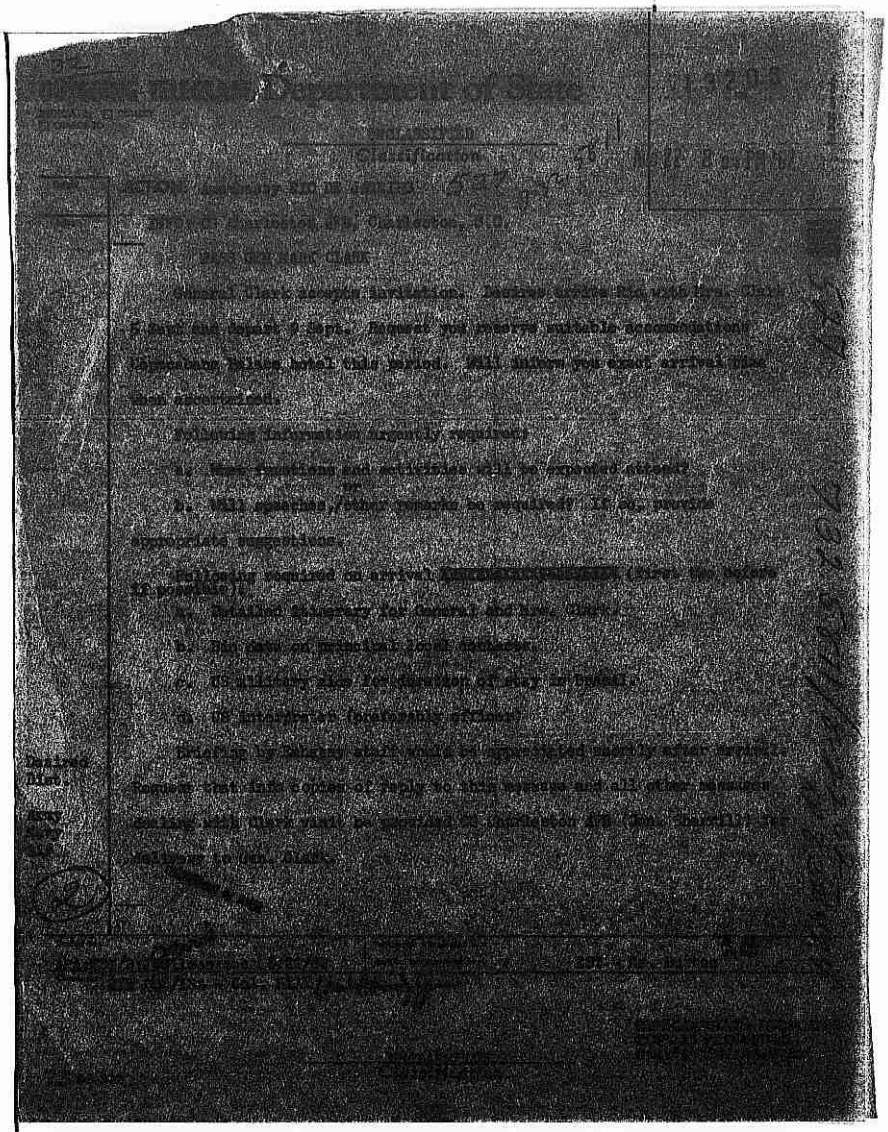
Robert Eakens
Acting Deputy Chief of Mission

André C. Simonpietri
Scientific Attaché

Dept. please pass copies to: Office of the Science Adviser, Dept. of State
Dr. Luna B. Leopold, U.S. Geological Survey, Wash.
National Academy of Sciences

S

0387



UNCLASSIFIED
Classification

Following for COMUSMILGP Brazil pertains to color guards only.

1. Request you arrange appropriate accommodation for one officer and 15 cadets/midshipmen to arrive Rio 5 or 6 Sept and depart 9 Sept probably by special MATS plane.

2. In what specific formations, social and others functions and/or ceremonies are color guards to participate?

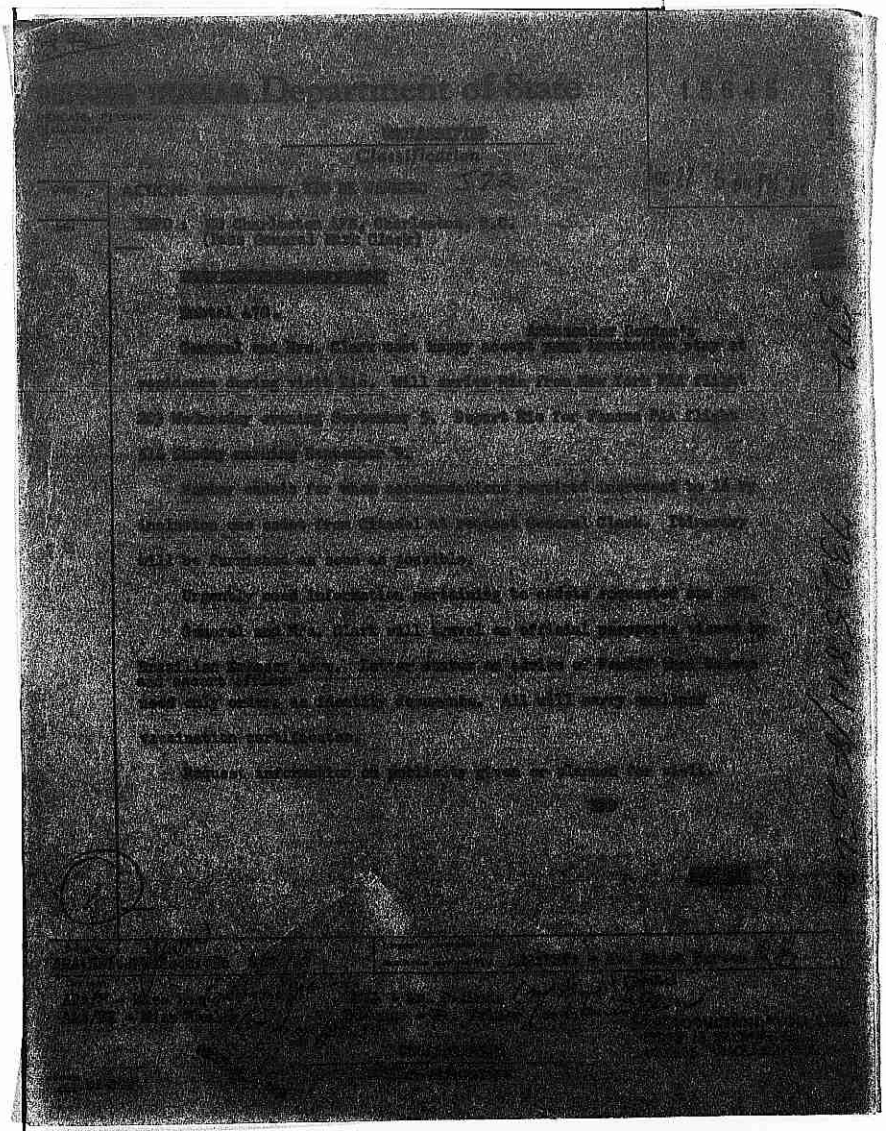
3. Request info uniform and/or civilian clothing, and sports attire.

End.

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Classification

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INCOMING TELEGRAM *Department of State*

54

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RIO 470

Action ARA

Control: 20010
Rec'd: AUGUST 25, 1952
12:46 PM

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NAVY
AIR
RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 470, AUGUST 25

ACTION DEPARTMENT 470, INFORMATION CG CHARLESTON AFB

FOR GENERAL SHERRIL

DEPTEL 527

DEPT PASS GENERAL MARK CLARK

I WISH EXTEND MOST CORDIAL INVITATION YOU AND MRS. CLARK BE MY GUESTS AT EMBASSY RESIDENCE DURING YOUR STAY IN RIO.

ACTIVITIES IN RIO WILL INCLUDE PRESENCE YOU AND MRS. CLARK IN OFFICIAL REVIEWING STAND FOR INDEPENDENCE DAY PARADE AND YOUR PARTICIPATION WREATH LAYING CEREMONY AT NEW MONUMENT FOR WORLD WAR II DEAD IN WHICH ARE ENTOMBED REMAINS OF BRAZILIANS LOST IN ITALY.

I WILL OFFER AN APPROPRIATE RECEPTION FOR MILITARY AND CIVIL AUTHORITIES INCLUDING YOUR WORLD WAR II COLLEAQUES.

BRAZILIAN ACTIVITIES NOT YET ASCERTAINED, BUT WILL FURNISH AS SOON AS AVAILABLE AND MAY INCLUDE SAO PAULO FUNCTION.

ONLY REQUIREMENT FOR SPEECH PRESENTLY FORESEEN WOULD BE APPROPRIATE REMARKS IN CONNECTION WITH WREATH LAYING CEREMONY.

LT. COL. WILLIAM P. RENNY IS PROJECT OFFICER LT. COL. FRANK CONNELLY WILL BE ASSIGNED AS AIDE. INTERPRETER REQUIREMENTS WILL BE FULFILLED.

(2) Determined by RMR

732.5-611/8-2552 MR 832.424

SEP 23 AM 12 CSD

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ACTION ASSIGNED TO:	ACTION TAKEN: UNCLASSIFIED	REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED"
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0391

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-2- 470, AUGUST 25, FROM: RIO DE JANEIRO

COMMENTS RE CADET-MIDSHIPMAN COLOR GUARDS AND OTHER INFORMATION REQUIRED WILL BE PROVIDED IN SEPARATE TELEGRAMS.

GORDON

CC

UNCLASSIFIED

0392

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

RIO 487

UNCLASSIFIED

54-M
Action
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Control: 22093
Rec'd: AUGUST 28, 1962
7:57 PM

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 487, AUGUST 28

NIACT

ACTION DEPARTMENT 487, INFORMATION CG CHARLESTON AFB UNNUMBERED.

CHARLESTON FOR GENERAL SHEEIL

PASS GENERAL MARK CLARK

DEPTEL 572

(1) TENTATIVE ITINERARY IS FOLLOWS:

(A) SEPTEMBER 6 - VISIT VELA MILITAR, PRINCIPAL MILITARY UNIT IN RIO; WREATH-LAYING CEREMONY WITH APPROPRIATE COMMENTS BY MARSHAL MASCARENHAS DE MORAIS AND GENERAL CLARK (TEN MINUTES OR LESS); EVENING RECEPTION AT EMBASSY RESIDENCE.

(B) SEPTEMBER 7 - INDEPENDENCE DAY PARADE, REVIEWING STAND; POSSIBLE CALL ON PRESIDENT GOULART.

(C) SEPTEMBER 8 - CRUISE ON GUANABARA BAY; EVENING RECEPTION BY MINISTER OF WAR. FIRM ITINERARY WILL BE CABLED AS SOON AS POSSIBLE.

(2) WAR MINISTER'S OFFICIAL INVITATION IS TO GENERAL AND MRS. CLARK.

(3) (A) TENTATIVELY PLANNING HAVE ESCORT OFFICER AND 16 CADETS-MIDSHIPMEN STAY AT FORT COPACABANA. IF GROUP DESIRES HOTEL ACCOMMODATIONS INSTEAD, PLEASE ADVISE IMMEDIATELY.

/(B)

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0393

-2- 487, AUGUST 28 FROM RIO DE JANEIRO

(B) GROUP WILL PARTICIPATE IN PARADE AND ACT AS COLOR GUARDS WREATH-LAYING CEREMONY. WILL BE INCLUDED SOME SOCIAL FUNCTIONS.

(C) BRAZILIAN ARMY AND AIR FORCE CADETS WILL WEAR WHITE BLOUSES AND BLUE TROUSERS AND BRAZILIAN MIDSHIPMEN DARK BLUE UNIFROMS. SUGGEST US GROUP BRING SUMMER DRESS PARADE UNIFORMS AND LIGHT CIVILIAN CLOTHING PLUS SPORTS ATTIRE. SHOULD BRING NORMAL COLOR GUARD EQUIPMENT, INCLUDING FLAGS.

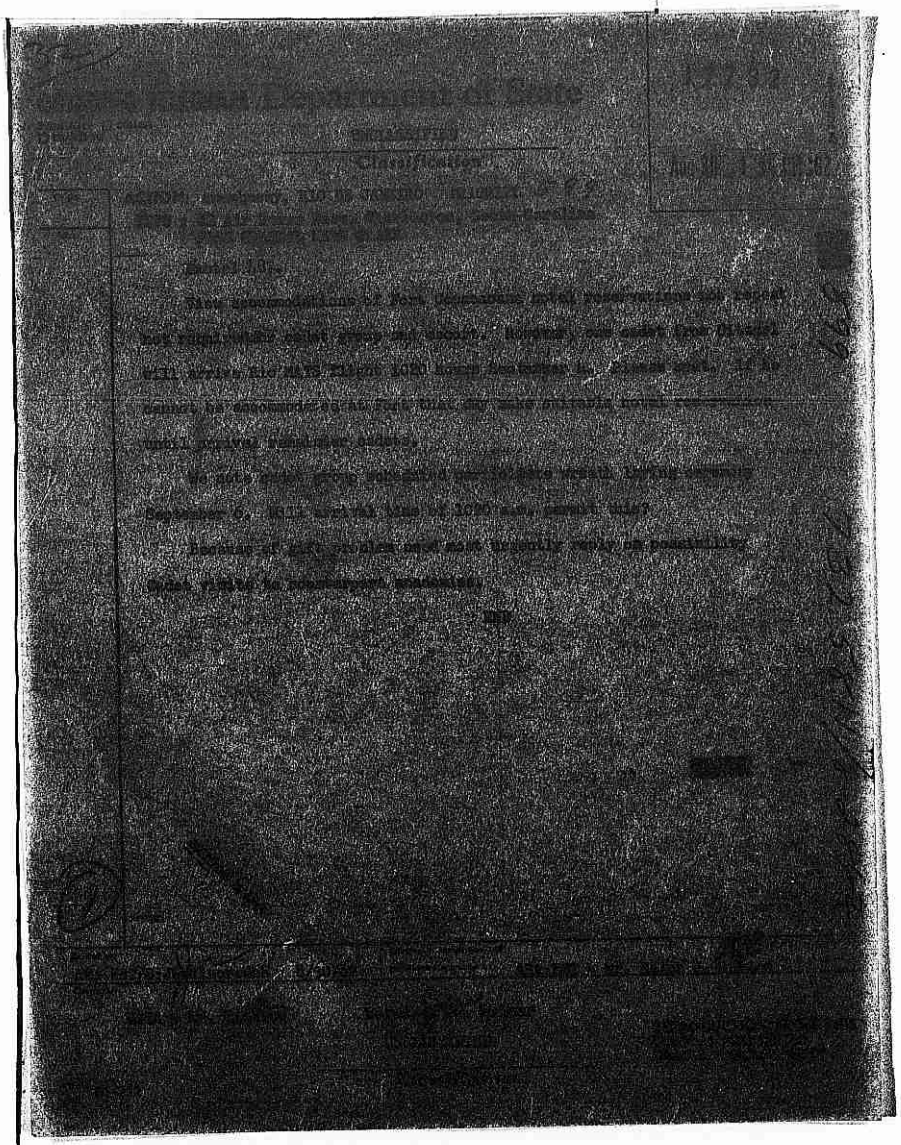
(4) LOCAL PRESS HAS ALREADY CARRIED FACTUAL ANNOUNCEMENT VISIT ON BASIS INFORMATION PROVIDED BY BRAZILIAN AUTHORITIES. USIS PREPARING MATERIAL FOR USE LATER.

GORDON

JT/21

NOTE: Mr. Russell (ARA) notified. Advance copy to SS 8/28/62 CWO-M

0394



OUTGOING TELEGRAM Department of State

16433

INDICATE: ☐ COLLECT ☐ CHARGE TO

UNCLASSIFIED

Classification

Aug 28 5 58 PM '62

ACTION: Amembassy RIO DE JANEIRO 581

INFO: CG Charleston AFB, Charleston S.C.
(Pass General Mark Clark)

Deptel 572

MATS plane carrying 16 cadets and cadet commander Capt. William L. Wubbena (US Military Academy) will depart Charleston AFB 1000 hours (EST) September 5, arrive Rio 1020 hours September 6. Will depart Rio 1000 hours September 9, arrive Charleston AFB 0900 hours (EST), all local times.

Upon arrival furnish Capt. Wubbena advance $2300 for expenses (hotel, meals, incidentals) cadets and self. Inform him your accounting requirements for advance. Chargeable allotment 3K-1011-17, appropriation 1930522, obligation 130. General Clark will be reimbursed by Department direct. Please ~~inform~~ inform soonest whom Capt. Wubbena should contact for advance.

If planned activities cadets do not include visits to Brazilian counterpart academies request you consider arranging this and inform soonest whether feasible. If so cadets will wish take appropriate gift such as plaque and/or banners.

End.

RUSK

581

1930522, 3K-1011-17, 130

Authenticating Officer

ARA:RSF/Rpetersen:cc 8/28/62

EST - Mr. Burton

ARA - Mr. Dickens (substance)
ARA/BI - Miss Manley (substance)

DOD - Mr. Fulton (substance)

CLASSIFICATION

Classification

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0396

32

INCOMING TELEGRAM *Department of State* ACTION COPY

PERMANENT RECORD COPY

42 UNCLASSIFIED RIO

Control: 24402
Rec'd: AUGUST 30, 1962
8:57 p.m.

Action
ARA

Info
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ARMY
NAVY
AIR
RMR

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 504, AUGUST 30

PRIORITY

ACTION DEPARTMENT 504, INFORMATION CHARLESTON AFB, S.C. UNNUMBERED.

PASS GENERAL MARK CLARK

DEPTEL 581

(1) EMBASSY DISBURSING OFFICER, HELEN ABELL, IS CAPT WUBBENA'S CONTACT RE FUNDS REQUIREMENTS.

(2) PREPARATIONS BRAZILIAN SERVICE ACADEMIES FOR PARTICIPATION IN CEREMONIES AND HOLIDAY SCHEDULE WILL PRECLUDE VISITS THOSE ACADEMIES BY US CADET CONTINGENT. CADET CONTINGENT WILL BE INVITED TO RECEPTION SEPTEMBER 6. UNIFORM FOR LOCAL US MILITARY WILL BE WHITE SERVICE.

(3) WREATH LAYING CEREMONY AT WAR DEAD MONUMENT, ONE OF MOST IMPORTANT FEATURES OF GENERAL'S VISIT, NOW SCHEDULED FOR 1030 SEPTEMBER 6. STRONGLY URGE CADET CONTINGENT ARRIVE RIO SEPTEMBER 5 IN ORDER PARTICIPATE.

(4) PLEASE CONFIRM WHETHER CADET CONTINGENT PREFERS HOTEL HOTEL ACCOMMODATIONS OR STAY FORT COPACABANA.

(5) DEFINITIVE PROGRAM GENERAL AND MRS. CLARK NEARING COMPLETION AND WILL FOLLOW IN SEPARATE CABLE.

GORDON

UNCLASSIFIED

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ACTION ASSIGNED TO: NAME OF OFFICER OFFICE SYMBOL	ACTION TAKEN DATE OF ACTION	DIRECTIONS TO RM/R

0397

32

OUTGOING TELEGRAM Department of State

I 8796

INDICATE ☐ COLLECT ☐ CHARGE TO

UNCLASSIFIED

Classification

Origin

ACTION: Ambassador, RIO DE JANEIRO PRIORITY 613

Aug 31 4 59 PM '62

613

PRIORITY 504. Order participate in wreath laying ceremony 6 group on September 15 cadets and commanding officer will depart Charleston one day earlier than schedule contained PRIORITY 581. Will arrive Rio via MATS 1020 hours September 5.

732.5811/8-3062

(2)

Drafted by [illegible] Cleared 8/31/62

Authenticating Officer

RB

Info: Dept. ISA - Mr. Palmer (Navy)

USIA - Mr. [illegible]

UNCLASSIFIED

Classification

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Form DS 322

0398

ACTION COPY

PERMANENT RECORD COPY

INCOMING TELEGRAM *Department of State*

RECEIVED
DEPARTMENT OF STATE

56
Action
PR

UNCLASSIFIED

Control: 25218
Rec'd: August 31, 1962
2:34 P.M.

OFFICE OF THE CHIEF OF PROTOCOL

Info
ARA
NAVY
RMR

FROM: ADMINO COMSTS

TO: Secretary of State

NO: 311705Z August (MSTS MESSAGE)

ACTION USNS MISSION SAN ANTONIO, INFORMATION CNO, STATE DEPARTMENT, COMSTSLANTAREA, COMCARIBSEAFRON, CINCLANTFLT, INSMATPET ARUBA, ALUSNA CARACAS, MATRALINES NYK

DIPLOMATIC CLNC

A. OPNAVINST 3128.3C.

1. Diplomatic clearance granted visit El Palito via Puerto Cabello, Venezuela ETA/ETD on or about 4/6 September.

2. UNODIR clearance granted new dates 6/8 September.

TMC/6

FILED
OCT 3 10 20 AM '62

731.5811/8-3162

Downgraded by RMR

(1)

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DISPOSITION TO RM/R

UNCLASSIFIED

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32

ACTION COPY

INCOMING TELEGRAM *Department of State* PERMANENT RECORD COPY

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47
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Control: 25486
Rec'd: AUGUST 31, 1962
7:48 P.M.

FROM: RIO DE JANEIRO

TO: Secretary of State

NO: 516, AUGUST 31.

ACTION DEPARTMENT 516, INFORMATION COMMANDING GENERAL CHARLESTON AFB UNNUMBERED.

FOLLOWING IS SUGGESTED DRAFT OF AIRPORT ARRIVAL STATEMENT:

MRS. CLARK AND I ARE DELIGHTED TO BE IN BRAZIL AND WE ARE DEEPLY HONORED BY THE INVITATION TO BE GUESTS AT YOUR INDEPENDENCE DAY CELEBRATION.

I VISITED BRAZIL IN 1949 AND 1955, SO THAT THIS IS SOMETHING OF A HOMECOMING FOR ME, I AM SURE I WILL AGAIN BE IMPRESSED, AS I WAS ON THOSE EARLIER TRIPS, BY THE CONTINUED PROGRESS OF THIS GREAT NATION.

HOWEVER, I EXPECT THAT THE HIGH POINT OF MY VISIT WILL BE THE OPPORTUNITY IT GIVES ME TO RENEW FRIENDSHIPS MADE DURING THE SECOND WORLD WAR. TO GENERAL NELSON DE MELLO, TO MARSHAL MASCARENHAS DE MORAIS, AND TO ALL THE OTHER VALIANT BRAZILIANS I HAD THE HONOR THEN TO BE ASSOCIATED WITH, I BRING WARMEST GREETINGS FROM MY OWN COUNTRY'S VETERANS OF THE ITALIAN CAMPAIGN.

IT WAS 18 YEARS AGO THIS MONTH THAT THE BRAZILIAN EXPEDITIONARY FORCE ENTERED THE LINE. DURING THE ENSUING DIFFICULT DAYS, OF WHICH THE HARDEST WERE THOSE OF THE TAKING OF MONTE CASTELLO, BRAZILIAN FORCES FOUGHT WITH A GALLANTRY THAT WILL ALWAYS MAKE A PROUD, BRIGHT CHAPTER IN THIS COUNTRY'S HISTORY.

NOW, AS IT WAS THEN, THE FREE WORLD IS CHALLENGED. BUT I FIRMLY BELIEVE THAT THE LIBERTIES AND THE CHRISTIAN CONCEPT OF LIFE WE DEFENDED TOGETHER ON EUROPEAN BATTLEFIELDS WE WILL NEVER SURRENDER, NEVER ALLOW TO BE TAKEN FROM US.

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER • OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R Fun-2ww 9/4

SECRET
AIR

0400

UNCLASSIFIED

-2-516, AUGUST 31. FROM RIO DE JANEIRO

TO BRAZIL I WISH A MOST HAPPY INDEPENDENCE DAY, AND MAY EACH SUCCEEDING ONE BE EVEN BRIGHTER IN PROSPERITY AND IN THE HOPE FOR LASTING WORLD PEACE.

GORDON

WHC

UNCLASSIFIED

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ACTION COPY

INCOMING TELEGRAM *Department of State* PERMANENT RECORD COPY

UNCLASSIFIED

43-32 Action
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Control: 25485
Rec'd: AUGUST 31, 1962 7:48 PM

RIO 514

FROM: RIO DE JANEIRO

TO: Secretary of State

INFO:
RM/R FILES

NO: 514, AUGUST 31

PRIORITY

ACTION DEPARTMENT 514, INFORMATION COMMANDING GENERAL CHARLESTON AFB UNNUMBERED

PASS ~~GENERAL MARK CLARK~~

EMBASSY TELEGRAM 504

FOLLOWING REVISED PROGRAM REFLECTS SUGGESTIONS MINISTER OF WAR AND EMBASSY AND IF GEN CLARK PERCEIVES NO OBJECTIONS WILL BE IMPLEMENTED:

(1) WEDNESDAY, 5 SEPTEMBER/ARRIVAL GALEAO AIRPORT IN TROPICAL WORSTED UNIFORM. IN ABSENCE OF AMBASSADOR GORDON WILL BE MET BY DEPUTY CHIEF OF MISSION NILES W. BOND, MAJ GEN AND MRS. GEORGE R. MATHER, SERVICE ATTACHES AND DESIGNATED U.S. OFFICER AIDE. BRIG GEN FLORIANO MACHADO, AN ITALIAN THEATER VETERAN WHO SPEAKS ENGLISH FLUENTLY WILL REPRESENT WAR MINISTER AND HEAD A CONTINGENT OF BRAZILIAN AUTHORITIES. AFTER APPROPRIATE GREETINGS, GEN AND MRS. CLARK WILL BE ESCORTED TO EMBASSY RESIDENCE.

(2) THURSDAY, 6 SEPTEMBER - UNIFORM TROPICAL WORSTED WITH RIBBONS. GEN CLARK WILL BE BRIEFED BY EMBASSY AND MILITARY STAFF FROM 0900 TO 1000. BRAZILIAN AIDE LT COL CARLOS DE MEIRA MATTOS, FORMER LIAISON OFFICER WITH 4TH CORPS IN ITALY WILL MEET GEN CLARK AT EMBASSY AT 1010 AND ESCORT HIM TO MONUMENT ARRIVING AT 1025. BRAZILIAN ARMY, NAVY AND AIR FORCE HONOR GUARD CONTINGENTS PLUS U.S. AND BRAZILIAN CADETS WILL PARTICIPATE. EXPECT AFFAIR WILL BE WELL ATTENDED BY BRAZILIAN MILITARY. AFTER WREATH LAYING CEREMONY GEN CLARK

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

Rec'd 9/18

0402

CEREMONY GEN CLARK SHOULD MAKE APPROPRIATE COMMENTS (DRAFT UNDER PREPARATION) WHICH WILL BE RESPONDED TO BRIEFLY BY MARSHAL MASCARENHAS DE MORAIS. AFTER CEREMONY GEN CLARK, AMBASSADOR AND GEN MATHER WILL CALL ON PRESIDENT GOULART (NOT AS YET CONFIRMED). AT 1230 A STAG LUNCHEON WILL BE HOSTED BY MAJOR GEN MATHER. GUEST LIST WILL INCLUDE MILITARY MINISTERS AND KEY MILITARY PERSONNEL. AT 1600 HOURS GEN CLARK WILL PAY COURTESY CALL ON GEN NELSON DE MELLO, MINISTER OF WAR, ACCOMPANIED BY GEN MATHER AND AIDES. VISIT WILL PROBABLY LAST FIFTEEN MINUTES, AFTER WHICH GEN CLARK WILL RETURN TO RESIDENCE. AT 1900 A RECEPTION WILL BE HOSTED BY AMBASSADOR AT RESIDENCE. GUEST LIST WILL INCLUDE A NUMBER OF ITALIAN CAMPAIGN VETERANS BOTH ACTIVE AND RETIRED AS WELL AS LEADING BRAZILIAN AND U.S. CIVIL AND MILITARY FIGURES. UNIFORM WHITE SERVICE WITH RIBBONS.

MRS. CLARK ACCOMPANIED BY MRS. CONNELLY WILL LEAVE RESIDENCE AT 1000 FOR MONUMENT WHERE SHE WILL BE JOINED BY MRS. NELSON DE MELLO, MRS. MATHER AND OTHER LADIES. MRS. MATHER HAS OFFERED A SMALL LUNCHEON FOR MRS. CLARK AT 1200 AT MATHER RESIDENCE.

(3) FRIDAY, 7 SEPTEMBER - UNIFORM WHITE SERVICE WITH EITHER FULL SIZE OR MINIATURE MEDALS. GEN AND MRS. CLARK WILL DEPART RESIDENCE AT 0800 FOR MAIN REVIEWING STAND LOCATED IN FRONT OF WAR MINISTRY IN AVENIDA PRESIDENTE VARGAS WHERE PRESIDENT AND OTHER DIGNITARIES WILL GATHER. PARADE WILL LAST SOME FOUR HOURS. HOWEVER IT WILL BE POSSIBLE TO TAKE PERIODIC REST BREAKS IN WAR MINISTRY WHERE FACILITIES FOR REST AND REFRESHMENT WILL BE AVAILABLE. AFTERNOON HAS BEEN LEFT FREE.

(4) SATURDAY, 8 SEPTEMBER - TROPICAL WORSTED UNIFORM WITH RIBBONS. GEN CLARK WILL LEAVE RESIDENCE AT 1200 TO ATTEND A LUNCHEON OFFERED BY GENERAL NELSON DE MELLO, MINISTER OF WAR, AT FORT COPACABNA AT 1230. GUEST LIST INCLUDES GENERAL OFFICERS WHO SERVED WITH GEN CLARK DURING ITALIAN CAMPAIGN. WILL NECESSITATE BRIEF APPROPRIATE REMARKS (BEING PREPARED).

MRS. NELSON

0403

UNCLASSIFIED

-3- 514, AUGUST 31 FROM RIO DE JANEIRO

MRS. NELSON DE MELLO AND BRAZILIAN OFFICERS' WIVES WILL OFFER A LUNCHEON TO MRS. CLARK AT 1230.

GEN AND MRS. MATHER PLAN SMALL INFORMAL DINNER IN GEN AND MRS. CLARK'S HONOR AT THEIR RESIDENCE TO WHICH KEY MILITARY AND THEIR LADIES WILL BE INVITED.

(5) SIGHTSEEING AND SHOPPING WILL BE ARRANGED WITH APPROPRIATE ESCORTS DURING SUCH TIMES AS ARE NOT OCCUPIED BY OFFICIALS FUNCTIONS AND AS INDICATED DESIRABLE BY GEN AND MRS. CLARK.

GORDON

RB/20

UNCLASSIFIED

0404

ORIGIN ACTI

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OSD	USIA	NSA
12		3

Navy Ltr USNHO/NIPA
19 3

DEPARTMENT OF STATE

AIRGRAM

700.5511/9-462

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Air Pouch

HANDLING INDICATOR

A-274
NO.

TO : DEPARTMENT OF STATE

FROM : Amembassy, RIO DE JANEIRO

DATE: September 4, 1962

SUBJECT : Release of PROJECT MAGNET Data

REF :

The Embassy acknowledges with appreciation CA-1779 concerned with release of PROJECT MAGNET Survey Data to the international scientific community by U.S. Navy Hydrographic Office.

Pursuant to instructions contained therein, the Embassy has notified the Conselho Nacional de Pesquisas (National Research Council) of the United States' intention to release this data as of early October, through the World Data Center of the National Academy of Science, and has given assurances that any comments that they might have would be appreciated, should they perceive objections to the release of the data as planned. Copy has also been provided to the Director of the National Observatory, which is in charge of the magnetic work in Brazil.

Itwill be recalled that Doctor Lelio I. Gama, Director of the National Observatory, was Chairman of the Brazilian Committee of the IGY, which was celebrated under the auspices of the International Council of Scientific Unions. The Conselho is Brazil's adhering body to the ICSU.

The Director of the Brazilian Hydrographic Office, and the Officer in Charge of the Inter-American Geodetic Survey were notified by the Naval Attache.

For the Ambassador:

Approved by: Niles W. Bond
Deputy Chief of Mission

André C. Simonpietri
Scientific Attache

Dept. please pass copies to: National Academy of Sciences, USNHO, Science Adviser

CONFIDENTIAL

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FORM DS-323
4-62

Drafted by: A. C. Simonpietri, Scientific Attache (8/30)

Contents and Classification Approved by: Niles W. Bond

Clearances: Naval Attache (in substance)

0405

ORIGIN/ACTION
ara-4
wsia-8

RM/R	REP	AP
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DEPARTMENT OF STATE

AIRGRAM

832.424/9-2662
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A-365 NO.

OFFICIAL USE ONLY

AIR POUCH

HANDLING INDICATOR
XR 732.5-511
611.32

TO : Department of State
INFO : POLAD/CINCARIB

FROM : Amembassy Rio de Janeiro

DATE September 26, 1962

SUBJECT : Participation of General Mark Clark and US Armed Forces Cadets in Brazilian Independence Day Celebrations.

REF : CA-2211 3-16-62

JOINT EMBASSY-USIS MESSAGE

The outcome of the initiative set in motion by the reference instruction was, in the Embassy's opinion, an unqualified success from the point of view of purpose and timing -- or from any point of view.

General Mark Clark visited Rio de Janeiro September 5-9, 1962, as a special guest of the Brazilian Government for the national independence anniversary celebrations. His two major public appearances were at a ceremony on September 6 at the Monumento Nacional aos Mortos na II Guerra Mundial honoring Brazil's war dead and his presence in the official reviewing stand at the Ministry of War for the September 7 Independence Day military parade. General Clark also paid a courtesy call on President Joao Goulart and had a series of social and official meetings with Brazilian military leaders and war veterans.

Accompanying General Clark were Mrs. Clark and sixteen United States cadets and midshipmen (five each from the three service academies, and one from The Citadel). Copies of General Clark's schedule (Enclosure No. 1), the schedule for the cadets (Enclosure No. 2) and General Clark's prepared remarks at the monument ceremony (Enclosure No. 3) are attached.

Enclosures:

As stated.

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FORM DS-323

Drafted by: POL:CCCarson:cmj 9/24/62

Contents and Classification Approved by: USS:GWCooper

Clearances:

0406

Brazilian troops served under General Clark's command in Italy; and to a great many Brazilians he is the outstanding figure of World War II. The esteem in which General Clark is held by the Brazilian armed forces was reflected in the words of War Minister Nelson de Melo at a ceremony investing him with the decoration Gra-Cruz do Merito Militar. The Minister said: "...We pay you homage with the virile sincerity of soldiers...Valor is without nationality, and yours crossed the frontiers of your own country and was seen in all the continents...We proudly consider you a beloved brother...". Typical of General Clark's public reception was the fact that when he attended a veterans' dinner on September 7, more than a hundred guests at other tables in the large restaurant stood and applauded when he left.

Press, radio and TV coverage (see attached single set of clippings - Enclosure No. 4) was extensive and favorable, and constructive to the United States presence in Brazil. USIS-Embassy arranged a press conference on September 6 and the entire visit was widely publicized nationally as well as in Rio de Janeiro by USIS. General Clark's informal remarks at the War Minister's luncheon on September 8 permitted him to rectify a misquotation from the press conference which implied he did not regard the Cuban situation as serious. His re-statement was that he considered the situation in Cuba very dangerous, adding that the United States will act energetically whenever its security or that of one of its allies is endangered. The General's clarification received maximum attention in the press.

Brazil's leading news magazine O Cruzeiro characterized the Clark visit as the high point of the September 7 celebrations. Rio's Correio da Manha noted editorially that in the warmth and friendship of the occasion even the leftist National Students Union (UNE) forgot to display at its headquarters the large "Yankee-Go-Home" sign which is usually brought out as a greeting to distinguished Americans. (After the visit was over there were some grumblings in leftist circles, and these were feebly echoed in the leftist press, to the effect that General Clark had broken the rules of protocol in making unflattering references to the Cuban regime while a guest of the Brazilian Government which maintains diplomatic relations with Cuba).

0407

INCOMING TELEGRAM *Department of State* ACTION COPY PERMANENT RECORD COPY

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Action
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ARA
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Control: 15667
Rec'd: October 19, 1962
11:53 p.m.

FROM: CNO

TO: Secretary of State

NO: DTG 192043Z, October (Navy Message)

ACTION COMPACMISRAN; INFORMATION NAVMISFAC PT ARGUELLO, STATE DEPARTMENT, NASA, ALUSNA RIO

DEPARTMENT FOR ISA

A. ALUSNA RIO 171152 NOTAL

1. Captain Joao Botelho Machado reference (A) will visit PT Arguello 22 October for NASA launching. NASA representative will escort. Visit on unclassified basis.

SCP-4

JVC/1

INTERNATIONAL SCIENTIFIC AFFAIRS
ISA
OCT 20 1962
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DTG 192043Z NAVY DEPT

Microfilmed by RM/R

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ACTION ASSIGNED TO	ISA	ACTION TAKEN	NOTED		
NAME OF OFFICER • OFFICE SYMBOL	DILLERM	DATE OF ACTION	10/22/62	DIRECTIONS TO RM/R	FILE

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ORIGIN/ACTION

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INT	LAB	TAR
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ARMY 5	CIA 10	NAVY 5
OSD 12	USIA	NSA 3
ICAF 2		

DEPARTMENT OF STATE

AIRGRAM

732.5811/12-562

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A-166 NO. UNCLASSIFIED HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 DEC 10 PM 2 53

INFO: RIO DE JANEIRO

RECORDS ANALYSIS & DISTRIBUTION BRANCH

RAMS

FROM : Amcongen, SÃO PAULO DATE: December 5, 1962

SUBJECT : Visit of Industrial College Group

REF : Department's CA-4934 of November 5, 1962.

FOR ICAF

The project officer for the forthcoming visit in São Paulo of students from the Industrial College of the Armed Forces is Vice Consul David P. MANN.

The reference circular instruction, which requested that the Department be informed of the names of project officers by November 15, 1962, was received at this post on November 30, 1962.

For the Minister Consul General:

Richard C. Desmond

Richard C. Desmond
Consul

FORM DS-323 4-62

UNCLASSIFIED

FOR DEPT. USE ONLY ☑ In ☐ Out

Drafted by: ECON:DPMann:ip 12/5/62

Contents and Classification Approved by:

Clearances:

0409

ORIGIN/ACTION

ARA-4

RMR 1	REP	AF
ARA	EUR	FE
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ARMY 5	CIA 10	NAVY 5
DOD 12	USIA	NSA 3
ICAF 2		

DEPARTMENT OF STATE

AIRGRAM

732.584/12-562

FOR RM USE ONLY

A-166 (NO.) UNCLASSIFIED (HANDLING INDICATOR)

TO : DEPARTMENT OF STATE

INFO: RIO DE JANEIRO

FROM : Amcongen, SÃO PAULO DATE: December 5, 1962

SUBJECT: Visit of Industrial College Group

REF : Department's CA-4934 of November 5, 1962.

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For the Minister Consul General:

Richard C. Desmond
Consul

UNCLASSIFIED

FOR RM USE ONLY

DRAFTED BY: ECON:DPMann:ip 12/5/62

CLEARANCES:

FORM DS-232 A (12-62)

INCOMING TELEGRAM

Department of State

ACTION COPY

PERMANENT RECORD COPY

57

UNCLASSIFIED

Control: 4008
Rec'd: December 7, 1962
5:35 p.m.

Action
ARA

Info
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ARMY
NAVY
AIR
EMR

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1111, December 7

FOR ICAF

Re CA-4934

Alfonso Arenales economic officer designated Embassy control officer. Direct correspondence between college personnel and Mr. Arenales acceptable to Embassy.

BOND

AAL/4

RM/R file

RIO 1111

732.5811/12-762

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ACTION ASSIGNED TO:	UNCLASSIFIED TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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ORIGIN/ACTION: ARA-4

RM/R	REP	AF
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ARMY 5	CIA 10	NAVY 5
OSD 12	USIA	NSA 3

DEPARTMENT OF STATE

AIRGRAM

732.5811/12-1862

FOR RM USE ONLY

A-42 NO. UNCLASSIFIED HANDLING INDICATOR RM/R file

TO : Department of State

INFO : Amembassy RIO DE JANEIRO

DEC 26 AM 8:22

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS DEC 31 1962

FROM : Amconsulate BELEM, PARA

DATE: 18 December 1962

SUBJECT: Visit of Industrial College Groups to Central and South America

REF : CA-4934 ara

FOR ICAF.

Consul Hyman Bloom has been appointed project officer for the visit of the Industrial College Group to Belem.

The Consulate regrets delay in supplying above information; as Belem was not an addressee post, a single copy was only recently received from Embassy.

Hyman Bloom
American Consul

UNCLASSIFIED

FILED

FOR DEPT. USE ONLY ☒ In ☐ Out

FORM DS-323

Drafted by: PFJenner

Telegraphic transmission and classification Approved by: Hyman Bloom

Clearances:

0412

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Control: 12412
Rec'd: December 22, 1962
1:24 a.m.

FROM: Brasilia

TO: Secretary of State

NO: 30, December 20

FOR ICAF

Reference: CA 4934.

C. Dirck Keyser Project Officer.

Visit of Industrial Collège Group

KEYSER

WJH/18

BRASILIA 30

12/26 file

RM/R file

720.5811/12-2062

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ACTION ASSIGNED TO	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

0413

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INCOMING TELEGRAM *Department of State*

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Control: 2435
Rec'd: JANUARY 1963
8:38 P.M.

NAVY DEPT RUMRRDT G 041930Z

FROM: ALUSNA RIO DE JANEIRO

TO: Secretary of State

NO: DTG 041930Z JANUARY (NAVY MESSAGE)

PROJECT MAGNET DIPLOMATIC CLEARANCE

A. COMNAVOCEANA LTR CODE 3531-PH, SER 10823, 26 NOV 62

B. DEPT OF STATE CA-6438 700.58/1

1. CNO NAVY DEPT AND NAVAL OCEANOGRAPHIC OFFICE ADVISED BY ALUSNA RIO DE JANEIRO 031745Z THAT DIPLOMATIC CLNC HAS BEEN GRANTED TO OVERFLY BRAZIL.

DLW

132.5811/1-463

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ACTION ASSIGNED TO: G/PM	ACTION TAKEN: tel Baumbrener - Navy	
NAME OF OFFICER & OFFICE SYMBOL: G/PM-W. Lord	DATE OF ACTION: 1/6	DIRECTIONS TO RM/R: file

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INCOMING TELEGRAM *Department of State*

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DEPARTMENT OF STATE

Control: 7899
Rec'd: January 14, 1963
12:22 p.m.

OFFICE OF THE CHIEF OF PROTOCOL

Action
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FROM: ALUSNA RIO DE JANEIRO

TO: Secretary of State

NO: 141500Z, JANUARY (NAVY MESSAGE)

NAVY DEPT. 141500Z

ACTION SUP MASS MARITIME ACADEMY BUZZARDS BAY MASS, INFORMATION CNO, STATE DEPT WASHDC, CINCLANTFLT, COMSOLANT, COMFIFTEEN, CHNAVMIS BRAZIL, AMERICAN EMBASSY RIO

120.5811
911.753
Baker

A. STATE DEPT AIRGRAM CA-6726 OF 20 DECEMBER (NOTAL)

1. DIPLOMATIC CLEARANCE GRANTED VISIT SALVADOR 8-12 FEBRUARY AND RIO DE JANEIRO 25 FEBRUARY - 2 MARCH LAW REFERENCE A.

HMR/14

732.5811/1-1463
AM 911.753

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ACTION ASSIGNED TO	ACTION TAKEN	DIRECTIONS TO RM/R
NAME OF OFFICER & OFFICE SYMBOL: Phillips	DATE OF ACTION: 1/14	file Rm 6D

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35
Action

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Control: 7898
Rec'd: January 14, 1963
12:12 p.m.

OFFICE OF THE CHIEF OF PROTOCOL

FROM: ALUSNA Rio de Janeiro

TO: Secretary of State

ARA
RMR

NO: 141505Z, January (Navy Message)

NAVY / DEPT. 141505Z

ACTION SUP CALIF MARITIME ACADEMY VALLEJO CALIF, INFORMATION CNO, STATE DEPARTMENT WASHDC, CINCLANTFLT, COMSOLANT, COMFIFTEEN, CHNAVMIS BRAZIL, AMERICAN EMBASSY RIO

A. STATE DEPARTMENT AIRGRAM CA-6765 of 21 DECEMBER

1. DIPLOMATIC CLEARANCE GRANTED FOR GOLDEN BEAR VISIT RIO DE JANEIRO 8-12 FEBRUARY IAW REFERENCE A.

RMR/14

732.5811/1-1463

(8)

Coordinated by RM/R

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Control: 11816
Rec'd: January 18, 1963
9:28 p.m.

FROM: Rio de Janeiro

TO: Secretary of State

NO: 1355, January 18

FOR PROTOCOL

Reference: CA-6726 and CA-6765

Informal approval visits BAY STATE and GOLDEN BEAR received via Naval channels.

GORDON

aa/3

1/22 Requested Code Room to send copies to Commerce.

Rio-1355

732.5811/1-1863

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NAME OF OFFICER & OFFICE SYMBOL		DATE OF ACTION		DIRECTIONS TO RM/R

0417

DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON 25, D. C.

IN REPLY REFER TO
OP-92B2/paw
16 April 1962

MEMORANDUM FOR CHIEF OF PROTOCOL, DEPARTMENT OF STATE

Subj: Visits of French Corvette to Argentia 27-30 April and 3-5 October 1962

Ref: (a) DEPSTATE memo U/PR of 11 Apr 62

1. The Department of the Navy perceives no objection to the visit scheduled in reference (a). The appropriate naval authorities have been informed and the usual courtesies and facilities will be extended.

T. J. LAFOREST
By direction

732.5551/4-1662

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MAY 29 1962

0418

VIA AIR POUCH — UNCLASSIFIED
HANDLING INDICATOR

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732.5878/9-861
XR 432.78
601.3278

FOREIGN SERVICE DESPATCH

FROM : Amconsul: DAR ES SALAAM — 49 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — September 8, 1961 DATE

REF :

For Dept. Use Only	ACTION	AF 5	INFO DEPT	RM/R 2	REP 1	AF	ARA 4	EUR 5	FE	NEA	CU	INR 7	E 7	P 3	IO	ICA 11
			OTHER	AGR	COM 10	PRS	INT	LAB	TAR	TR	XMB					
	REC'D 9-14			AIR 6	ARMY 4	CIA 10	NAVY 4	OSD	OCB	USIA 10	NSC 4					

SUBJECT: Forthcoming Visit of Brazilian Navy Training Ship. — to Post As requested-3

Tanganyika Information Service officials have informed the Posts' Public Affairs Officer that the Brazilian Navy training ship, "Custodio de Mello", will visit Dar es Salaam on October 10, 1961.

The ship will carry an industrial exhibit to display Brazil's economic development to visitors to the ship.

In addition, two Brazilian diplomats - Adolfo SASTO de Menezes and Carlos Norberto Olivario PARES - will be abroad. It is expected that, while in Dar es Salaam, the diplomats will discuss with Tanganyika officials the establishment of diplomatic relations between Brazil and Tanganyika.

Comment: A refreshingly novel combination of goodwill naval visit, trade promotion, and diplomatic mission.

732.5878/9-861

Robert T. Hennemeyer
American Consul

1961 SEP 18 AM 9 37
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OCF 5
MESSAGE CENTER 32 PM '61

cc. NAIROBI, ZANZIBAR

DEPT. PASS: LONDON, KAMPALA, RIO DE JANEIRO

RTHennemeyer:hn — UNCLASSIFIED
REPORTER

FORM 6-61 FS-439 GPO 912596 — For Department Use Only - To be Filled In on Yellow Original ONLY

ACTION ASSIGNED TO:	ACTION TAKEN	Contents noted
NAME OF OFFICER & OFFICE SYMBOL af/afe/wac	DATE OF ACTION 9-19-61	DIRECTIONS TO RM/R File

LWS

0419

CONFIDENTIAL

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FOREIGN SERVICE DESPATCH

FROM: Ambassy - QUITO

348

TO: THE DEPARTMENT OF STATE, WASHINGTON.

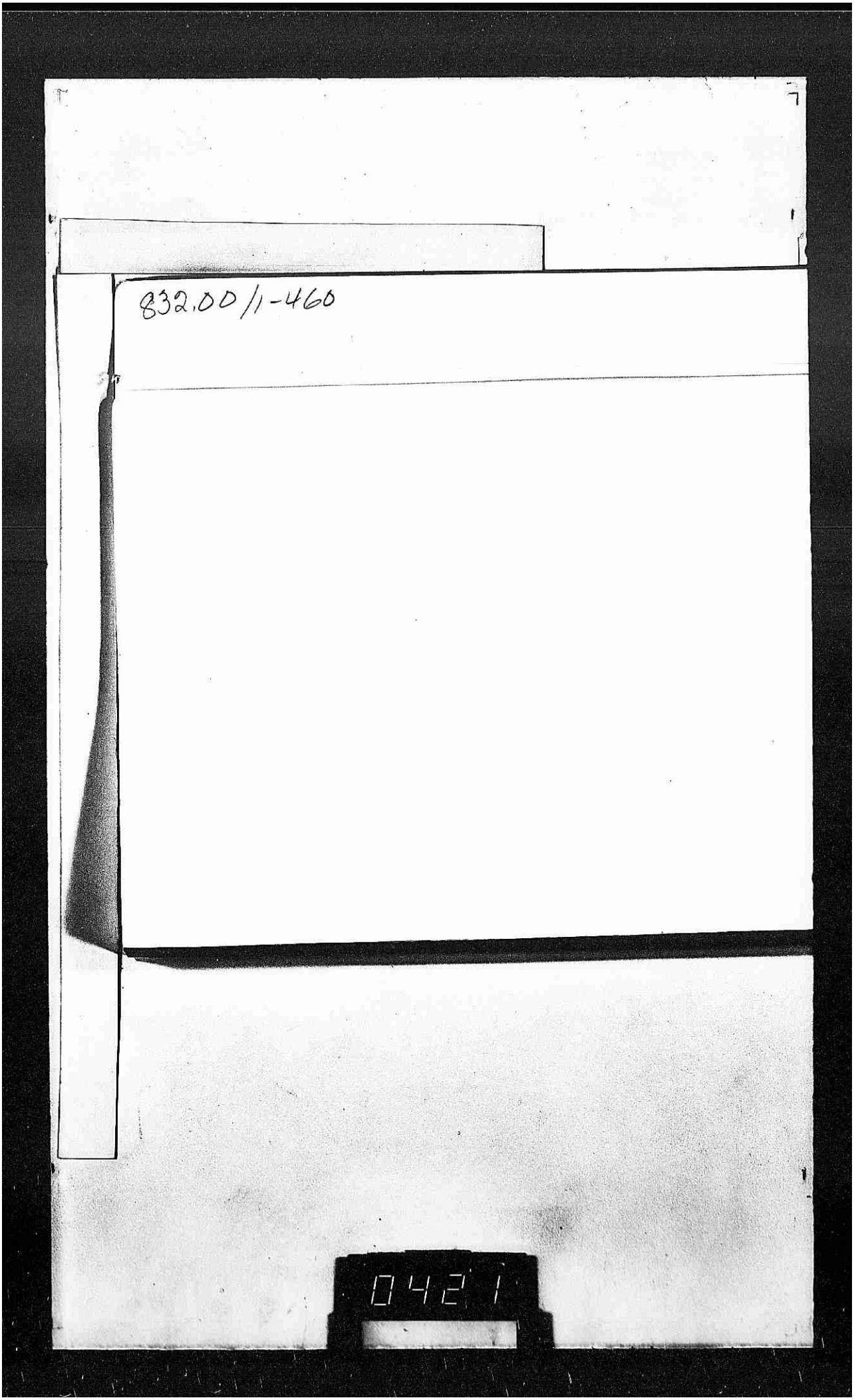
January 19, 1962

REF:

For Dept. Use Only	ACTION	INFO	DEPT	BNAR	RGP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	AID
	ARA-4			2			5					5	3		2	1
			OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	AMB					
	REC'D 1/22/62			AIR	ARMY 3	CIA 11	NAVY 3	OSD 3	OCB	USIA 6	NSA 3					

SUBJECT: Local Newspaper Publisher Describes Communist Penetration in Loja Province.

Enclosed is a Memorandum of Conversation between Ambassador BERNBAUM and Sr. Rafael VILLAVICENCIO, publisher and editor of the daily newspaper Opinion del Sur of Loja. Sr. Villavicencio described at length how Communist and leftist elements have managed to get the upper hand in Loja, and requested U.S. assistance in combating them. Ambassador Bernbaum directed that a meeting (held January 16) be arranged between Sr. Villav


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AIR POUCH
PRIORITY

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(Security Classification)

DO NOT TYPE IN THIS SPACE
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XR 832.10

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO 679
DESPATCH NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON
January 4, 1960
DATE

REF : CERP, Section D, IV, A-5 & 6, August 3, 1957
Enclosures

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ACTION DEPT.
REC'D IN FOR OTHER

ARA 4 RMA-2 REP-1 IAC-8 E-3 ECAM 4-2
16 CERA-10 COM-10 TAR-2 TA-3 FAR-2 INR-4

SUBJECT: Establishment of the Superintendency for the Development of the Northeast. AG-8 IN-7 LAB-2 SOY Amty-1

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 1 1960

Enclosed are a memorandum and a translation of Law 3,692 of December 15 prepared by William W. Gorton, Agricultural Economist (Farm Management). The memorandum summarizes the principal features of the newly established Superintendency for the Development of the Northeast. As indicated by Mr. Gorton, a planning and administrative framework has now been established by Congress on a basis that could permit effective coordination and supervision of the many activities directed toward the improvement of the northeast, although of course the enactment of the statute does not assure that this will take place.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:
Herbert K. May
Herbert K. May
Treasury Attaché

William W. Gorton

Enclosures:
1 - Memorandum dated December 23, 1959
2 - Translation of [illegible] of December 15, 1959

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1960 JAN 8 AM 11 39
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RECEIVED

RGWalker/mvc
REPORTER

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832.00/1-460 EMW

FILED
JAN 25 1960

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 679
From AMEMBASSY, RIO

MEMORANDUM

December 23, 1959

To: Mr. Fowler, Counselor for Economic Affairs

From: William W. Corten

Subject: Legislation creating a Superintendency for the Development of the Northeast (SUDENE)

Attached is a translation of Brazilian Law no. 3,692 which creates a new agency to direct all Federal agencies having to do with the development of the northeast, the major drought zone of Brazil. Outstanding provisions are:

1. All Federal agencies in the area having responsibility for its growth are brought under one control;

2. The agency operates directly under the President and the Superintendent is to be named by him;

3. A deliberative council of 22 is established the membership of which will include the governors of the nine States of the region, six Federal ministers, heads of three National banks, the superintendents of SUDENE, DNOCS, and the San Francisco Valley Commission, and one representative of the armed forces;

4. Provision is made for the granting of favored exchange rates or the authorization of licenses for import without exchange cover for equipment, including farm implements, destined for the Northeast;

5. Exemption from import taxes on priority equipment;

6. Special consideration is given for the extraction and industrialization of minerals;

7. Up to 50 percent of the convertible currencies earned from exports from the region may be set aside for the purpose of importing equipment essential to the region; and

8. The new agency is allocated no less than two percent of the tax revenues of the country based on the amount collected the previous fiscal year (this is in addition to four percent already allocated to the northeast as follows: two percent to DNOCS (the Federal

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public works agency), one percent to the Banco do Nordeste, and one percent to the San Francisco Valley Commission).

The legislation is sometimes a bit less than exact in its terminology, which leads to the conclusion that, in the final analysis, it will accomplish much or little depending upon its administration. Properly administered it could be used to get a coordinated program under way and to improve the situation in the region.

***

Attachment

0424

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(Classification)

Page 1 of
Encl. No. 2
Desp. No. 679
From AMEMBASSY, RIO

TRANSLATION

Source: Diario Oficial, December 16, 1959

LAW No. 3,692 - of 15 December 1959

Creating a Superintendency for the Development of the Northeast (SUDENE)

The National Congress decrees:

Art. 1 - The Superintendency for the Development of the Northeast (Superintendencia do Desenvolvimento do Nordeste - SUDENE) is hereby created directly subordinate to the President, being administratively autonomous and established in Recife.

Para 1 - For the purposes of this Law, the Northeast is considered to be the region including the states of Maranhao, Piaui, Ceara, Rio Grande do Norte, Paraiba, Pernambuco, Alagoas, Sergipe and Bahia.

Para 2 - The operating area of the SUDENE includes, besides those states above referred to, the Minas Gerais portion included in the drought zone.

Para 3 - The funds granted in any manner, directly or indirectly to the SUDENE, can only be expended in localities covered by the area mentioned above in Para 1 and Para 2.

Art. 2 - The Superintendency for the Development of the Northeast has as its purpose:

a. to study and propose plans for the development of the Northeast;

b. to supervise, coordinate and control the drafting and execution of the projects of federal agencies in the region which are specifically related with its development;

c. to carry out, directly or by convention, agreement or contract, projects related to the development of the Northeast which may be assigned to it, under present legislation;

d. to coordinate technical assistance programs, national or foreign, in the Northeast.

Art. 3 - The SUDENE will be directed by a Superintendent, chosen by the President of the Republic, who will be responsible for the execution of the resolutions of the Deliberative Council, and for representing the agency in Court or outside it.

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Para 1 - The superintendent will receive wages equivalent to those established by law for commissions symbol "CC-1".

Para 2 - The functions of the Superintendent may be performed by directors of technical or financial agencies of the Republic, any accumulations of wages being prohibited.

Art. 4 - The SUDENE is composed of:

a. Deliberative Council;
b. Executive Secretariat.

Art. 5 - The Deliberative Council will be composed of 22 members, nine being named by the Governors of the Northeastern states - one for each state - three native members, one representative of the Armed Forces Headquarters, and nine representatives of the following agencies and entities:

a. Ministry of Agriculture;
b. Ministry of Education and Culture;
c. Ministry of Finance;
d. Ministry of Health;
e. Ministry of Labor, Industry and Commerce;
f. Ministry of Transportation and Public Works;
g. Bank of Brazil;
h. Bank of the National Development;
i. Bank of the Northeast.

Para 1 - The native members will be:

a. the Superintendent of the SUDENE;
b. the Director General of the Departamento Nacional de Obras Contra as Secas (National Department for Anti-Drought Works - DNOCS);
c. the Superintendent of the San Francisco Valley Commission.

Para 2 - the State Governors may, if they wish, personally represent their respective States.

Para 3 - The representatives of the agencies and entities herein mentioned, will be chosen among their employees, and their substitutes, as well as those of the native members, will be arranged according to regulations.

Art. 6 - The Executive Secretariat will operate under the sole direction and responsibility of the Superintendent and will have its rules established by decree of the Executive.

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Sole Paragraph - The Executive Secretariat will maintain an office in the Federal Capital, and according to the needs of the development and its activities, in the various states of the Northeast.

Art. 7 - The SUDENE is responsible for:

a. Examining and forwarding to the President of the Republic, with its opinion, proposals relating to problems of the development of the Northeast or proposals establishing specific funds to be applied in the region;

b. Controlling without prejudice to the powers granted other agencies, the budgetary allocations, special credits, financings, and special banking accounts of the administrators of the projects contained in the basic plan by means of information furnished by the executive agencies or entities.

c. Supervising the use of financial resources specifically intended for the development of the Northeast, comparing the works and services performed with the documents approving the respective expenses.

d. Suggesting, with respect to the region, in coordination with the Administrative Department of the Public Service (Departamento Administrativo do Serviço Publico, DASP) legislative provisions necessary for the creation, adaptation, transformation or elimination of agencies, taking into consideration their capability or efficiency, their adequacy for their respective purposes and especially the part assigned to them in carrying out the basic plan (plano diretor).

e. Exercising all the acts included in its purposes.

Sole paragraph - The Bank of Brazil, the National Development Bank, and the Bank of the Northeast, will furnish to SUDENE on a quarterly basis or whenever requested, statements of the accounts referred to in item "b" of this Article.

Art. 8 - There will be established by law a basic plan covering several years and describing the various sectors, the undertakings and services for the specific development of the region.

Para 1 - The annual work program of the federal entities and agencies which are assigned to the specific development of the region, will be planned with the cooperation and approval of SUDENE, within the broad-lines of the basic plan.

Para 2 - There will also be established by law the changes proposed by SUDENE to the basic plan, which may modify the budgets of the undertakings approved.

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Para 3 - The projects and programs of local interest, later included in the basic plan during the period of preparation of the budget law, cannot absorb more than 20% (twenty percent) of the resources assigned to the annual execution of that program.

Para 4 - SUDENE will present to the President of the Republic, by December 31 of each year, a report on the execution of the basic plan in the previous year, which will be forwarded to the Legislative Power, for legal purposes.

Art. 9 - The Federal Budget will assign funds, in proper detail for the execution of the basic plan in each year.

Sole paragraph - The Budget Proposal will be provided by SUDENE with the information necessary to the description to which this article refers, following, to the extent possible in the allocation of resources for services and undertakings in the various states of the Northeast, the indices of drought severity established in Law 1001, of December 14, 1949 (Art. 9 and paragraphs).

Art. 10 - Without prejudice to the minima provided in Art. 198 of the Constitution and Art. 29 of the Transitional Constitutional Provisions and in addition to other resources normally assigned to other programs that may be included in the basic plan, there will be allocated to SUDENE no less than 2% (two percent) of the tax revenues of the country based on the amount actually collected in the last fiscal year.

Sole paragraph - The resources to which this article refers, as well as the additional credits assigned to the basic plan cannot be eliminated or reduced in any fiscal year by act of the Executive.

Art. 11 - SUDENE will prepare, with the cooperation of other agencies operating in the Northeast, an emergency program to fight the effects of the drwughts and to assist the population affected at the time of its occurrence. This program will be periodically revised so that it may be put into effect immediately whenever necessary.

Art. 12 - The funds allocated to federal entities and agencies for carrying out the basic plan and its other related programs will be used under the supervision and review of SUDENE.

Sole paragraph - An essential element to the statement of accounts of expenditures incurred in the carrying out of works and the purchases and installation of equipment under the responsibility or supervision of SUDENE is a statement by SUDENE attesting to the partial or final execution of undertakings under technical conditions considered satisfactory and in accordance with the approved plans and specifications.

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Art. 13 - The Deliberative Council is responsible for:

a. Formulating on the basis of the technical works of the Executive Secretariat policy directives for the development of the Northeast;

b. Approving and sending to the President of the Republic the project of the basic plan and its revisions;

c. Following the execution of the programs and projects relating to the basic plan, being empowered to designate among its members special committees for this purpose;

d. Considering the adequacy of the state development plans in the framework of the basic plan and giving an opinion on them when requested by the state government;

e. Submitting for approval by the President a special plan for construction, food supply and assistance to the population affected, to be put into action whenever a drought occurs;

f. Reviewing the proposals of the Executive Secretariat with respect to Art. 14, letter "i", and forwarding suggestions on them, to the appropriate authorities;

g. Approving the planning and execution of projects of specific interest to the Northeast, which are under the responsibility of federal agencies operating in the region or which must be carried out with financial help from official credit agencies;

h. Reviewing the annual report on the execution of the basic plan and sending it with an opinion to the President of the Republic;

i. Proposing to the President, to the Ministers of State and to the Directors of entities directly subordinated to the Presidency, the adoption of measures intended to facilitate or to hasten the carrying out of programs, projects and works relating to the development of the Northeast, as well as the setting of standards for its planning;

j. Proposing to the President:

1. The granting of favored exchange or cost-of-exchange rates, or the authorization of licenses for import without exchange cover, as provided in Chapter V of Decree no. 42,820 of December 16, 1957, for equipment intended for the Northeast, including agricultural implements, considered essential to the development of the region;

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2. Declarations of priority with respect to equipment intended for the Northeast for the purpose of obtaining exemption from import taxes under the terms of Art. 18;

3. Declarations that the extraction and industrialisation of minerals in the Northeast is of essential interest to the development of the region under the terms of Article 19;

4. The granting of up to 50% (fifty percent) of convertible currencies arising from exports of the Northeast to import the necessary equipment for the development of the region;

Para 1 - The Deliberative Council will reach decisions by a majority of votes under the Presidency of one of its members chosen in the manner provided in the internal regulations of SUDENE.

Para 2 - The Deliberative Council may hold meetings outside the main office of SUDENE, in different parts of the region or in the Federal Capital.

Art. 14 - The Executive Secretariat is responsible for:

a. Drafting the proposal for the basic plan and preparing its annual revision, submitting them to the Deliberative Council;

b. Coordinating the action of other entities and agencies for the planning of programs and projects within the basic plan;

c. Coordinating and supervising the execution of programs and projects which summarize the main purposes of the basic plan;

d. Preparing an annual report on the execution of the basic plan and submitting it to the Deliberative Council;

e. Preparing and sending to the Deliberative Council a plan of works, supplies and assistance to be carried out in drought emergencies;

f. Directing and supervising, in cases of drought, the action of federal agencies and services operating in the region in carrying out the special program of construction, food supply and assistance;

g. Planning or arranging the planning of projects and giving technical assistance to federal, state and municipal agencies preparing programs and projects for the development of the Northeast;

h. Executing the project directly assigned to SUDENE;

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i. Attracting private groups to participate in projects within the basic plan;

j. Examining proposals which relate to the problems of the region or which establish specific resources for investment in the region, sending a study of the matter to the Deliberative Council, for its approval;

l. Making or arranging the making of studies for the establishment and periodic amendment of the basic plan;

m. Arranging the federal agencies which operate in the Northeast to coordinate their action so as to provide the best results;

n. Assisting the Deliberative Council, with information, studies and projects necessary to the performance of its responsibilities;

o. Performing the administrative activities necessary to the exercise of the responsibilities of SUDENE;

p. Presenting every three months to the Deliberative Council, for such action as it finds necessary, a report summarizing its activities.

Art. 15 - SUDENE will as a rule, use requisitioned personnel who will work if possible, on a full time basis, and in this event, the salary may be supplemented by up to 100% (one hundred percent) of the respective salaries, after approval by the President of the Republic and publication in the Diario Oficial.

Para 1 - SUDENE may also contract, within the funds assigned to it, for technical personnel for the technical services under the labor law.

Para 2 - The Executive Secretariat may have in addition to requisitioned personnel, its own personnel for administrative services, who will be noted in a list approved by the President and later published in the Diario Oficial.

Para 3 - The personnel referred to in the previous paragraph may only be admitted after a public examination of ability, any admission for positions or functions of temporary personnel being prohibited.

Art. 16 - SUDENE may propose* under the terms of law, and for the execution of the projects within its competence or approved by it, condemnation proceedings judged of public necessity or utility or for the welfare of society.

(*) The word used is "promover" which may also be translated "carry out". Because of related legal procedures the translation "propose" has been used.

Art. 17 - SUDENE will have tax exemption as provided by the present legislation for public administration agencies.

Art. 18 - The imports of equipment for basic industry and food supply will be given preference among the items intended for the Northeast to be exempt from taxes and fees, provided that at the request of concurrence of SUDENE they are declared priority items in an Executive decree.

Sole paragraph - The exemptions to which this Article refers does not benefit machinery or equipment:

a. used or reconditioned;
b. which has national similars registered as such which have capacity to meet, in an adequate manner recognized by SUDENE, the needs of the development of the Northeast.

Art. 19 - Art. 72 of Law 3,470 of November 28, 1958 is revoked; the text of Art. 35 of Law no. 2,973 of November 26, 1956, will hereafter read as follows:

"Art. 35 - Chemical industries which use local raw materials or other industries of other kinds which also utilize such items, namely the industries of fertilizers, cellulose, alkalis, cocoanuts, vegetable oils and carnauba wax, the processing and weaving of carua, sisal and native fibers, the metallurgical processing of mutile, iron, tungsten, magnesium, copper, chrome, manganese, lead, zinc, ilmenite and other minerals the mining and processing of which is declared important for the development of the region, and which are located in the North and Northeast of the country, including Sergipe and Bahia, which come to be located in that region, will receive a reduction of 50% (fifty percent), in the income tax and the additional tax with respect to capital and reserves through the year 1968."

Para 1 - The new industries referred to in this Article, which have been installed after the effective date of Law 2,973 or may be installed by December 1963, will be exempt from the income and additional tax until December 31, 1968, as long as there is not another industry in the region utilizing the same raw material and producing the same kind of product in a volume greater than 30% (thirty percent) of the apparent local consumption, or as long as these industries already existing are also benefited from the privileges of this paragraph.

Para 2 - There are deductible for income tax purposes the expenditures of mineral surveys effected by concessionaries of surveying or mining companies legally established, in the Northern and Northeastern regions, including Sergipe and Bahia.

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Para 3 - The declaration as to the minerals the mining and processing of which are important to regional development of the Northeast, including Sergipe and Bahia will be made by Executive decree at the proposal of SUDENE.

Art. 20 - The budgetary appropriations and additional credits assigned directly to SUDENE for the functioning of its agencies or for the carrying out of the projects under its responsibilities, will be automatically registered by the Court of Accounts and distributed to the National Treasury.

Para 1 - The National Treasury will deposit those appropriations and credits in a special account, in the Bank of Brazil or Bank of the Northeast at the disposal of SUDENE.

Para 2 - The balances of those appropriations and credits referred to in this article, when not utilized will be entered as amounts to be paid.

Para 3 - The Superintendent of the SUDENE will submit to the Court of Accounts by the 31st of March of each year a statement of expenditures made in the previous fiscal year.

Art. 21 - The assets of SUDENE will include the property of the Development Council of the Northeast (Conselho de Desenvolvimento do Nordeste) - (Decree 45,445 of February 20, 1959) - this being all the latter's assets, equipment, documents and files, which will be incorporated on the date of the receipt.

Art. 22 - To SUDENE will be transferred the balance of the total allocations of the expense budget for fiscal year 1959 in item 4.0102, Verba 1.0.00, Consignação 1.6.00, Subconsignação 1.6.23 - Reequipment and development of programs, services and specific works - item 3 - to cover expenditures of any nature relating to the maintenance of the working group for the Development of the Northeast (Decree 40,554 of December 14, 1956) which includes the setting up of studies, projects, and economic and social surveys.

Art. 23 - The Executive Power will open a special credit for the execution of the responsibilities of SUDENE, as provided in Articles 14 and 15 of this Law, up to the amount of Cr$50,000,000 (fifty million cruzeiros).

Art. 24 - So long as the basic plan referred to in Article 8 is not put in effect, SUDENE may propose the execution of partial plans and projects to be later incorperated in that basic plan. These partial programs will be established by law with an assignment of funds.

Art. 25 - The Executive Power is hereby authorized to open a special credit up to the amount of Cr$1,000,000,000 (one billion cruzeiros)

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to which will be charged, under present legislation, the expenditures of the plans and projects referred to in the previous article, without prejudice to greater and specific resources which might be assigned in the laws which establish them.

Art. 26 - SUDENE will have at its disposal, on a quarterly basis, in a special account in the Bank of Brazil an amount not less than 50% (fifty percent) of the value of the agios collected under present legislation, arising from the sale of exchange earnings from the exportation of goods originating in the states referred to in Para 1 of Art. 1, less the bonuses paid to exports from the same region.

Sole paragraph - The funds deposited, under the terms of this Article, will be applied to the extent possible to projects seeking to strengthen the export economy of the states of the region.

Art. 27 - Neither the National Development Bank nor the Bank of the Northeast can approve any project of financing or guaranty intended for investments for the economic development of the Northeast, even if these projects are within the basic plan, without the opinion of SUDENE within a maximum period of 90 days.

Sole paragraph - The studies and forwarding of the projects referred to in this Article will have priority in SUDENE and also in the above-mentioned credit agencies.

Art. 28 - The Bank of the Northeast will apply at least 70% (seventy percent) of its resources in special loans with a minimum term of six months and under the provisions of Article 8 of Law 1,649 of July 19, 1952.

Art. 29 - The funds amounting to 2% (two percent) of the Federal revenues provided in Art. 198 of the Constitution, will be applied preferentially to the construction of dams, irrigation, well drilling, and construction of roads in the area comprised in the drought zone and cannot be reduced by act of the Executive.

Art. 30 - Within sixty days (60) the Executive Power will set out regulations for the enforcement of this Law.

Art. 31 - This Law will become effective as of the date of its publication, provisions to the contrary being revoked.

signed by the President
Rio de Janeiro, 15 December, 1959

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AIR PRIORITY
PRIORITY

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(Security Classification)

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 680 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 4, 1960 DATE

REF : CERP C-1

JAN - 6 1960

For Dept. Use Only	ACTION	DEPT.
	COM-12	REP-1 ARA-5 IRC-15 E-6 ICA-11 L-2
	REC'D 1/6	INFO OTHER ARMY-35 NAVY-20 A/R-30 OSD-2 OCB-2 IN-7 TAR-2 TR-3 AG-8 FRB-3 XMB-4 USIA-10 C/A-1

SUBJECT: WEEKLY ECONOMIC REVIEW No. 1 (December 28-January 4)

INDEX

1. Companhia Vale do Rio Doce Operations
2. Hannaco Operations in Brazil
3. More on Bolivia/Brazil Oil Agreement
4. More Export Items on Free Market
5. President Kubitschek's New Year's Message.

1. Companhia Vale do Rio Doce Operations:

This company had its best export year in 1959 exporting 3,200,000 metric tons of iron ore worth US$35 million. The company anticipates sales of over 4 million tons in 1960. UNCLASSIFIED.

Comment: The 1960 forecast depends on many factors outside the control of Companhia Vale do Rio Doce, such as a recurrence of a steel strike in the US, as well as competition for world iron ore markets from other sources of supply. The company will not be ready for the "big push" in iron ore sales until the harbor dredging and ore dock improvements are completed and the railway capacity increased which will probably not be before 1962. (WER 51, December 18, 1959). OFFICIAL USE ONLY.

2. Hannaco Operations in Brazil:

Mineração Hannaco Ltda. of Belo Horizonte, a subsidiary of Hanna Co. (Cleveland, Ohio), has revised its initial plan for the construction of a railroad and a sea port that would cost the company more than US$300 million, based on a report by its technicians, who believe that the Central do Brasil Railroad can transport, in both directions, around 20 million tons of iron per year. In case the new plan is approved by the Brazilian Work Group for the Expansion of Iron Ore Exports, the company's investment would amount to only US$50 million instead of the US$300 million

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originally estimated. The plan covers construction of two railroad sidings totaling 60 kilometers and of a sea port in Sepetiba bay (state of Rio), and the purchase of locomotives and freight cars. The sea port will be able to receive ships of 45,000 to 60,000 tons. Hannaco intends to export two to three million tons of iron ore per year, at the beginning of operations.
OFFICIAL USE ONLY.

3. More on Bolivia/Brazil Oil Agreement:

Bolivian Vice President Ruben JULIO arrived in Rio on December 27, accompanied by Bolivian Senators Francisco MEALLA and Carmelo CUELLA. Upon arrival, Julio was quoted by reporters as saying that he had come to confer with Brazilian authorities re the possible necessity of revising the Roboré accord on joint exploitation of Bolivia's oil. Statements made later in the week by both the visiting Bolivians and by Brazilian sources asserted, however, that no such revision was contemplated. UNCLASSIFIED.

Comment: The Bolivian visit is believed to be related to the recent report of Federal Deputy Gabriel PASSOS (made to a Chamber committee investigating the oil exploitation agreement with Bolivia) recommending that the Roboré protocols be denounced by Brazil and the reported resultant clamor in the Bolivian congress. Foreign Office reticence on the subject may indicate Julio's arrival remarks, later denied, may have some basis in fact, particularly since Foreign Minister LAFER is credited with having made only a weak defense to the Chamber Committee of the Roboré accord which was negotiated by ex-Foreign Minister Macedo SOARES. Bolivian's presence has silenced (for the moment, at least) the ultra-nationalist campaign against the Roboré Agreement.
OFFICIAL USE ONLY.

4. More Export Items on the Free Market:

On December 30 the SUMOC Council gave 1959 a final salute by issuing its Instruction 192. This provides that except for coffee and cocoa beans, which will continue to receive an export rate of Cr$76.00 per dollar, and cocoa derivatives, castor seeds and crude oil and derivatives, which will continue to receive Cr$100.00 per dollar, all exports may be sold at the free market rate. Of this, however, only Cr$130.00 per dollar will be received in cash with the remainder being received in Bank of Brazil Letters paying 6% and maturing in six months.

The SUMOC announcement of this Instruction estimated that it would provide approximately $200 million more per year for the free market. The immediate local reaction was a strengthening in the free market cruzeiro from over Cr$200.00 per dollar on December 30 to approximately Cr$185.00 on the afternoon of December 31.
UNCLASSIFIED.

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Comment: There has been considerable speculation that this Instruction will be followed by another one affecting imports. To date, however, it appears that the principal purpose was to promote additional exports and strengthen the cruzeiro on the free market. OFFICIAL USE ONLY.

5. President's New Year's Message:

The President's New Year's message, read by the Minister of Justice because of the President's illness, covered a variety of domestic and foreign policy themes. In the strictly economic sphere he emphasized with pride the government's aggressive action in selling coffee, the reduction of the estimated balance-of-payments deficit from $300 million to $125 million and the great steps taken in Brazil's development. He denied that Brasília and his other development goals had caused the inflation noting that it has always accompanied Brazil's growth. He stated, however, that 1960 would be dedicated to strengthening the currency, halting inflation and balancing public expenses "without prejudice" to the measures necessary for national development". UNCLASSIFIED.

For the Ambassador,

Douglas S. Egan,
Commercial Attaché.

Approved:
Howard R. Cottam,
Minister for
Economic Affairs.

Contributors:
Items 1,2 - EBrown
Item 3 - HAQuinn
Item 4,5 - RGWalker.

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POL, ECON, USIS, Agric, Labor, Legal, Army, Navy, Air At., JBUSMC Army Air Section, NavM; Congen São Paulo; Consulates Belem, Belo Horizonte, Curitiba, Porto Alegre, Recife, Salvador, Santos; Embassies Asuncion, Buenos Aires, La Paz, Lima, Montevideo, Panama, Quito, Santiago; Cdr-in-Chief, Caribbean Command, Quarry Heights (4).

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AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : Amcongen, São Paulo, Brasil — 237 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 8, 1960 DATE

REF : CERP-C - General Interest

CONSULATE GENERAL OF THE UNITED STATES OF AMERICA
JAN 13 1960
SÃO PAULO, BRAZIL

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	INFO RER 1 IRC 8 E-3 ICA 11 DAB-6
	REC'D 1-12-60	OTHER CIA 10 USIA 10 OSD-4 Army-4 Navy-1 TR 3

SUBJECT: Weekly Economic Review TRB.3 XMB.4

In order to permit wider distribution, the economic section was eliminated from the São Paulo Weekly Summary and set up as a separate despatch, classified not higher than Official Use Only, under the title Weekly Economic Review. This is the first of such despatches to be submitted regularly hereafter.

Index

1. São Paulo reacts favorably to SUMOC instruction 192
2. Automobile producers petition extension of customs favors
3. São Paulo will have own motion picture film censorship
4. Trade mission going to Japan
5. Railway and bus fares go up
6. Meat prices increase
7. Courses in trade union leadership
8. Dante Pellacani reelected President of the National Federation of Typographical Workers

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1. São Paulo Reacts Favorably to SUMOC Instruction 192 (UNCLASSIFIED)

The reaction in São Paulo to instruction 192 issued by the Superintendent of Money and Credit (SUMOC) at the close of 1959 generally was favorable. The fact that the proceeds from almost all exports (except coffee, cacao and by-products, castor beans and petroleum) may now be negotiated in the free foreign exchange market was hailed as a step in the right direction towards a single exchange rate for all foreign exchange transactions. Some commentators regretted that the government did not go one step further and also alter the rate applicable to favored imports that are provided exchange "at cost". This rate they maintain is now unrealistically held at Cr$ 100 to the dollar. Cause and effect are variously interpreted. Some call it a preparatory step towards resumption of

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Cahn, Perkey, Traeger, Shea/vsgs
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conversations with the IMF. Others say it is an all out effort to increase exports and obtain much needed dollars. Still others consider it mainly an effort to bolster the free market rate, because the government did not wish this barometer of the value of the currency to show a considerably devaluated Cruzeiro. Because exporters will receive part liquidation of their exchange in the form of bank bills payable in six months, the initial effect was considered anti-inflationary, with a possible inflationary effect during the second half of the year.

2. Automobile Producers Petition Extension of Customs Favors (UNCLASSIFIED)

São Paulo automotive manufacturers petitioned the federal authorities and were promised a six-months extension of the customs favors on parts not yet produced in Brazil (Customs Policy Council Regulation 74) that expired on December 31, 1959 (see Rio Embassy despatch 102 July 27, 1959). By July 1960 all of the automobile truck, bus, jeep and utility cars producers should have reached a local parts content by weight of 90/95 percent. Until then failure to obtain an extension of the reduction in import duties could result in a substantial increase in production costs.

3. São Paulo Will Have Own Motion Picture Film Censorship (UNCLASSIFIED)

An official announcement was made that motion picture film censorship would be instituted in São Paulo, and that an order to that effect is to be issued shortly. Heretofore the censorship performed in Rio de Janeiro was respected, although performed under an old law which was superseded by a provision in the Federal constitution giving the states autonomy in film censorship. The state Division of Public Amusements already is being equipped with facilities to carry on the censorship. It is also reported that a decree is to be issued establishing a censorship fee.

4. Trade Mission Going to Japan (UNCLASSIFIED)

A Brazilian Government Trade Mission, including four prominent Paulista businessmen, two members from Minas Gerais, and two Brazilian Government officials will visit Japan at the invitation of the Japanese government during March to discuss "mutual trade problems", according to Mr. Erich HUMBERG. In addition to Mr. Humberg (President of SANBRA), the other Paulista members are: Roberto SIMONSEN, Filho; Ermirio de MORAIS; and Antonio DEVISATI. The last named is president of the São Paulo Federation of Industries.

5. Railway and Bus Fares Go Up (UNCLASSIFIED)

Effective January 1 some railway fares and fares on private bus lines serving the suburbs of São Paulo were increased. Two days later fares on the city operated street cars and busses also were increased. The increases varied, but were in the neighborhood of 40 percent.



During the first days of the fare increases police were placed at strategic points to avert damage to property, such as occurred on other occasions when rates were raised. No disturbances or public demonstrations, however, developed.

6. Meat Prices Increase (UNCLASSIFIED)

Prices of first quality beef have gone up an average of Cr$ 10.00 per kg. in São Paulo retail markets during the past week. Prices of second quality cuts, which are fixed by price control ceilings, remain unchanged. The retail price increase for first quality beef followed an increase in wholesale prices of hindquarters effected by major suppliers on January 4th. The São Paulo meat retail association registered a public protest against the increase in wholesale prices at a time when supplies of slaughter animals are increasing. The Federal order which established the present meat ceiling price schedule will expire on January 15 and the head of the price control authority is reported to have indicated it would not be renewed.

Comment - A major U. S. packer stated that the criticism against packinghouses for increasing their prices of hindquarters is unjustified as the packers only adjusted prices closer to the level that other slaughter houses were already charging and that, even with the increase, the packers are only at the breakeven point.

7. Courses in Trade Union Leadership (UNCLASSIFIED)

The São Paulo Regional Delegate of Labor announced his intention of establishing courses where trade union leaders can receive training to fit them for service and leadership in the Brazilian trade union movement. The courses are to be sponsored by the São Paulo Regional Delegacy of the Ministry of Labor, and will be financed and supervised by the Comissão de Imposto Sindical, Social Syndicate Tax Fund, a branch of the Ministry of Labor. The São Paulo trade unions will also cooperate in the undertaking.

In outlining the proposed courses to the press Sr. Roberto GUSMÃO, Regional Delegate of Labor, stressed the importance of the São Paulo trade union movement, with approximately 270 unions, representing an estimated 1,350,000 workers, in the economic life of Brazil, and he remarked the need for young trained trade leaders cannot be ignored. He went on to say that the idea for establishing such courses came from the example of more industrialized nations and mentioned the trade union leadership school at Harvard in the U. S. and the Ruskin School in England, and a school sponsored by the C.G.T. in France.

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8. Dante Pellacani Reelected President of the National Federation of Typographical Workers (OFFICIAL USE ONLY)

Dante PELLACANI, secretary-general of the State of São Paulo Trade Union Council, was reelected president of the National Federation of Typographical Workers in elections held at Rio de Janeiro on January 6.

Sr. Pellacani's reelection is a significant event for the São Paulo trade union movement. Since his public break with the Communist Party in October 1958 the Communists pulled out all stops in an attempt to head off his reelection. However, after many years of admitted collaboration with the Communist Party Sr. Pellacani was quite familiar with their bag of tricks, and took the initiative. Prior to the elections he travelled extensively throughout Brazil visiting the thirty-five local affiliated unions, "mending his fences." As a result he was able to stave off the Commies and insure his election.

Dante Pellacani is one of the youngest of Brazil's main trade union leaders. Only 36 his future appears to be very bright. He is shrewd, resourceful, ambitious and possessed with boundless energy. As president of the National Federation of the influential and militant typographical workers union, and also as Secretary-General of the recently created State of São Paulo Trade Union Council he has displayed prominent organizing abilities. On several occasions he has told the Consulate General Labor Officer that he purposely seeks positions in unions which require hard work as a means of gaining control. He is a supporter of and is held in high favor by Presidential candidate Janio Quadros. His only apparent weakness is the fact that he is somewhat vain and overly ambitious. However, up to now this has not hindered him and his rise has been somewhat meteoric.

William P. Cochran, Jr.
Consul General

cc: Amembassy, Rio de Janeiro

0441

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 700 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 8, 1960 (DATE)

REF : CERP C-1 — JAN 11 1960

20 For Dept. Use Only	ACTION	DEPT.
	Com-12	REA 1 IRC 15 ICA-11 E 6 AMA 5 LAS 6 AG 8 TA 9
	REC'D 1-13-60	INFO OTHER USIA 10 OSD 2 Army 35 Navy 20 CIA 16 JCS 21

SUBJECT: WEEKLY ECONOMIC REVIEW No. 2 (January 4-8) FRB 3 XMC 4

INDEX

1. Janio Quadros' Comments on Foreign Capital
2. Press Release by the Finance Minister
3. Strikes
4. Coffee
5. Wheat

1. Janio Quadros' Comments on Foreign Capital:

In a speech in Belo Horizonte on January 2 during a swing through Minas Gerais, Janio Quadros (presidential candidate) referred to a bill being considered in Congress regulating the remittance of profits abroad and was quoted as saying "this seems good to me". On the general subject of foreign capital he reportedly stated: "I am in favor of foreign investments which I consider necessary to economic development. There are fields in which foreign capital is unnecessary and can be dangerous, as is the case of petroleum and electric energy. I like capital which establishes itself permanently and remits fair profits".

Quadros went on to say that the field of electric energy was so important that it should be excluded from the private area (foreign or domestic) and made available at cost. (UNCLASSIFIED)

Comment: Although no one is in favor of unfair profits and the definition of investments important to the economy can be very broad, this statement not only indicates reservations as to the desirability of foreign capital but places Quadros specifically on the record as favoring legislation on remittances and government control of electrical energy, both of which are measures that have been submitted for Congressional consideration.
(OFFICIAL USE ONLY)

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2. Press Release by the Finance Minister:

On January 6 Finance Minister Paes de Almeida issued a press release discussing a variety of economic subjects. Among the most important points relating to 1960 were the following:

a) the import system will not be changed "for the time being";

b) there will soon be announced an economy plan cutting Cr$25 billion from budgeted federal expenses;

c) coffee exports during 1960 are estimated at about 20 million bags;

d) because of the economic consequences it appears impossible to permit a wage increase for public employees during the year.

With respect to events in 1959 the Finance Minister indicated that the Federal deficit of somewhat more than Cr$38 billion was an achievement since it might have been as high as Cr$60 billion. He said that most of the 1959/60 coffee crop had been already acquired or financed and noted that in the last six months of the year almost 10 million bags were exported. In this connection he pointed out that Brazil had closed its 1959 balance of payments without recourse to any international or official U.S. credit agency. (UNCLASSIFIED)

Comment: This release was an excellent example of the Finance Minister's ability to place all major problems in the best possible light; his statement against a government wage increase is, however, noteworthy for its forthrightness. (OFFICIAL USE ONLY)

3. Strikes:

In his New Year's message to the nation, President Kubitschek said that during the past four years he has often had to give his personal attention to strikes, many of which he found to be without justification. Until now he had been patient and not taken any reprisals against troublemakers, but now he could no longer be so tolerant, the President said. He cited the recent attempt in São Paulo to promote a general strike as the work of agitators with police records, and described the shipping strike and Leopoldina Railway strikes as similar attempts to subvert public order.

As a result of the President's warning, the Leopoldina Railway union cancelled its plan to resume the Leopoldina strike

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on January 5. The union accepted the same offer from the Government which it had previously declared inadequate -- namely, a promise that a study would be made of the feasibility of putting into effect a personnel reorganization plan which would result in higher pay, or, should such a reorganization prove impossible, then a monthly increase of Cr$2,500 would be granted to employees who earn less than Cr$10,000 per month, with smaller increases for higher-paid employees. In announcing his union's acceptance of the Government's offer, Union President Demistocledes Batista accused President Kubitschek of fomenting a climate of intimidation and "terror" against unions. (UNCLASSIFIED)

Comment: Relations between the Government and the intervened Merchant Marine Officers Union have reached an impasse. Although the officers have returned to duty, the Government says it will not return control of the union to regular union officials until Serapião Nascimento resigns as President, but thus far he has refused to do so. The union has gone to the Federal Courts seeking a ruling that the military intervention of their union was contrary to law. Meanwhile, union members are complaining that the Government-designated interventor of the union has assumed control over the union funds and refuses to pay various benefits due them from the union welfare fund; they also wish to place this matter before the courts. (OFFICIAL USE ONLY)

4. Coffee:

Coffee Registrations for the 59/60 crop up to November 30 totalled 32.9 million bags. Government officials speak freely of a 36 million bag registration for the total crop. November registrations seldom in the past represented 80% of total crop. The trade points out that officials have never underestimated a coffee crop.

Exports for the calendar year accumulated weekly from IBC reports, indicate 1959 exports slightly over 17.6 million bags. This compares with 1958 exports of slightly below 12.9 million bags. The 1959 exports therefore exceeded 1958 by about 4.7 million bags or 38%.

December 1959 exports were 1.2 million bags compared to a little over a million bags in December 1958. (OFFICIAL USE ONLY)

5. Wheat:

On December 24, 1959, GOB issued Decree 47.491, which is a drastic change from past operations. The main objectives of this

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decree are: (a) tighten up on milling requirements so as to prevent the "paper wheat" transactions; (b) allocation of wheat by regions in relation to present consumption and milling capacity; (c) guarantee a supply of wheat at reasonable price and increase the total consumption to over 3,000,000 metric tons of wheat per year. National Commercial wheat production has been announced as 279,000 tons for 1959 compared to an earlier estimate of 450,000 tons. Two thirds of this national wheat will be used by the mills in Rio Grande do Sul, Paraná and Santa Catarina. No wheat can be imported from January 1, 1960 until the National Wheat is placed. The price of wheat to the mills has not been increased, but the bonus paid by the Bank of Brazil has increased from Cr$50 to Cr$250 per 60-kilo bag. The price to the grower has been set at Cr$750 per 60-kilo bag. The growers are protesting and demanding Cr$870 per 60-kilo bag. If decree 47.491 is implemented wheat imports should increase in future years.

(UNCLASSIFIED)

For the Ambassador:

Douglas S. Egan,
Commercial Attaché

Approved:

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

Contributors:
Items 1,2 - RGWalker
Item 3 - DPMann
Items 4,5 - FMMilam

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0445

AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO

702
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 11, 1960
DATE

REF : --

JAN 13 1960

	ACTION	DEPT.
20 For Dept. Use Only	*ARA-4	RMR-2 REF: *RS-3 E-3 *EA-11 G/MSC-3 USIA-10 HEW 21
	REC'D 1-16-60	INFO OTHER CIA-10 *COM-12 TR-3 FAS-3 XMB-4

SUBJECT: BAHIAN ECONOMY AS SEEN BY A VISITOR

DEPARTMENT OF STATE
BUREAU OF INTER AMERICAN AFFAIRS
JAN 19 1960

Enclosed is a memorandum prepared by the reporting officer following a visit to Salvador, Mataripe and Itabuna, November 19-25, 1959.

The memorandum concludes that Bahia needs help, not only from the Federal Government of Brazil, but from abroad. The United States should study sympathetically any request properly coordinated with national efforts and should be ready, even eager, to assist the University and other institutions that might prepare Bahia to help itself.

For the Ambassador:

Howard R. Cottam

Howard R. Cottam
Minister for Economic Affairs

PLEASE PASS TO ICA

Enclosure: Memorandum, as stated.

CC: AMB, Amconsul-Bahia, Consular Section, USIS, USOM-Program.

832.00/1-1160 EMW

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JAN 20 1960

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0446

MEMORANDUM

FROM: Howard R. Cottam

SUBJ: Bahia Trip, November 19-25, 1959.

Particularly to prompt critical comment by colleagues whose knowledge of Bahia is greater but also to inform those who have not been there, I record the following observations and opinions.§ They emerge from a six day visit (November 19-25, 1959) colored by previous stops at Paulo Afonso (November 1956), Petrolina (October 1957), Feira de Santana and Salvador in 1957 and miscellaneous readings and briefings. The recent trip took me by boat and automobile to the Recôncavo oil fields and to the Mataripe refinery. I also went by airplane and jeep to the cacao production centers at Itabuna and Ilhéus. In the capital city, Salvador, I visited Governor Juracy Magalhães, four State Secretaries, the Cacao Institute and various departments of the University. Informal conversations ranged from a knowledgeable Franciscan Father to dazed Candomblé participants and from alert press and business representatives to market venders of figas and fish. The range from anthropologists to society matrons was likewise noteworthy. Here are some of my impressions--original and plagiarized.

Bahia's physical assets--climate, bay, soil, minerals, and beauty--are disadvantageous economically or at least dis-stimulating. Her mixed culture and races are likewise a mixed blessing viewed in terms of economic development. The political past, including loss of its initial advantages as Capital of Brazil, hangs heavily on the present. But there are evident strengths: the brightest light on the horizon is the University which, under enlightened and strong leadership is blending indigenous cultural and physical assets with national and international knowledge and institutions. Evidence of its growing influence on the economy appears variously, but came into sharp focus at a round table discussion which I had with leaders of government and commerce. There came forth academic ideas of the statist planners with objective criticism of the present and artistic designs for the future. With equal forthrightness came expressions of caution against too rapid change and of defense for private enterprise. Also stated was need for coordination of State and national programs. Homage was also paid in passing to the importance of financial stabilization as basic to economic progress.

But the foreground of the Bahian picture is bleak. Development will be slow because of the lack of education, of technical skill and of capital. Bahia is far behind!

§Factual data obtained is being routed to appropriate Embassy and USOM officers for incorporation in various reports.

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Basic education is woefully lacking. Of nearly six million inhabitants, only 20,000 each year graduate from the fourth grade. Only Cr$1.2 billion (about one dollar per capita) is earmarked for education this year and Cr$1.0 billion is for salaries, leaving Cr$200 million for upkeep. Schools are crowded and teachers insufficient, especially for the frontier. Plans call for 500 new school buildings in the next 4 years and an addition of 1,000 new elementary teachers per year. Neither industrialization nor fulfillment of democracy can occur without better education.

Communication and transportation are inadequate. Only a few hundred miles of hard-surfaced road and 20,000 of dirt road exist in this large state. Rail and sea transport are grossly inadequate. Telephones are so ineffective one cannot call the airport from Salvador. Within the city runners carry messages. Only a few privileged telephone owners can speak by wire with others who have instruments. Time wastes and produce spoils in Bahia!

Disease prevention is limited. Healthful climate more than an organized fight against disease permits steady population growth on the frontier. But the larger cities have hospitals and health centers of varying effectiveness. Medical, dental and nursing training, however, are considered very good and facilities in Salvador are good. The dental and nursing schools at the University are excellent, the dental school being extravagently equipped and housed. Water facilities and sewage disposal leave much to be desired even in the cities. Living conditions are crowded and mud shacks abound in the cities as well as on the frontier. Infant mortality and incidence of debilitating disease are high. Better public health education and organization are vital to economic development.

Food supplies are inadequate and agriculture neglected. Although Bahia has rich agricultural resources, she cannot feed herself adequately except in manioc, bananas, cacao and dendê oil. Fish are abundant but fishing methods are primitive. There are plenty of cattle but too little refrigeration even for the limited transport. Most cattle walk to slaughter, losing weight and toughening muscles. An extensive plan for production and storage of food is in preparation but financing is not in sight. Bahia is one of the largest producers of tobacco and is important in certain fibers. But in all agriculture there is need for basic research, education extension and credit. The Agricultural University is isolated and not used to capacity. Even the largest cash export crop, cacao, is inefficiently produced and marketed. While some trees produce as much as 14 kilograms of beans per year, the average is one-half kilo. Efforts to select stock and handle it efficiently lack support. Workers on an extension project had not been paid for four months.

Minerals offer hope but little revenue now. The Recôncavo area around the Bay is Brazil's main source of oil, but it is exploited by PETROBRAS and few direct tax benefits accrue to the State at this time. There is, of course, increased business activity due to the industry and about 10,000 workers are employed. Progress in exploration is remarkable (from 4,000 BPD in 1954 to 74,000 BPD now). Moreover, recent strikes show promise and estimates of reserves are constantly being raised.

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PETROBRAS is training geologists in a special school at the University which it finances. The professors are American. Foreign geologists and engineers are also employed by PETROBRAS for exploration and construction. Extensive drilling and wildcat exploration continues, occasionally under turnkey contract. PETROBRAS has not decided whether to expand such operations. Refinery construction at Landulpho Alves under American supervision is increasing capacity from 10,000 BPD to 32,000 BPD within weeks and to 47,000 BPD within months. The equipment is modern and the installations quite good according to the American engineers. It is designed to handle Kwait crude, the most difficult, and can also process heavy Bahian crude. Products include gasoline, Diesel oil, kerosene, wax, etc. New pipelines are being laid rapidly from main production area to refineries (62 kilometers of 12" and 80 kilometers of 6" pipe already exist) and to docks for export. New loading facilities at Madre de Deus will, in a few months, handle five tankers at once at rate of 6,000 to 7,000 BPH. Storage tank farms are mushrooming at the production area and near docks and refinery. Roads in the area are good. Schools and transport are being provided. PETROBRAS office buildings in Salvador are impressively modern. A new PETROBRAS unit is being formed to handle distribution. It is called DISBRAS and was launched with cocktails on November 22, 1959.

While other minerals (barite, manganese, copper, lead, industrial diamonds and gold) exist, knowledge is insufficient. The planners want an air photographic survey and an acceleration of training.

Industry is small scale and consists largely of food processing and construction materials. Tools and consumer commodities must be imported. There is little to attract private capital. Experience in tax exemption has not been successful. Hydroelectric power brought from Paulo Afonso Dam is encouraging some industrial growth, but shortages of transport, capital and skilled labor hold back development.

Bahia needs help; not only from the Federal Government but perhaps from abroad. Especially needed is public awakening for community action. We should study sympathetically any request properly coordinated with national efforts, and should be ready, even eager, to assist the University and other institutions that prepare Bahia to help itself.

HRCottam:mvl

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

239
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 11, 1960
DATE

REF :

For Dept. Use Only — ACTION REC'D 1/10 — DEPT. INFO OTHER

SUBJECT: Economic Conditions in São Paulo, Brazil: An Interview with Mr. Charles Taylor

BUREAU OF INTER-AMERICAN AFFAIRS

SUMMARY

Mr. Taylor is cautiously optimistic with regard to the medium and long term economic prospects for the São Paulo area. He considers the investment climate still favorable for foreign capital, but has noticed a tendency lately on the part of United States companies to hold off on permanent dollar investments in Brazil until after the elections. He believes that there is a significant trend toward banking interests gaining increased control of local industrial firms which are experiencing difficulty in raising working capital to meet inflationary demands.

The following information was obtained in an interview with Mr. Charles Taylor, Chairman of the Economic Committee of the American Chamber of Commerce at São Paulo. Mr. Taylor is a partner of Price Waterhouse Peat & Co., and in his capacity of public accountant has an unusually broad view of the local economic scene. The contents of this report may be considered UNCLASSIFIED provided the identity of the source is protected.

1. Current Conditions

Mr. Taylor believes that business is generally good in the São Paulo area at present. Most companies of which he has knowledge are operating at high rates and making sizable profits in terms of percentage on sales and on capital investment. Even so, however, they are frequently unable to keep up with the inflation of the currency, so that practically all profits have to be plowed back to increase working capital, and the companies can pay little if any dividends. He mentioned one company whose working capital is now twice its nominal capitalization, as a result of inflation.

This applies especially to foreign companies, which are the ones which his auditing firm mainly deals with. Brazilian firms augment profits by tax dodging (which is one reason they do not employ auditors). Even so, many otherwise sound Brazilian firms are having difficulty in raising operating capital, with the result that they are being taken over by groups with more ready cash.§

§ This tendency has also been noted by several other informants recently, including Mr. Geraldo Banas, a prominent local economic writer, who considers it a disturbingly significant trend.

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The latter include the Aranha group and the group associated with Paes de Almeida. In general, the groups with ready cash are those associated with banks, which make use of the deposits of others and which can generate credits. Mr. Taylor expressed the opinion that the present period of inflation will lead to much of Brazilian industry coming under the control of banking interests, as has happened in other countries during times of financial difficulty. He does not consider this a desirable trend, believing it means concentration of power in the hands of certain family groups, rather than a trend away from the family group system toward widely held corporations. He believes that there will be relatively little tendency toward the latter so long as most Brazilian companies did not publish audited statements, since potential small investors are wary of the misleading statements generally put out by such companies, which no reputable auditor would sign.

2. Economic Prospects

Mr. Taylor said that he was "not pessimistic" concerning the medium and long term economic future of Brazil, and of the São Paulo area in particular. In analyzing the economic situation, he distinguished two aspects: first, the internal economy in relation to the cruzeiro. He believes that the supply of cruzeiros is bound to continue plentiful so that economic activity and employment in this area will continue at a high rate. In this connection he referred to the large amount of public works financed by the State of São Paulo and the Federal Government.

He is much more dubious about the second aspect of the economic situation, relating to foreign exchange. He believes that the cruzeiro will continue weak, and that Brazil will encounter serious exchange difficulties when it has to meet the accumulation of foreign payments due on past loans. He expects that the present administration will take no effective steps to meet this situation during its final year in office, and that the problem will be left for the incoming administration to deal with. During his recent visit to Washington he detected an intention to "let Brazil learn the hard way" about the results of fiscal irresponsibility. He believes that Argentina, which he just visited, will be successful in its stabilization efforts, and will offer a striking contrast to Brazil's difficulties.

He sees little difference between Quadros and Lott from the economic policy standpoint, predicting that either would follow conservative advice if elected president, unless Lott becomes unduly subject to the influence of the Brazilian Labor Party.

3. Investment Climate

Mr. Taylor considers the investment climate in Brazil still favorable to foreign investment, adding that the threat of limitations on remittance abroad of profits seems to have lessened recently. He pointed out, however, that remittances of profits by American companies have generally not been large; the biggest factor has been royalties, service charges, and similar payments for



"know-how" and technical assistance. For instance, during his recent trip to the United States he talked to one of his clients who remarked that "we never get any profits from Brazil." Taylor showed him that if he took into consideration royalty payments, his firm had averaged about 16% a year on its dollar investment, not taking into account profits plowed back.

Royalty payments are now limited to from one to five percent of gross income (5% in the case of heavy industry, 1% for items such as cosmetics). Even this represents a large expense to the Brazilian enterprises--in one case royalties are the largest expense after raw materials and wages. American companies sometimes claim that royalties are merely a partial reimbursement of their research expenses, but Taylor believes that they should regard such income as return on investment.

4. New Investment

Mr. Taylor has noted recently a tendency for United States firms to hold up plans for initiating operations in Brazil, at least until after the Brazilian presidential elections, to see how things turn out. However, various companies remain convinced of the long-term desirability of gaining a foothold in Brazil, to reap the benefits from a great future market.§

Most American enterprises in Brazil now aim to finance expansion from local profits, without permanently investing more dollars in Brazil. They generally provide additional working capital through temporary exchange "swaps" which do not involve permanently committing dollars in Brazil. However, one company recently obtained working capital from its parent organization in the United States through a long-term dollar loan.

5. Exports

Mr. Taylor is urging companies with which he is associated to shift their thinking in the direction of developing exports of Brazilian manufactures, especially when the companies have hard-currency commitments to meet. The depreciation of the cruzeiro makes it possible to think of exporting products which formerly could not possibly be exported because of high costs of production in terms of cruzeiros. For instance, Latin America is a potential market for Brazilian pharmaceuticals, although exports have been restricted in the past by governmental red tape so onerous that one company gave up the attempt some time ago. Much will depend on a more enlightened attitude on the part of the Brazilian authorities toward exports.

Another difficulty is that American-controlled companies are frequently enjoined by their home offices from exporting to areas already served by the

§ He mentioned that one organization formerly estimated the effective market in Brazil at only 20,000,000 people, in the sense of consumers with cash to spend as distinct from those living at a subsistence level almost without money, but had recently raised this estimate to 25,000,000.

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American company or another subsidiary. Mr. Taylor believes it important to persuade the American home offices of the importance of letting the Brazilian subsidiaries export when they can, even in competition with another part of the company. To continue to refuse might lead to protests such as were made in Canada when Canadian subsidiaries of American firms were not allowed to export in some cases. Also, it would make a good impression on Brazilian public opinion if American subsidiaries become exporters and bring in foreign exchange.

He granted that opening up export markets might be expensive in some cases, and that the present favorable exchange situation may not last, since internal costs may only temporarily lag behind the weakening cruzeiro exchange rate.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 18
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. January 11, 1960.
DATE

REF : CERP- Section C 2.

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SUBJECT: Economic Summary for December, 1959. AG-8 IN-7 LAB-6 ARMY-6 CL-3 NAVY-3 AIR-1 OSD-4 USIA-10

General Economic Developments: During the month of December the local money market continued to be easy, with CACEX extending their program of unlimited cocoa purchases up to January 31, 1960. Tobacco buying however, has been on a very limited scale. Payments of trade bills have improved both in the city and the "Cocoa Zone". It has been reported from an informed source that the tobacco demand will exceed supply this year and this prediction is already reflected by the considerably higher prices being paid to the growers. Sisal exporters are doing well. The price of sisal in the interior is high but buyers are willing to pay. A further indication that money is more readily available is the recent announcement by PETROBRAS of an Cr$800.000.000 road construction program. Recent rumors that more commodities would be placed on the free market have materialized, increasing the bonus paid.

On the darker side, the city of Salvador, has been suffering because of a severe shortage of fresh beef. The slaughter houses intend to increase the prices of meat because the cattle raisers are demanding higher prices for their stock. The local authorities have adopted measures to prevent such increase but so far it has only resulted in an acute shortage of meat. Consequently prices of other types of foodstuffs have increased. The newspaper "A TARDE" sponsored a meeting entitled "Primeira Reunião de Consulta Sôbre Produção e Abastecimento da Carne" - First Consultation Concerning Production and Supply of Fresh Meat. It's purpose was to find a solution to the meat shortage. It is reported that the results of the meeting were handed to the Governor for consideration but what was decided is not known. Rumors of Nationalization of the Frigoríficos as a solution were heard in the last few days. In any consideration of the meat situation in Salvador it is worth noting that one of the factors affecting both quantity and quality is the method of bringing cattle to the capital for slaughter. Herds are driven for days from the pastures, since trucking or rail facilities are practically non-existant. The trip usually exceeds 50 miles. All grazing along the route has long since vanished and one inadequate feed station gives little help. As a result, the cattle arrive lean, hungry and stringy, having lost substantial weight, and are killed immediately upon arrival. The losses due to this practice will continue until new roads, now being planned, are finished and trucking in of the cattle will be possible.

The local newspaper "A TARDE", the most comprehensive and widely read newspaper in this area, which is normally pro-American in its tone published an

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article in the December 19 issue entitled "Tudo Pôdre" - Everything is Rotten - in which it was stated that the recent shipment of American beans, imported by COFAP, was a scandelous transaction with a loss to the Brazilian people of about one million dollars. The article further indicated that with a lessor amount, warehouse and silos could have been built in this country to store Brazilian beans, thus averting such shortages. It is felt that critisism was directed more towards its own government authorities rather than the United States.

During the month of December CODENO - Conselho de Desenvolvimento do Nordeste - (Northeast Development Council) met in the city of Salvador at which seven Governors from the northeast were present. In all, nine States were represented. The purpose of their meeting was to discuss electrification plans of the northeastern States of Brazil.

Agricultural Development and Policy:

Commodity Review - Cocoa Beans. With the return of Dr. Tosta Filho from the Soviet Union, CACEX announced that it's cocoa purchasing program was extended to January 31, 1960. CACEX continues to buy unlimited quantities under this program and sales abroad by the exporters, at any price, are still prohibited. The market is very quiet for the latter reason and also due to the fact that sellers are being very cautions in making commitments to CACEX. The total Bahia 1959-60 cocoa crop is still estimated at between 2,500,000 and 2,700,000 bags. Weather conditions continue favorable in most sections.

Numerous rumors are circulating in Salvador concerning recent shipments of cocao abroad by CACEX at a price below the export minimum. One in particular concerns a sale of 165.000 bags by CACEX to a single buyer in the U.S.A. It is generally reported here that a shipment of 70.000 bags was despatched from Ilheus to Philadelphia recently. The price is not known.

Castorseed. Because of a lack of raw material, the local crushers of castor seed are practically at a standstill. No castorseed was exported because of the ban by CACEX. The crop was only 38.000 tons this year, in contrast to last year's crop of 70.000 tons. The economic conditions for a large forthcoming crop are excellent, since prices for seed are up. While it is anticipated that this year's crop will be large, an estimate has not been reported as yet. Local factories, notably SANERA, are paying Cr$13,00 per kilogram delivered in Salvador, for conversion into castor oil.

Tobacco Leaf. Prices of all grades of tobacco leaf have shown a considerable increase over last year. A number of factors have apparently contributed to this increase. While a very large crop of 350,000 to 400,000 bales (75 kilos each) was originally estimated, low rainfall during the last three months has lead to a downward revision of the estimate, now placed at 280,000 to 300,000 bales. Other possible reasons for the price increase - Argentina's tobacco crop was almost completely destroyed this year and that country is therefore purchasing Bahian tobaccos for the first time since the pre-Peron days. Both East and West Germany and France have also had poor crops and are showing considerable interest in the



local tobaccos. None of these countries purchased anything to speak of last year. Finally, placing of most commodities on the free market has forced the local buyers to pay higher prices.

Sr. Terus Nomura, Japanese agronomist of the "Campo de Multiplicação Santa Rosa" Monte Alegre, Belem, Pará, visited Bahia recently. He was on an official mission which included a tour of clover tree plantations of the Instituto Agronomico de Leste in Cruz das Almas, Bahia.

Minerals:

1. PETROBRAS recently entered into a contract with the Companhia Tecnica Internacional TECHINT to build a new 53 kilometer oil pipeline in the Reconcavo Bahiano. It should substantially increase petroleum production in the region. The first section, 30 kilometers, from São Sebastião to Candeias, was completed on December 12th. The remaining 23 kilometers should be completed by June, 1960.

2. 15 petroleum geologists received their diplomas at the Reitoria da Universidade da Bahia on December 3, 1959 after completing a course of Petroleum Geology given by the Centro de Aperfeiçoamento e Pesquisas de Petroleo da Petrobras. This course is conducted by several American geologists who are under contract with PETROBRAS.

Transportation and Communications:

1. It has been reported in the local newspaper "A TARDE" that engineer Humberto Berutti, technician of the Departamento Nacional de Portos, Rios e Canais, arrived recently at Ilheus, Bahia, approximately 100 kilometers south of Salvador, for the purpose of inaugurating initial construction of the new port of Ilheus. Present estimates are for the completion of the port within two years. A separate report will be submitted in the near future regarding this project.

2. The Governor of the State of Bahia has sent to the Legislative Assembly a bill which would exempt the new telephone company (Telefones da Bahia S/A - TEBASA) from payment of certain taxes. The company making the most favorable bid for instalation of phone system and operation has not as yet been announced. (See Economic Summary for June, 1959). Latest information is that winning bid will be made public early in January, 1960.

Labor:

Local Airline employees went on strike on December 9th following instructions from the Sindicato Nacional de Aeroviários de Rio de Janeiro (National Airline Employees's Union) demanding an increase in their salaries. The strike lasted only three days and resulted in a 35% salary increase with a minimum of Cr$2.500,00 and a maximum of Cr$7.000,00 effective December 16, 1959.

Mention was made in an earlier report of the intention of Salvador business firms to grant an across-the-board wage increase of approximately 30%. Moore-

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McCormack has approved, in New York, a general increase of 30% and its business managers in Brazil are scheduled to meet in Rio on January 17 to adjust the over-all increase to their local conditions.

Trade With Soviet Bloc Countries:

Exports from Bahia to Soviet Bloc countries during the month of December, 1959 were as follows, in metric tons: To Poland, cocoa beans 1,717 tons and sisal fiber 620 tons.

Finance:

According to the State Internal Revenue Department, 1,317,359,794 cruzeiros were collected during the year 1959 which constitutes an increase of 322,263,438 cruzeiros over the previous year.

James M. Flanagan

James M. Flanagan
American Consul

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JAN 13 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE
DESP. NO. 19

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE January 11, 1960

REF : 1957 CERP - Section requirements: Section C, Item 1

For Dept. Use Only	ACTION REC'D	DEPT.
53	COM-12 1/16	INFO: REA-1 IAC-8 AAU-4 E-2 ECAU-11 OTHER: CIA-10 TAA-2 TA-3 FRB-3 XMC-4 AC-2 IN-7 4HD-1 OSD-4 Army-1 Navy-3 AF-1 C&R-3 USIA-20 FAA-5 CAB-1 FCC-1

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - December 1959

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Industry and Investment Developments
4. Transportation and Communications
5. Finance
6. Labor

SUMMARY

Favorable weather offset delays occured in earlier rice planting, with coming crop estimates 10 and 15 percent higher than last crop. Wheat producers are seriously concerned about Minister of Agriculture allowing an increase over last minimum price of only 37 percent. As a result of agreement signed, industrial needs for soybeans have been more or less satisfied. Cattle breeders are pressing Government for higher prices. Authorities are trying to keep down beef prices to reasonable levels in order to be accessible to workers. Cattlemen reported outbreak of foot-and-mouth disease. Reduced cattle quotas and exportation difficulties were responsible for closing down of Swift packing house at Rio Grande. The earlier shortage of black beans has apparently been broken, as good crops are expected in this State and in the neighboring states of Santa Catarina and Paraná. The State Secretary of Agriculture devised a plan to increase production by establishing truck farms and pilot farms. Dutch farmers are reluctant to come to Rio Grande do Sul. Retail sales were reported good, principally because of Christmas shopping. Collection of trade bills were reported fair. Renewed interest in trade with Rio Grande do Sul was expressed by Czech businessmen. São Paulo industrialists are interested in establishing a wire plant here. Varig International jet service started recently. State Electrification Program is progressing slowly. Local banks requested remaining 1.5 billion cruzeiros for rediscount. Major local banks reportedly restricted loan operations at the end of the year. Several strikes of short duration were staged in December. Number of unemployed has increased.

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1. Agricultural Developments:

Rice - The State enjoyed perfect weather for its rice cultivations during this past month and this offset the delays which occurred in earlier plantings. The total area planted for the 1959-60 crop was larger, as some wheat growers have switched to rice, and the harvest should be between 10 and 15 percent greater. Insofar as the disposal of the current crop is concerned, prices in the northern markets are weaker as the State Government has held shipments down, and other states have intensified sales in Rio de Janeiro and São Paulo. There is reportedly more than enough rice on hand for local consumption needs, and the former policy of holding back shipments may cause a surplus which could affect future prices unfavorably.

Wheat - Wheat growers and cooperatives are upset regarding the Minister of Agriculture's announcement that he will allow an increase of only 37 percent, instead of 55 percent asked for by producers, over last year's minimum price of Cr$500.00 per 60-kilo bag. Growers claim that production costs have risen 120 percent. Reasons cited for this third straight crop failure, which should show total production of only 300,000 metric tons, are poor seed, unfavorable climatic conditions, and a lack of proper research and development programs for crop improvement.

Soybeans - Industrial needs this year were pretty much satisfied as a result of an agreement signed with growers earlier this year. However, there is apprehension regarding availabilities for 1960 and a shutdown of the industrial plants from 40 to 60 days is expected until the next crop is harvested in May.

Meat Supply - Reports continue to be pessimistic, with pressure being exerted by cattlemen for an increase in the cattle price set at Cr$22.00 per kilo liveweight by the Meat Institute. Reports appearing in the press stated that cattle continue to be smuggled into Uruguay and Argentina, as those markets supposedly pay higher prices. Also, government officials have been contemplating the prohibition of meat packing for export, which represents a large portion of packing house activity, in order to avoid a domestic beef shortage. The president of the Meat Institute stated that there are still small cattle farmers in Rio Grande do Sul who insist on using the practices of 100 yearsago, therefore being unable to reduce their production costs. Concern has been expressed recently over the outbreak of foot-and-mouth disease in the cattle area and it is estimated by cattlemen that about 40 percent of the cattle are infected.

On December 26, 1959 the American-owned Swift Company, of Rio Grande closed down its plant. Reduced cattle quotas for killing and

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exportation difficulties have reportedly compelled Swift to move slaughter operations to its plant at Rosario do Sul in this State. Swift will continue to maintain an office in Rio Grande. The State Secretary of Economy Adalmiro Moura has been authorized by Governor Brizola to go to Rio Grande and evaluate the economic and social situation in that town, and also get in touch with Swift officials concerning the sale of the plant. According to Sr. Moura, there is a possibility of renting the Swift plant to aid fisheries in Rio Grande and so find new jobs for the unemployed workers. The Consulate is not yet able to evaluate the seriousness of this idea, but it will be watched closely and further developments will be reported.

Black Beans - In an earlier report (Consulate's despatch No6 of September 11, 1959) the acute shortage of this item was discussed. The December crop is being harvested and preliminary estimates indicate that a yield of 1 million 60-kilo bags will be realized. Consequently, if the neighboring states of Santa Catarina and Paraná also produce their usual quantities, the difficult situation which has existed will be alleviated. Of the expected 1 million bags in this State, 300,000 bags will be for local consumption and the balance will be shipped to other states. Bean prices have dropped from their previous high levels and are now around Cr$1,600.00 per bag.

Agricultural Policy - The Secretary of Agriculture of this State, Alberto Hoffmann, proposes to increase production by establishing truck farms and pilot farms in each municipio through which cooperating farmers would receive financial and technical assistance. The purpose of this plan would be to aid crop diversification as well as production. The Consulate will inform further developments of this plan.

Dutch Farmers - The optimism aroused by the recent visit of Prince Bernhard of the Netherlands is dwindling because of reports which now appeared in the press. It is stated that these farmers will only come to Brazil if each family is guaranteed a government loan of Cr$600,000.00 per year. Nevertheless it is expected that State Governor Brizola will go to the Netherlands soon for a short visit during which this matter will undoubtedly be discussed further.

2. Domestic Trade and Commercial Activity:

Most sources report good sales activity in comparison with the same period last year. Appliance sales are being given a boost by the inauguration of television in Pôrto Alegre on December 20. There is a good demand for sets, with recent sales reported at 1,500 sets. Most sets sold here are made in São Paulo and Rio de Janeiro. Collections of trade bills in this State reportedly continue to be only fair.



The value of State sales for November 1959 (latest figure available), based on the number of tax stamps sold, showed a slight decrease from the previous month. Comparative figures, in thousands of cruzeiros, for November and October 1959, and November 1958 are as follows:

October 1959	November 1959	November 1958
16,784,582	16,379,415	12,426,643

3. Industry and Investment Developments:

Early in December the commercial attaché of the Czechoslovak Legation in Rio de Janeiro called on Governor Brizola. The commercial attaché was accompanied by a group representing the firm Tecno-Export of Prague. There was a brief report in the press, but no details of the discussion were given, except that the Governor had been invited to visit Czechoslovakia. Evidently this is an effort to increase trade relations between the two countries.

As reported recently in the press a group of São Paulo industrialists is contemplating the installation of a copper wire and cable factory in Rio Grande do Sul, involving an investment of approximately Cr$80,000,000.00. A preliminary study will be made by the State Secretary of Energy because of the electric power involved. It is reported that equipment for this plant is available, that public or private capital will be invited to participate, and that the São Paulo group is not necessarily interested in dominating the enterprise. The Consulate will report any further developments.

4. Transportation and Communications:

Aviation Developments - Varig jet (Caravelle) services were started on December 19, 1959 with two flights a week. This added to the Super G Constellation schedule gives Varig a daily service to and from New York. The Caravelle is being operated in a configuration of 52 first-class seats, and the Super G Constellation in a configuration of 56 seats (24 tourist and 32 first class) giving a total of 384 seats weekly in each direction. Attached is Varig's schedule effective as of January 3, 1960. OFFICIAL USE ONLY: Mr. Berta, Varig's president, informed the Consulate that he is confident Caravelle will prove an economic airplane. At present he is estimating a break even point of 20 (i.e. about 40 percent of capacity).

Port Activity - It has been noticed that U.S. flag cargo ships such as Moore-McCormack, are not calling at the local port as frequently as previously. Since November 4 calls have practically ceased, and cargoes destined for Pôrto Alegre, because of their



small amount, have been transshipped in Rio de Janeiro. Investigations revealed that high exchange surcharges for import dollars at auctions, coupled with competition from European countries enjoying lower exchange surcharges, are responsible for this drop in Mormac cargoes.

State Electrification Program - The first phase of 65,000 kilowatts, of the State Electrification Plan for a million kilowatts by 1960, was not completed in 1959 as had been planned. This first phase consists of the two thermoelectric plants at Candiota and Charqueadas (20,000 kw and 45,000 kw respectively). Delay in receiving expected equipment and funds, coupled with inflation, are probably responsible for the failure of this work to proceed according to schedule.

Cia. Energia Elétrica Rio Grandense - No new development has occurred in the litigation between the State Government and the American & Foreign Power over the local light and power company. The Consulate is reliably informed that the case is still being held in the Tribunal de Justiça do Estado until all the opinions required of the 21 judges in support of their votes pro or contra are completed. Twenty of the 21 judges have completed their opinions required by law, but one judge has not yet finished his opinion, apparently not by design, and so the case appears delayed in that Tribunal until the end of the summer recess. OFFICIAL USE ONLY: Meanwhile, CEERG's lawyers have obtained a decision from the Tribunal de Recursos that the case is a matter for Federal rather than State jurisdiction. It is reported that the Company will appeal the case to the Supremo Tribunal Federal in Rio de Janeiro, as soon as the Tribunal de Justiça do Estado has completed action.

Telephone Company - Mr. Wilson Vargas, State Secretary of Energy and Communications released a statement on the preliminary findings of the State Commission of Communications which is winding up its studies for the improvement and expansion of telephone service in this area. Vargas prefaced this release on the State Commission's work by remarking that there would be no need for an "encampação" action because the Cia. Telefônica Nacional -CTN - (I.T.& T.) has no concession, thus the State is able to seek solutions to the telephone problem without reaching an agreement with CTN which now has a monopoly within the State.

After pointing to the economy of shortwave operations for long distance, the Commission suggests that a solution to the problem might be the formation of mixed capital corporations in which the State would have controlling interest. To start with the Commission assumes the availability of 120 million cruzeiros derived from a recently approved communications tax. Apparently, Pôrto Alegre would have its own mixed capital corporation, and other corporations

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would be formed for other areas of the State, such as Caxias, Santa Cruz and Cachoeira. It is expected that in the relatively near future the Secretariat of Energy and Communications will disclose further details. In the latter part of January Mr. Geneen, the head of I.T.& T is expected to make a brief visit in Porto Alegre at which time it is expected that there will be a review with the authorities of CTN prospects. The Consulate is keeping touch with the situation and will report developments.

5. Finances:

"Brizoletas" - The State Legislative Assembly has taken up a bill authorizing the State Government to issue Treasury Letters up to 10 percent, instead of 5 percent as heretofore, of the State's 1960 budgetary income. If this bill is approved, up to 2 billion cruzeiros of "Brizoletas" can be issued in 1960. Passage of this bill seems likely.

Rediscounts - Local commercial banks requested Vice President Goulart's assistance in making available the remaining 1.5 billion cruzeiros from the special 2.5 billion cruzeiros rediscount line promised by the Federal Government in September 1959. (See Consulate's despatch No. 8 of October 2, 1959). Banks state that with liberation of the second part of the rediscount line considerable relief would be brought to the State's agriculture and trade.

Exchange - The cruzeiro continued to weaken considerably during the month, averaging Cr$204.00 to the dollar (check buying rate), against Cr$193.00 in November.

The exchange surcharges (agios) for commercial imports in December showed an increase at auctions from the previous month. The dollar agio late in December stood at Cr$404.00 in the special category, and Cr$199.00 in the general category, as compared with Cr$382.00 and Cr$184.00, respectively, late in November.

Money Conditions - Reliable sources indicate that some principal local banks restricted loan operations to improve the cash picture in their year-end statements; this is tending to increase the demand on other banks.

6. Labor:

Some strikes occurred during the month of December. All airlines were strike-bound for a few days except Varig. Varig has an unusual structure through which its employees participate considerably in ownership of the company; this increases their resistance to strike calls. Varig employees, along with the strikers, benefited by the strike settlement which provided a 35 percent

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salary increase, with a minimum increase of Cr$2,500.00 and a maximum of Cr$7,000.00 per month.

Some Pôrto Alegre public services were stopped for a few days by strikers who demanded immediate payment of back salaries. This strike was settled through intervention of State and Federal authorities; Federal funds were provided to aid in meeting salary arrears.

As of January 1, 1960 the State Government planned to readjust civil servants' salaries upward 50 to 90 percent. Employees of the formerly American-owned light and power company, taken over by the State Government, received a salary increase of 35 percent.

As a result of the Merchant Marine officers' strike declared in Rio de Janeiro, local port operations slowed down considerably for a few days. Federal Government intervention ended this strike and strikers' demands apparently were met.

Unemployment - With the closing of the Swift plant at Rio Grande 1,500 workers were discharged. This is viewed with concern by the authorities as the city of Rio Grande apparently is among the more sensitive areas of the State in respect to unemployment and Communist exploitation of it.

Percy Warner
American Consul

cc. : Amembassy RIO

Encl.: Varig schedule

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 19
From PORTO ALEGRE

VARIG SCHEDULE
Daily flights to and from New York

Caravelle:

North bound: Thursdays and Sundays
South bound: Mondays and Fridays

Calls: Port of Spain, Ciudad Trujillo, Nassau.
The latter is a technical stopover.

Super G Constellations:

North bound: Mondays and Fridays
South bound: Wednesdays and Saturdays

Calls at Port of Spain

Super G Constellation:

North bound: Tuesdays and Saturdays
South bound: Tuesdays and Thursdays

Calls at Ciudad Trujillo

This schedule will be effective as of January 3, 1960.

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AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.00/1-1260

FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

245
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 12, 1960
DATE

REF : CERP C - General Interest

JAN 15 1960

For Dept. Use Only	ACTION	DEPT.
55	*COM-12	REA-1 *IRC-8 *AAA-4 E-3 *ICA-11
	REC'D 1/18	INFO OTHER CIA-10 IAR-2 *IR-3 ERD-3 XMD-4 *AG-8

SUBJECT: São Paulo Quarterly Review - Fourth Quarter 1959
IN-7 *LAB-6 CU-3 USIA-10 OSD-4 FCC-1

SUMMARY army-8 Navy-3 air-1 FAA-5 CAB-6.

Business was good during the quarter. Wage increase of 35 per cent since September compensated a 35 per cent rise in the São Paulo cost of living through October. New installations are expected to meet São Paulo power needs through 1962, but the power company cautioned users a shortage might develop thereafter. The State Legislature passed the São Paulo budget with little alteration in the proposal submitted by the Executive. It also approved the Government Plan of Action involving the expenditure of Cr$100 billion over the four years 1959 through 1962. Despite an easier money situation, good sales, and substantial profits, some manufacturers were squeezed for ready cash by inflation and are losing the control of their business through injection of new capital. Some business was closed with Iron Curtain countries, but São Paulo reaction to the commercial agreement with Russia was reserved and there was some disappointment that it was not on a larger scale. A fair number of new investments were announced or undertaken. Extension of the seasonal drought to mid October postponed plantings of corn, beans and peanuts and finally prompted putting additional land into cotton. The next São Paulo coffee crop is expected to be only two-thirds as large as the bumper 1959 crop of 12 million bags. Cotton production on the other hand is expected to continue upward. Rice output was somewhat higher, but sugar production was lower, mainly due to the oversupply on world markets. A reform of the rural land tax system is under consideration. Fare increases took place or were announced on practically all means of transportation, including air, railroads and urban and suburban surface lines. In labor widespread wage negotiations took place and the major ones were settled without strikes. Wage increases averaged 30/35 per cent. A new state-wide labor federation embracing all local unions was formed.

832.00/1-1260

Cahn:Lyon:Perkey:Shea:Traeger:dd
SCL REPORTER

UNCLASSIFIED

ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

LWS

ACTION COPY — DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

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BUSINESS ACTIVITY

The quarter started off with businessmen uncertain as to the turn the year-end trade might take in the face of continued inflation and rising prices. By the end of October, however, there were signs that the holiday trade would be on a par or somewhat better than in other recent years. Retailers placed last-minute rush orders and manufacturers of consumer goods found it difficult to keep up with the rush demand. The Christmas trade justified the expectations. Probably the single most important contributing factor to the satisfactory holiday trade was that most labor in São Paulo gained an average 35 per cent increase in pay through wage negotiations in the last quarter of 1959, which compensated the 35 per cent increase in the cost of living in São Paulo from the beginning of the year through October. More liberal terms on installment sales also bolstered business.

The price squeeze on meat packers became more accentuated in the last quarter of the year and shortages developed until price controls were partially lifted in December. Manufacturers of medicines and pharmaceuticals also were affected by price controls and were awaiting action on their petition for a readjustment of prices because of the increased cost of raw materials.

Power consumption in metropolitan São Paulo and the area served by the São Paulo Light S.A. continued steady at approximately the maximum available supply. The power company was installing facilities that should provide an additional 380,000 KW early in 1960. This should meet requirements through 1962, but it cautioned consumers that a shortage might develop thereafter if the Furnas power plant does not start operations scheduled for the end of 1962. This caution was made because the company had received word from the Furnas authorities that the plant might not start operations before the middle of 1963 or later.

Automotive production continued at a steady pace, but did not increase sufficiently during the last quarter to offset the lower pace earlier in the year and permit the industry to attain the production originally scheduled for 1959. Production might have been greater if facilities for financing sales had eased more. Although limited in the quantity of parts not produced in Brazil that could be brought in under the special customs favors that expired at the end of 1959, the industry encountered no difficulty in importing the parts needed for current production schedules. Passenger car manufacture rose through a newcomer in the field, the French Dauphine that is being turned out by Willys in Brazil with French capital participation. In November 152 Dauphines were produced and 200 were scheduled for production in December.

FINANCES

The 1960 budget of the State of São Paulo was passed by the Legislature and promulgated on November 16. It estimates revenue at Cr$83.3 billion and



places expenditures at Cr$83.8 billion. The Executive is authorized to undertake credit operations to cover the deficit of Cr$500 million.

In November the State Legislature also passed the law approving the São Paulo Government Plan of Action, involving the expenditure of Cr$100 billion over the four years 1959 through 1962. The Legislative Assembly ordered the sum of Cr$4.4 billion deducted from that total because funds in that amount had already been allocated in 1959 for projects included in the Plan. Since November various decrees were promulgated opening credits expendable through 1960 for projects included in the Plan. Expenditures totaling Cr$7.4 billion were authorized to be financed through credit operations. The credit operations envisaged are the allocation of excess revenue expected from the collection of the sales tax in 1960. Constantly rising prices in the current inflationary economy have been providing revenue in excess of conservative budgetary estimates. The regulations governing the three special funds in the Plan (agricultural assistance, expansion of basic industry, and financing production goods) were not issued by the end of the year.

The Municipal Council of the City of São Paulo overrode a veto of the Mayor and promulgated the 1960 budget of the City. The budget estimates revenue at Cr$9 billion and places expenditures at Cr$8.9 billion. The Mayor had vetoed it because the Council had scaled down the allocation for public works from Cr$2.3 billion to Cr$800 million, and because of other alterations in the budget he did not agree with and felt infringed on his prerogatives.

Petitions in bankruptcy remained on a par with those during the preceding quarters of 1959 and the total for the year was much lower than in 1958. Notes protested also remained well below protests in 1958. Petitions for creditors' agreements dropped sharply and reflected a somewhat easier money situation.

Paradoxically, it is reported that despite a somewhat easier money situation and despite good sales and substantial profits, because of the inflation a number of manufacturers in São Paulo are squeezed for ready cash and are losing the control of their business through injection of new capital.

The value of the cruzeiro declined steadily during the quarter on the foreign exchange market and the free market rate in December broke the 200 cruzeiro per dollar mark, and remained at over 200 cruzeiros for a dollar until the last day of the year. On December 31 the free exchange market in São Paulo became erratic and quotations were mostly nominal, upon the announcement that the proceeds from additional exports could be negotiated in the free exchange market.

FOREIGN TRADE

The barter deal for Czech hydroelectric equipment against coffee from Brazil, that the Government of the State of São Paulo had been endeavoring



to negotiate, at first fell through in October when the Federal authorities said the funds derived from coffee exports to Czechoslovakia had already been used up for other purposes. The deal, however, was finally consummated at the end of November by additional shipments of coffee to Czechoslovakia to cover this transaction. A contract for the equipment to be supplied the Bariri hydroelectric plant was signed with Czech officials at the end of November, to the approximate value of US$7 million.

Contrasting this Iron Curtain transaction, the São Paulo Government called for bids during the quarter for US$1.2 million worth of agricultural equipment from hard currency countries. The dollars were made available to the São Paulo Government for that purpose after it had attempted to effect the purchases from soft currency sources, upon insistence of Federal authorities, and succeeded in obtaining an offer for only a small quantity of Czech wheel tractors.

A Polish trade fair was held in São Paulo during November, but attracted little attention. The exhibit was brought to Brazil two years ago for installation in the fair at Rio de Janeiro that has been postponed constantly, and some of the equipment on exhibit already was obsolete.

São Paulo reaction to the commercial agreement reached at the end of the year between Brazil and Russia was reserved. Approval of the negotiations practically was unanimous, but there was some disappointment that trade could not be developed on a larger scale.

Coffee exports from Santos during the final quarter of 1959 totaled 1,415,175 bags of 132 pounds each, as compared to 1,045,916 bags shipped during the corresponding period of 1958. Cotton exports from Santos came to 3,592 and 3,031 metric tons, respectively, during the last quarter of 1959 and 1958.

NEW INVESTMENTS

New investments announced and projects initiated or completed during the quarter are summarized below.

COBRASMA-Rockwell Eixos S.A. (CRESA), a company formed in 1957 through the association of COBRASMA-Cia. Brasileira de Material Ferroviario and the Rockwell Standard Corporation, started manufacturing axles for the automotive industry at its new plant at Osasco, near São Paulo, in November. The plant's machinery and equipment, valued at about US$7 million, was mostly imported from the United States under SUMOC instruction 113. When it reaches full production, sometime in 1961, the plant will have an annual output of 72,000 axles.

Clark Mac Equipamentos S.A. inaugurated its motor vehicle transmission equipment factory at Valinhos, State of São Paulo, in November. The company, whose registered capital is 700 million cruzeiros, is controlled by the



Venezuelan affiliate of the American Clark International Co. Production, which is still limited, will be raised to 1,000 transmissions a month by June 1960, and within two years will reach 7,000 units monthly.

Willys Overland do Brasil S.A. inaugurated and started operating its axle and transmission plant, part of the company's motor vehicle manufacturing plant at São Bernardo do Campo. The new facilities, where 150 sets of axles and transmissions are manufactured daily, enabled Willys to raise the local parts content, by weight, of its jeeps to 95 per cent, ten months before the July 1960 deadline set by the Executive Group of the Automotive Industry.

Olivetti Industrial do Brasil S.A. started manufacturing typewriters at its plant in Guarulhos during the quarter under review. The Italian firm Ing. C. Olivetti & Cia. is reported to have invested US$2.2 million in the local company, mainly in machinery and equipment which were imported without exchange coverage under SUMOC instruction 113. Monthly output of standard type typewriters is rated at 2,000 units.

The auto-parts manufacturing plant of Walita Auto Peças S.A. was inaugurated at Santo Amaro, an industrial suburb of the City of São Paulo, in December. The plant was built and equipped mainly through loans obtained from the National Economic Development Bank (58 million cruzeiros) and the Eximbank (US$1.2 million). Walita is manufacturing dynamos, starters, and other auto parts under licensing agreements with the Electric Auto Lite Co., Bendix Aviation Corporation and the Auto Union Berlin GmbH.

Industria de Rolamentos SKF do Brasil S.A. was organized in São Paulo in October, and is the wholly owned subsidiary of the Swedish ball bearing manufacturing company "Aktiebolaget Svenska Kiellagerfabriken SKF" of Goteborg. The local firm will put up a plant at Guarulhos to manufacture ball and roller bearings. Construction of the plant is expected to be completed early in 1961 at a total cost, including machinery and equipment, of US$1.3 million. Up to 4 million ball bearings will be manufactured annually.

The Timken Roller Bearing Company is also putting up a plant in São Paulo, in the industrial suburb of Santo Amaro, for the manufacture of roller bearings. Machinery for the plant is expected to arrive early in 1960. When completed the plant will have a production capacity of 2,250,000 bearings a year and expects to employ 250 laborers.

Cobrage-Cia. Brasileira de Gelatinas was organized in São Paulo in October, through the association of the local Medicinalis group (industrial chemicals) with P. Leviner and Sons of Ontario, Canada, and S/A de Exportacion y Importacion Lahuson, of Buenos Aires, Argentina. The Brazilian company holds control of the new 30 million cruzeiro corporation. Cobrage will produce gelatine from bone meal, at the rate of 2,000 metric tons monthly, starting the second half of 1960.

Mercedes Benz do Brasil S.A. announced plans to manufacture a special diesel engine designed for tractors. Initial production at the company's



plant at São Bernardo do Campo is scheduled to start in May 1960 at the rate of 300 units monthly.

Quimica Industrial Medicinalis S.A. of São Paulo announced in September its plans to put up a plant at Cubatão to manufacture methanol. Total investment in the project is US$3.5 million. The French bank, Credit Lyonnais, is financing the purchase of machinery and equipment to be imported without exchange coverage under SUMOC instruction 113. Medicinalis' production of methyl alcohol is expected to start early in 1961 at the rate of 30 metric tons a day, using coal and coke as basic raw materials.

According to a local press report, the Nippon Spinning Company, of Japan, intends to install a cotton spinning mill in São Paulo. The mill is expected to be in operation within eighteen months and reportedly will produce utility type cotton yarns from raw cotton. The Nippon Spinning Company is said to be one of the largest textile enterprises in Japan.

AGRICULTURE

The seasonal drought, which usually ends in September, extended to mid-October this year, resulting in postponement of plantings of crops such as corn, beans, and peanuts. When the rains finally came, many farmers felt it was too late to plant these crops, and put additional land into cotton. Rainfall since then has been generally adequate and well distributed, with ideal conditions for cotton.

Prices to farmers tended generally higher during the first part of the quarter, as shown by the following table. At the end of the quarter there was a downward tendency in expectation of new crops.

Prices Paid to São Paulo Producers
(In Cruzeiros)

	Nov. 1958	Oct. 1959	Nov. 1959
Rice (milled, 60 kgs.)	1,350.00	1,520.00	1,650.00
Beans (60 kgs.)	572.10	3,340.00	3,430.00
Corn (60 kgs.)	425.70	505.00	520.00
Coffee (milled, 60 kgs.)	1,930.00	1,930.00	2,010.00
Peanuts, (25 kgs.)	205.90	322.00	339.00
Castorbeans (1 kg.)	6.60	10.20	10.50
Potatoes (60 kgs.)	394.70	1,010.00	878.00
Onions (60 kgs.)	135.20	182.00	354.00

Coffee to be harvested in the State of São Paulo in 1960 is currently estimated at only about 8,000,000 bags of 132 pounds of registered coffee, compared with the bumper 1959 crop of about 12,000 bags. This is ascribed largely to unfavorable weather conditions during the flowering season. Trade circles at São Paulo expect that payments to coffee producers will be increased for the coming crop, in terms of cruzeiros per bag, but it appears likely that producers will receive a smaller total payment for their next crop than this year.

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Cotton production in the State of São Paulo showed a marked rise in 1959, estimated lint production being 170,000 metric tons for the cotton marketing year ending February 29, 1960, compared with 133,000 in the previous year. (These figures include small amounts raised in Goiás and Mato Grosso but marketed in São Paulo.) Production during the coming year is expected to increase to around 185,000 metric tons, as a result of high prices, increased plantings, favorable weather, thus far, improved farming practices, and official encouragement. Some coffee land has been converted to cotton production, and a significant portion of the increased production is expected to come from the older, traditional coffee-cotton areas in São Paulo. At year end forward contracting was taking place on a limited scale at the high prices of 300 to 320 cruzeiros per arroba of 33 pounds of seed cotton, compared with the price of 268 cruzeiros in August 1959, after the last harvest.

The 1959 corn crop in São Paulo is estimated at 1,332,000 metric tons, compared with 1,380,000 in 1958. The estimated planted area in 1959 was 953,500 hectares, considerably below the 1,148,500 hectares in 1958. The higher yield in 1959 is attributed to increased plantings of hybrid corn, as well as more favorable weather conditions. Preliminary estimates for 1960 predict a considerable increase in the area under corn and, if weather is favorable, a record crop. The planting of hybrid corn is continuing to expand rapidly and is expected to account for 40% of the next São Paulo crop. The State government plans to establish 100 demonstration farms to promote the use of hybrid corn and carry out research.

Rice production in the State of São Paulo in 1959 is estimated at 7,344,000 bags of 132 pounds (cleaned basis). Although higher than 1958 production (6,300,000 bags) it is considerably lower than the average for 1944-1951. This long-term downward trend is ascribed by the Federation of Commerce to lack of sufficient financial aid and to bureaucratic delays and red tape on the part of government bodies.

The Brazilian Wheat Extension Service has expanded its wheat production promotion activities to new areas, including southern Mato Grosso and Goiás, and is giving more attention to secondary producing states, including São Paulo, than in past years. The Federal Government and the State Government of São Paulo are jointly financing the activities of the Wheat Extension Service in São Paulo, the Federal Ministry of Agriculture supplying 10 million cruzeiros a year and the State Secretariat of Agriculture 5 million. However, success in efforts to increase production materially is problematical.

Sugar production in São Paulo was lower in 1959 than in 1958. This was attributed largely to the oversupply on world markets, which made it necessary to limit production allocations, with large amounts of cane diverted to alcohol production and more than 3,000,000 tons of cane left uncut. Prospects are that São Paulo production will have to be reduced considerably next year to conform to the country-wide allocation plan.

The State Government proceeded during the quarter with implementation of the agricultural aspects of the "Plan of Action" for development of the State.

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Detailed plans were published concerning operation in the near future of the Fund for Agriculture and Livestock Raising, envisaged in the Plan. The Fund is to have resources of 7.5 billion cruzeiros for modernization, mechanization, and other reforms, as well as for the industrialization of agricultural products. The State Secretary of Agriculture stated in this connection: "We have here an innovation which certainly will revolutionize the agrarian economy of the State." According to the State Secretary of Finance, the Fund for Agriculture and Livestock Raising will resolve the question of agricultural credit in São Paulo. Observers considered the Fund a significant step toward rehabilitating agriculture, long neglected while the government concentrated on building up manufacturing industries.

The State Government is preparing a proposal for reform of the rural land tax system, to be presented to the next session of the Legislature. It aims at social reform, favoring small farmers through exemption from taxes, with taxes bearing most heavily on large farms, those which have less than half their area under cultivation, and those owned by legal entities which are not primarily concerned with agriculture or animal husbandry. Exemptions would be granted for reforestation activities, anti-erosion measures, and eradication of unproductive coffee plantations.

TRANSPORTATION AND COMMUNICATION

Increased domestic air fares which went into effect during December apparently caused no immediate decrease in the volume of air travel originating at São Paulo's Congonhas Airport.

The increases varied according to the length of haul, density of traffic, and type of equipment utilized. Generally, those airlines using CONVAIR, VISCOUNT, CONSTELLATION, SCANDIA, and DC-4 type aircraft were permitted to raise fares on most of their routes by about 20 per cent.

Operators of so-called "third class" equipment--most of which is World War II military transport type--were allowed increases approximating 25 per cent. Fares on the heavily traveled São Paulo-Rio de Janeiro route went up from Cr$1,474 to Cr$1,600, about 9 per cent, while the cost of a ticket from São Paulo to the interior city of Baurú was increased nearly 40 percent--from Cr$1,001 to Cr$1,386.

During the quarter just ended, railroads serving many interior cities in the State of São Paulo were granted fare increases amounting to the approximate percentage indicated: Sorocabana Railroad, 10 percent; Mogiana Railroad, 10 percent; Campos do Jordão Railroad (which serves the summer resort town of the same name) 40 per cent. Fares on the trains serving way points between São Paulo and Santos were also increased during the quarter, and higher fares between the two terminals named were established.

Increases in the fares of both the municipally controlled C.M.T.C. (Municipal Collective Transport Company), which operates bus and streetcar lines)



and the privately operated bus lines serving various outlying districts of São Paulo were announced during December. Bus and streetcar fares in the City of Campinas were also increased during the quarter. The new fares, averaging about 40 per cent higher, went into effect at the beginning of the new year. Advance notice of the proposed increases and adequate policing, and the absence of large numbers of student riders (because of school holidays), combined to prevent the public demonstrations and disorder which had come to be associated with increases in fares of the local transit system.

The important local "Murray-Simonsen" group was reported to be organizing a new television station--to be called "TV EXCELSIOR". The new station would operate on Channel 9, in São Paulo.

During the last quarter of 1959, a special commission of City councilmen was formed to study and choose between two possible solutions to São Paulo's long-standing telephone impasse. One solution proposed would extend, with certain modifications, the present contract with the present telephone company--Companhia Telephonica Brasileira--without resort to public bids. The other suggested solution would subject the concession to public bid--with preference to the present company--and provide for eventual acquisition of the telephone system by the municipality. At the end of the quarter, no decision had been reached.

According to year-end figures released by the Santos Customs authorities, 3,182 vessels docked at this port during 1959. Nearly half (2,475) were Brazilian flag vessels, most of which are engaged in coastwise shipping. The remaining 2,707 included 283 ships under the American flag, 338 Argentine, 251 Dutch, 245 English, 226 Norwegian, 220 Swedish, and 205 German. In addition to more than 100 each under the Italian, French, and Danish flags, 181 vessels (mostly oil tankers) of Liberian registry entered the port. The total number of ships, including those in the coastal trade, which docked in Santos during 1959 was 211 less than the total for the preceding year.

LABOR

The fourth quarter of 1959 in São Paulo was marked by a series of significant labor events. A number of major wage settlements were negotiated, a State trade union council embracing some 20 federations and approximately 250 local unions held its founding convention, and in union elections the Communists suffered a setback in the powerful State Federation of Metalworkers.

The quarter also witnessed the virtual disappearance of the Communist-dominated Unity Pact, and the dismal failure of a proposed general strike promoted by the Communists. Other highlights included the opening of a regional office by the National Confederation of Land Transport Workers in the capital city, the creation of a new state-wide federation of public utility workers and a continued rise in the cost of living.

During this period Communist influence in the large port of Santos declined as Commie-supported slates suffered setbacks in elections held in the Forum de

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Debates (City Central) and in three local unions. The port was partially tied up for a few days by strikes involving warehousemen bagging coffee and a nation-wide strike of merchant marine officers, mates and pilots.

Senator Wayne Morse, during a visit to São Paulo, met with a group of trade union leaders. A number of U.S. trade unionists also stopped off in São Paulo and were in contact with local labor leaders.

A large delegation of São Paulo trade union leaders attended the Second National Trade Union Congress in Rio, November 21-24.

Deocleciano de Hollanda Cavalcanti and Angelo Parmigiani were re-elected as presidents of the two largest Brazilian confederations of labor, the National Confederation of Industrial Workers and the National Confederation of Commercial Workers respectively. Sr. Cavalcanti and Sr. Parmigiani started their trade union careers in São Paulo.

A group of São Paulo trade union leaders and intellectuals organized a Movimento Renovador Sindical (Trade Union Reform Movement). Finally young and vigorous trade union leaders moved in and continued to hold key positions in the São Paulo trade union movement.

Major wage agreements providing increases ranging from 30 per cent to 35 per cent were reached during the quarter in important sectors of the economy without resort to strikes. These wage settlements should go a long way towards insuring labor peace in São Paulo during the coming year. On November 3 the pattern was set when the large local Union of Metalworkers which bargains for an estimated 120,000 metalworkers in the City of São Paulo signed an agreement providing an increase of from 30 per cent to 35 per cent in existing wages. Other agreements followed quickly. The typographical workers reached a similar agreement the following day. Two weeks later textile workers ratified an agreement calling for a like 35 per cent increase for some 180,000 textile workers in the City and State of São Paulo. Glass, ceramic and porcelain workers, chemical and pharmaceutical workers, workers in leather tanneries, and commercial workers were awarded wage increases ranging from 28 per cent to 35 per cent in November and December.

All of these agreements limit the maximum increase. The metalworkers agreement provides for a maximum increase of Cr$5,000, and the other agreements have similar limits. This of course has dissatisfied the skilled workers as the increases have not given them wage rates proportionately higher than the unskilled workers. As a result they have served notice that in future negotiations they will vigorously oppose limits on maximum increases.

The wage increases are believed to be somewhat related to increases in the cost of living. Skilled workers in São Paulo may have augmented their real wages slightly during 1959. However, although lack of wage data and

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cost of living data make it difficult to determine purchasing power it is generally conceded that the purchasing power of the unskilled workers decreased.

William P. Cochran, Jr.
Consul General

Enclosure:

1. Statistical Appendix

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Page 1 of 2pgs.
Rpcd. No. 305
Dept. No. São Paulo
From

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STATISTICAL APPENDIX

	First Quarter	Second Quarter	Third Quarter	October	November	Total Jan. to Nov.
Revenue Received by State of São Paulo from Sales & Consignment Tax (billions of cruzeiros)[2]						
1959	10,714	11,724	13,014	4,583	4,639	44,674
1958 (corrected to same tax rate as 1959)	7,708	9,064	10,068	3,756	3,599	34,275
1958	4,867	5,664	6,292	2,347	2,249	21,419
Electric Power Consumption of Industry in State of São Paulo (millions of KWH)[2]						
1959	786	845	849	277	299	3,054
1958	689	773	803	270	262	2,797
Motor Vehicle Production in State of São Paulo (in units)						
1959	21,779	22,430	23,247	8,969	8,828	85,253
1958	--Jan. through June	21,625--	16,225	6,555	6,572	51,277
Petitions in Bankruptcy in City of São Paulo (in numbers)[2]						
1959	272	222	205	76	67	742
1958	277	257	255	66	73	928
Petitions for Creditors' Agreements in City of São Paulo (in number)[2]						
1959	59	53	37	5	9	163
1958	34	42	30	27	21	154
Notes Protested in City of São Paulo (in numbers)[2]						
1959	16,575	16,492	14,239	4,695	4,975	56,976
1958	17,147	17,183	17,121	5,930	6,459	63,840
Notes Protested in City of São Paulo (millions of cruzeiros)[2]						
1959	358	312	359	86	85	1,200
1958	261	244	285	154	203	1,147

STATISTICAL ANNEX (continued)

	March	June	September	October	November
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average - Base 1951 = 100) 4/					
1959	434	471	514	555	593
1958	335	347	363	373	396

Notes

1/ 1958 revenue figures are based on a tax rate of 3 percent. (An additional surcharge of 0.4125 per cent which was also collected in 1958 was carried under another account in the Secretariat of Finance's records.) The 1959 tax rate was 4.8 per cent. 1958 figures have therefore been corrected to hypothetical revenue at 4.8 per cent to give a comparison of volume of taxable transactions for the two years.

2/ Electric Power Consumption covers sales by the two main companies (São Paulo Light S/A - Servicos de Eletricidade; Cia. Paulista de Forca e Luz), which together account for over 98 per cent of total power supplied to industry in the State of São Paulo.

3/ Data on Petitions in Bankruptcy, Petitions for Voluntary Settlements, and Notes Protested refer solely to the City of São Paulo, and reportedly represent over 80 percent of total bankruptcy and settlement petitions and notes protested in the State of São Paulo.

4/ The Cost of Living Index put out by the Statistical Dept. of the São Paulo Prefeitura is admittedly incomplete and tends to show less than the actual rise in cost of living for low-paid workers.

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Via Air Pouch
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FOREIGN SERVICE DESPATCH

FROM : American Embassy, Rio de Janeiro

719
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 14, 1960
DATE

REF :

XM 832.43
832.00-

R/R
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55 For Dept. Use Only	ACTION REC'D 1/19	DEPT. AAA-4
	INFO	DEPT. AMA-2 REP-1 IRC-8 E-7 ICA-11 IES-5
		OTHER CIA-10 USIA-10 COM-10 HEW-2

TA-3 AG-8 IN-7

SUBJECT: The University and Economic Development in Rio Grande do Sul

Enclosed is a memorandum prepared by the Reporting Officer following a four-day field trip to Pôrto Alegre and Pelotas, December 13-16, 1959, which concludes that, notwithstanding the demagogic manifestations of the State Government and the untrustworthiness of Governor Brizola, various groups and institutions in the State are planning and working toward rational economic development. This effort centers in the University of Rio Grande do Sul which is eager to participate in bi-lateral technical cooperation and appears to be capable of putting such assistance to effective use toward development of the state which includes more than 5 million people and some of the richest agricultural resources in Brazil.

For the Ambassador:

Howard R. Cottam

Howard R. Cottam
Minister for Economic Affairs

832.00/1-1460 EMW

Enclosure-as indicated

Please pass to ICA

Copies to: AMB-DCM, Consulate, Rio Grande do Sul, Consul General, Brazil Desk, State; Brazil Desk, ICA; POL, Prog, PBAD

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 22 1960

CLASSIFIED BY

Howard R. Cottam:mvl
REPORTER

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0479

CONFIDENTIAL

MEMORANDUM

SUBJ: Impressions of Gaucho Economic Development

FROM: Howard R. Cottam

My four-day foray, December 13-16, 1959, into Gaucholand left me with unexpected impressions, among them: (a) there is much social and economic ferment, and (b) solid long-range group planning seems to belie demagogic manifestations of Governor Brizola.

My impressions were influenced both by my preconceptions and by the angle from which I saw the problems. I went to Rio Grande do Sul on an official visit as Director of the U.S. Operations Mission to Brazil to view the economy in terms of the bilateral technical assistance program, but I also wore my Embassy hat.

My preconceptions of the political and economic ambiente were biased by demagogic manifestations of Governor Brizola in the recent expropriation of the American Foreign Power Company's plant in Pôrto Alegre and in requests he has made for assistance from Point IV to train electrical engineers in state power management in the United States. Also vividly in mind were other unreasonable requests, made through Catete and supported with threats, for assistance to that area following floods last year. After ignoring our offers to help, the Governor had, as an afterthought, asked us to restock the pharmacies of his state and to ship vaccines for sheep long after the floods. Moreover, I had called on the Governor two years earlier when he was Mayor and had been received under floodlights in the crowded municipal offices. Also, I had witnessed the effects of tactics used to elect Brizola as Governor by using the INIC (immigration agency) to buy political support of the Neofascist integralistas of Rio Grande do Sul, whose votes could swing the balance and elect Brizola as Governor. In short, I was not looking forward to a similar dialogue with the Governor. But he received me and my colleagues in his inner office without the press or fanfare and, with great objectivity and clarity, told us of his basic plans for building educational institutions. He did not ask for anything unreasonable, and his statements and demeanor befitted a responsible high official of a democratic society. Also, he showed me the greatest courtesies by placing his official car at my disposal and by assigning as an aide a lieutenant.

While my visit did not generate confidence in the Governor personally, it prompted respect for some of the basic programs of his Government, particularly in education. The demagogic manifestations of his régime are no less odious and the high personalities no more trustworthy than before, but the direction of their more sober efforts are somewhat reassuring.

The important impression which this memorandum is intended to convey is that the Government is strongly supported by various groups and institutions which are making solid, objective efforts to bring about an economic rebirth based on education suitable for a democratic society and for rapid development of industry



and agriculture. A key figure in the effort is Dean Pery Diniz, Vice-Rector of the University and head of the State's Department of Administration. He and his professors are, in fact, playing key roles in the Brizola Government, Diniz being State Secretary for Administration and his professors holding various subsidiary jobs. The role of the University is the more potent because of its dynamic Reitor Pagioli, who, in seven years, has changed a strike-ridden, decaying and dying institution into a modern university with 6,000 students and a fast-growing program and a plant that may quadruple in a few years. His philosophy is ultra-modern--to build the University into the local, state and national and international communities. He insists on professors, particularly those in the social sciences, not losing touch with reality, and wants them to participate in government.

It is in this modern educational climate that Point IV assistance is being sought and used in Rio Grande do Sul. The University wants help in every way possible, much more than we will be able to give.

Some of the other forces in the Government (non-university) are less evidently objective, but I was impressed with the comprehension and forcefulness of the Secretary for Agriculture. He too wants, and seems to be using, Point IV assistance remarkably well. Other State Secretaries, while not as socially oriented, are dynamic. I met the Secretaries of Health, Finance and Security. None of them is of the Diniz caliber but all seem vigorous.

This review would not be complete without mention of the ultra-demagogic, irresponsible Secretary of Energy, who remains in his position notwithstanding his recent defeat at the polls for Mayor, despite virtually last-ditch support from the Governor. Perhaps that defeat has sobered the Governor and even helped the cause of the solid, stable group mentioned above.

A quick visit to Pelotas impressed me with the same solid, objective institutional matrix that could make for formation of a democratic society. With its diverse agriculture and industry, its high level of education (perhaps the highest in Brazil) and its eagerness to bridge the gap between aspirations and achievements, progress is likely to be rapid. Pelotas seems to have more community spirit and genuine cooperation than any I have seen in Brazil.

Consul Percy Warner, who accompanied me on the most important visits, is extremely well regarded and has an excellent grasp of U.S. interests in their relation to the complex political-economic situation. He is also giving remarkable leadership to the various programs there. The Point IV technicians are most appreciative of his guidance and help.



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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO

247
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 15, 1960
DATE

REF: CERP C - General Interest

JAN 15 1960

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ACTION
INFO
OTHER
DEPT. REP-1 ARA-5 IRC-5 E-3 ICA-11 EUR-5 COM-12 AMMB-4 NAVY-3 AIR-1 OSD-2 OCB-2 IN-7 USIA-11 CIA-16 AEC-8 LAB-6 FRB-3 TAR-2 TR-3

SUBJECT: Weekly Economic Review (January 8 - 14, 1960)

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1. Liquified Petroleum Gas Temporarily in Short Supply
2. Belgian Foreign Minister Visits São Paulo
3. São Paulo Protests Against Wool Exports
4. Mato Grosso Inaugurates Cold Storage Facilities in São Paulo
5. São Paulo Studies Crop Insurance
6. State Employees Get Salary Increases

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1. Liquified Petroleum Gas Temporarily in Short Supply

Petrobras' Refineria Presidente Bernardes at Cubatão and Refineria União at Capuava, the two major petroleum refineries in the State of São Paulo, shut down their cracking plants for maintenance and minor repairs until the end of January. Liquified petroleum gas (LPG), one of the products obtained from the cracking process, is therefore no longer supplied to distributors of bottled gas in São Paulo and Santos. To avert a shortage of LPG and to equitably dole out their stocks, the bottled gas distributors obtained permission from the National Petroleum Council to temporarily reduce by 22 per cent the volume of LPG normally put into the 45 kilo and 13 kilo capacity cylinders. This form of rationing is expected to end by mid-February, after the refineries resume cracking operations and again supply LPG in adequate quantities.

2. Belgian Foreign Minister Visits São Paulo

Pierre Louis Jean Joseph Wigny, Belgian Minister of Foreign Affairs, visited São Paulo on January 11 and said that while his visit to Brazil was primarily of a cultural nature, trade discussions were not ruled out. Rene Forthome, Belgian Director-General of Foreign Trade, who accompanied the Minister, said that during the past year Belgium had increased its imports of coffee from Brazil by 50 per cent. He added that Belgium also was interested in cacao, minerals, vegetable oils and textile products from Brazil. In exchange, he said, Belgium could supply Brazil with iron, steel, fertilizers, linen, and machinery in general. During his stay in São Paulo Minister Wigny explained the position of his country in relation to the European Economic Community, at a conference held in the São Paulo Federation of Industries.

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LWS

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3. São Paulo Protests Against Wool Exports

Governor Carvalho Pinto has suggested to President Kubitschek that the export of raw wool from Brazil be prohibited. His action was taken at the request of São Paulo textile industry groups who fear a shortage of raw wool in the domestic market.

Industry misgivings were aroused by the announced intentions of producers in the State of Rio Grande to export the wool despite pessimistic estimates of 1960 production prospects. Raw wool production is expected to be about 22 thousand tons during the current year, according to industry spokesmen, who allege that the textile industry in the State of São Paulo alone will require 21 thousand tons. They also allege that foreign trade controls would make wool imports from abroad prohibitive.

4. Mato Grosso Inaugurates Cold Storage Facilities in São Paulo

On January 10 the Governor of the State of Mato Grosso inaugurated the cold storage facilities in São Paulo of Frigorifico Matogrossense S.A. (FRIMA). The new cold storage plant has nine cold storage chambers, two of which have a temperature of 18ºC below zero, two 30ºC below zero, and five 10ºC below zero. It has a capacity for 250 metric tons of meat. FRIMA is owned by Mato Grosso cattle raisers who also operate a slaughterhouse at Campo Grande capable of slaughtering 500 cattle and 200 pigs a day. The organization owns 20 cold storage freight cars, which carry the meat on a 40-hour trip from Campo Grande to São Paulo. Initially 30 metric tons of meat will be sent to the new plant. In February this will be increased to 60 tons and thereafter a full 250 tons a day are to be sent there. The new facilities will help to market Mato Grosso cattle and ease the meat supply situation in São Paulo.

5. São Paulo Studies Crop Insurance

Governor Carvalho Pinto requested the Bank of the State of São Paulo to conclude its study of a plan of crop insurance in the State as rapidly as possible. According to preliminary information released, the studies under way are to institute group insurance against crop failure due to bad quality seed, frosts, droughts and other climatic phenomena, as well as plagues and floods. The head of the Bank is reported to have said that the insurance rate would be much less than the prevailing rate of five, six and even eight per cent.

Comment: This is another example of the present São Paulo State administration's interest in putting agriculture on a par with progress made in industry. Previously it had made available to farmers planting beans, rice and corn loans at the low interest rate of four per cent a year.

6. State Employees Get Salary Increases

The São Paulo Legislature voted a substitute bill to increase salaries of State Government employees. The substitute bill maintains the essential features



proposed by the Executive, comprising a 20 per cent increase effective January 1 and an additional 10 per cent increase on July 1, 1960. Some one hundred amendments proposed by various deputies were rejected. The Governor is expected to sign the bill as soon as it reaches him, which should be within a week. The wage increase now to be granted State employees compares with an average 30 to 35 per cent increase earned by industrial labor in the past three months in wage negotiations.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil — 16 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 15, 1960 DATE

REF : CERP Requirement Section C, Item 2

For Dept. Use Only	ACTION	DEPT.
	Com-12	REP-1 IRS-8 ARA-4 E-3 ICA-11 USIA-10 CU-3 Army
	REC'D 1-22-60	INFO OTHER CIA-10 TAR-2 TR-2 IRB-3 XMB-4 AG-8 IM-7 LAB-

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - December, 1959 Many Attn

CENTRAL FILES
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FEB 10 1960

SUMMARY

Domestic retail and wholesale trade during December 1959, is reported satisfactory. The volume of Christmas sales reached a satisfactory point with the stocks of toys and Christmas articles and ornaments completely exhausted. Fresh meat supply continues short with no hopes of improvement for the current month. Local merchants have instituted the system of "Credit Sales"; to protect this system there was created in Belém the "Credit Protection Service" which is being used with success. The lower Amazon area is now been benefiting with the inauguration of a petroleu derived products terminal to serve several municipalities of that area, forcing the prices of commercial gasoline, kerosene and diesel oil down. Interstate shipments have been processed normally.

The firm Pires Carneiro & Cia. of Belém expects to inaugurate its cement manufacturing plant at Capanema (Pará) by June of the current year; this will be a great improvement in the region and especially of great assistance to the local construction companies.

Imports during December 1959, have been negligible, while exportation contined active through the port of Belém.

The Belém branch of the Banco Comércio e Industria de Minas Gerais has been inaugurated and is in full operation. The cruzeiro in the free market weakened until December 20, reacting in the latter part of the month.

The Federação das Associações Rurais do Pará - FAREP - has been assisted with a law signed by the State Government, giving a monthly allocation of 300 thousand cruzeiros for the recuperation of the FAREP's agricultural station at Igarapé-Açu.

Domestic Trade and/

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DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Domestic trade has been reported good during December 1959 both in the retail and wholesale outlets. Merchants in general manifest their satisfaction about the volume of Christmas sales and report that the stocks of toys, Christmas articles and ornaments were completely disposed of. As expected food products secured mainly for the season arrived from abroad and southern Brazil in time for Christmas and New Year but prices reached almost prohibitive levels.

As predicted in the Consulate's previous report, the supply of fresh meat in Belém continues short. It is interesting to note that while the Belém and Bragantina regions have witnessed heavy rainfalls beginning of the latter part of December 1959, in the Marajó Island and low Amazon area the weather has been completely different with absence of rain for almost the past three months. This condition is highly adverse for the cattle industry with reflection on the supply of meat for domestic consumption in Belém.

Following the example of commerce in southern Brazil the system of "Credit Sales" has been instituted here on a larger scale and has been fairly acceptable to the local population. A "Credit Protection Service " has been established in Belém which serves to protect the firms using the "Credit Sales" system.

The Petroleum National Council has recently approved the installation of a petroleum products terminal at Santarém, in the lower Amazon area, property of the firm I. B. Sabbá & Cia. Ltda.. This terminal will serve the municipalities of Parintins (Amazonas), Faro, Oriximiná, Obidos, Alenquer, Santarém, Itaituba, Monte-Alegre and Prainha (Pará). It was inaugurated on December 15 being at present in full activity. Before that, the prices of commercial gasoline, kerosene and diesel oil in the aforementioned municipalities were 12, 10, and 8 cruzeiros per liter, respectively. Now these derived petroleum products are being sold at 9.08, 8.79, and 6.54 cruzeiros per liter, respectively. It is estimated that with this improvement the lower Amazon area will have an economy around 20 million cruzeiros annually. This, is the second terminal of petroleum products inaugurated by I. B. Sabbá & Cia. Ltda. last year. The first, located at Itaqui, Maranhão, was inaugurated on March 21, 1959.

Outgoing and incoming domestic shipments during the month of December 1959, were processed normally. This, of course, facilitated the local merchants to keep their stock fairly supplied.

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INDUSTRY DEVELOPMENTS

It is reported that the firm Pires Carneiro & Cia. will inaugurate its cement manufacturing plant by the middle of the current year. The plant is located at Capanema (Braganca railroad region) about 90 miles from Belém. The plant building is by now reaching completion and the machinery, imported from Czechoslovakia, is already mounted and ready for operation. It is mentioned that plant is situated very close to the calcareous site which is considered a very large source of raw material for cement manufacturing. The local construction companies as well as civil engineers engaged in commercial constructions, are contemplating the possibility of using cement from Capanema in the very near future which will assist them not only economically but also in meeting the terms of their contracts.

Although the great difficulty in acquiring material for civil construction, most of which is brought in from southern Brazil at prices extremely high, commercial construction, government agencies' building, and home constructions, has been accelerated during the last month of 1959.

IMPORTS AND EXPORTS

During December 1959, import business was, as usual, negligible. Only dried cod fish from Norway and dried fruits for Christmas from Europe were received.

Export business continued active. Balata and massaranduba gum, lumber, hides and skins, Brazil nut, and black and white pepper, were shipped through the port of Belém to Europe, U.S.A. and Argentine. It is interesting to note that the export of black and white pepper during this period reached 100 metric tons at an approximated value of 14 million cruzeiros.

FINANCE

On December 19, the Banco Comércio e Industria de Minas Gerais inaugurated its branch office in Belém, located at Rua 13 de Maio 188/192. It is reported that more than 20 million cruzeiros were spent with the acquisition of the building and remodeling the same to install the office. Really, it is a nice, modern and comfortable installation. According to the speech delivered by the bank's president at the inauguration, the bank, among the usual operations proper to an institution of its capacity, will emply a large sum to facilitate credit to the State and municipal administrations, industry, commerce, individuals, etc.

During December 1959/

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During December 1959, the situation of the cruzeiro in the free market exchange rate was as follows: at the beginning of the month, Cr$192,50 for purchase and Cr$197,50 for sale; at the end of the month, Cr$199,00 for purchase and Cr$204,00 for sale to one US dollar. The fluctuation in this period was Cr$192,00 for purchase and Cr$197,00 for sale, the lowest; Cr$208,00 for purchase and Cr$213,00 for sale, the highest to one US dollar. Local banks report steady demand for dollars during December 1959.

Local newspapers report that general cost of living in Belém during December suffered an increase of around 10%. The total rise estimated for this region during the entire 1959 is 75% as compared to 45% reported for 1958.

AGRICULTURAL DEVELOPMENTS

The Pará State Governor has signed a law dated December 23, by which an allocation of three hundred thousand cruzeiros monthly is given in favor of the Federação das Associações Rurais do Pará - FAREP - to help in the recuperation of that organizations agricultural station at Igarapé-Açu, in the Bragança railroad region. At this station, with cooperation of the ETA-54 Program, Instituto Agronomico do Norte and Serviço Florestal, there are planted 10 thousand rubber trees of high production clones, of which the half part has already reached the age of five years, besides other cultures. The Farep's recuperation program includes coffee culture, with the same system to overshadow the coffee trees employed in São Paulo, using the rubber trees for that effect. The FAREP has stated that with the activities of its station at Igarapé-Açu, it is hoped that within five years the production will make this organization self-sufficient.

Henry E. Dumas
American Consul

c.c.: American Embassy, Rio de Janeiro, Brazil.

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FOREIGN SERVICE DESPATCH

FROM : AMConsulate, Curitiba, Brazil — DESP. NO. 29 — JAN 15 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE January 14, 1960

REF : CERP Section C 2

For Dept. Use Only — ACTION REC'D 1/21 — DEPT. REV-4 ARA INFO OTHER C/A-4 TAR-2 TR-3 FRB-3 X1413-4

SUBJECT: CONSULAR SUMMARY FOR DECEMBER, 1959

I SUMMARY

A Bank of Brazil financing plan for coffee producers is being protested by Parana growers who say the plan is based on 1958 statistics and therefore discriminates against Parana in favor of Sao Paulo. Also being watched closely is a Senate bill to reduce marginal coffee output with government financial assistance. Outlook for the bill is poor because one of its principal sponsors has died.

Rain finally broke a long dry spell in December, improving Parana corn and rice prospects greatly (estimated harvest: 1.4 million tons and 170,000 tons respectively). Parana coffee and cotton estimates for 1960 remain at 6.5 million bags and 45,000 tons respectively.

The independent truck drivers' union of Paranagua is threatening serious trouble because the IBC has refused to grant the union an exclusive contract for certain coffee in the port. However, lack of enthusiasm in the port and a recent disciplinary action against other unions (stevedores, etc.) has weakened the truck drivers' position.

Christmas retail and wholesale trade in low-cost items in Curitiba set new records, physically and financially, especially in the largest stores. However, durable consumer goods sold poorly, and many small businesses were disappointed. Christmas business in Santa Catarina was "ordinary", and poorer than had been hoped.

Some coffee brokers fear the 1960 sale of 335,000 bags of coffee to the USSR may decrease sales to Finland in like amount, because Finland customarily re-exports to the Soviet Union.

Prospects for 1960 mate exports are promising because Argentina and Uruguayan plans to allow purchase of mate only with free-market exchange will increase the herb's price in both countries.

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in both countries.

Late in December the IBC cancelled a permit for Paranaguá to export 70,000 bags of coffee to Trieste, continuing the freeze on exports from that port for the fourth month. It now appears that no significant shipments will be allowed before March, and most carriers are being fired by many warehouse companies. Lemon is rising, and the IBC and Federal Government are quite cheerful about it.

II [illegible]

Proposals for Financing Marginal Coffee Production

During December a bill was introduced in the Brazilian Senate which would stimulate the conversion of marginal coffee lands to other crops by allowing low-interest readjustment loans and providing technical assistance. Meanwhile, the Executive Council for Rural Credit to Coffee Growing (CACC) and the Agricultural Credit Department of the Bank of Brazil (CREAI) have agreed to make loans to coffee growers in such a way that production on real final lands or in non-traditional areas is discouraged. SOURCE: Local papers, personal conversations.

COMMENT: The complete bill appears to be lost in committee with little hope of immediate action, possibly because one of the original sponsors, Nelson de [illegible], was defeated.

The CACC-Bank agreement has been suspended because of late Parana opposition. Apparently the plan provided adequate loans only for coffee producing areas recognized by the 1950 census. This would, therefore, eliminate an estimated three fourths of present Parana producers from the full benefits of the arrangement.

Crops Hit by Ineffectual Drought

Rains finally came to the Consular District in December, three months late, and considerably brightened prospects for certain crops. Corn output is expected to total 1.4 million tons in Parana by next June (710,000 tons January-April; 610,000 to be had and June). The rice crop in Southern Parana is estimated at only 50,000 tons. In the north, however, where planting normally commences in December-January, the March-to-May harvest is now calculated at 120,000 tons, bringing total Parana production in 1960 to 170,000 tons. Cotton and coffee estimates remain unchanged at 45,000 tons and 8.5 million bags respectively.

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bers respectively. SOURCE: Personal conversations.

III LABOR

Wage Increases and Inflation Continue

During December Paraná metal workers received a 30% increase over present wages; carpenters and lumber workers received 40%-45% over last year's wages (net average: 25% over current wages); and Paranaguá dockworkers in Antonina, Paraná received 20% over present wages. Textile workers now are asking for 55%, and the newspaper workers (gráficos) 50%.

Retail food prices also reacted. Eggs went up 10%, milk 5%, chicken 20%; rice 20%, vegetable oils 25%, and meats 5-20%. Only black beans and the like, failing from Cr$700 per kilo in November to Cr$35 per kilo in December. (January 1959 price was Cr$25-30 per kilo) SOURCE: All local newspapers, personal observations and conversations.

Paraná Truck Drivers Threaten Further Trouble

The Brazilian Coffee Institute (IBC) has ignored an agreement it supposedly made last September with the Paraná Independent Truck Drivers' Union, and has contracted with a private firm (Transportadora Norte S) to carry all the IBC's coffee in Paraná (2.0 million bags).

The union has threatened it has been cheated, and is planning to go on strike and blockade city streets with its trucks if the IBC insists on honoring its new contract. In the meantime Vice President João Goulart has been asked to intervene with the IBC to have the cheaper contract given exclusively to the union. SOURCE: Personal observations and conversations, Diario do Paraná (Dec. 1, 3, 16, 19, 1 , 1 , 20, 22, 23 24).

COMMENT: The truck drivers' position is greatly weakened by the fact that (1) under Brazilian law a non-recognized union cannot act as a business; (2) other unions in Paraná (stevedores, dock workers, etc.) can give only passive support because their charters would be subject to cancellation by the government if they were to strike illegally; and (3) no coffee is being shipped from Paranaguá, and consequently there is no work for any transport company. (See POLITICO-SOCIO-ECONOMIC).

IV ECONOMIC AND SOCIAL POLICY

Christmas Trade Spotty

Christmas 1958 retail trade in major department stores in Curitiba

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in Curitiba set new records in both physical volume and cruzeiro volume. However, sales in high priced durable consumer goods were off, especially at smaller outlets, and many small businessmen were disappointed. Both wholesale and retail trade in low priced items seems to have been very good, and one large-scale outlet made reported unprecedented business which extended well past the end of the normal Christmas wholesale season. In contrast to Curitiba, reports from Santa Catarina indicate that sales were "ordinary" (regular), and much less than had been hoped. SOURCES: Personal observations and conversations.

COMMENT: Since Curitiba is an administrative center with a high proportion of salaried employees, better salaried employees, the capital's business conditions are probably better than in the Consular District as a whole. [illegible] from time to time to confirm this.

V - [illegible] WILL PROBABLY FOLLOW

Second thoughts on Brazil-USSR trade agreement

One major local coffee broker has pointed out that of Brazil's annual sales of 900,000 bags of coffee to Finland, approximately two thirds are of inferior grades which customarily are re-exported to the USSR. With the Soviets buying 33,000 bags of coffee directly from Brazil in 1960, it is possible that sales to Finland may decline proportionately. SOURCES: Personal conversations.

COMMENT: Despite the public euphoria over possible new markets, thoughtful people in export business exhibit a good deal of reserve when discussing "advantages" of the present trade agreement.

Prospects for mate exports poor

Recent negotiations to improve Brazilian mate exports to Argentina and Uruguay have proven fruitless. Producers are in their distressed over Argentine and Uruguayan plans to require that mate be imported with currency bought on the free exchange market. Thus would raise the price of mate in Uruguay 150%. SOURCES: Diario do Parana (Dec. 6, 11), Gazeta do Povo (Dec. 3, 12, 31).

COMMENT: This leaves mate, third ranking industry in Parana after coffee and lumber, in a more depressed state than lumber, which at least has a heavy domestic demand to help takeup the slack on falling exports.

[illegible] POLITICO-SOCIOLOGICAL

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Page 5 of 5
Encl. No.
Desp. No. 29
From Consulate, Curitiba

VI POLITICO-SOCIO-ECONOMIC

Socio-Economic Situation in Paraná Coffee

The freeze on coffee exports from Paraná completed its fourth month, the second of absolute freeze, with no sign of abatement in the near future. Added this to the port have been reduced to the point where it is difficult to maintain a ship in good repute. Here coffee is scarce and coffee that is available is of poor quality because growers must keep it open windows for lack of adequate space. Major coffee exporting companies plan to dismiss most of their permanent employees in January because there is no work to be done. The city suffered a severe psychological blow in December when the IBC arbitrarily cancelled a permit to export 70,000 bags to the Brazilian coffee post at Trieste. Eventually the coffee will be sent from some other port in Brazil. Subjects: Personal observations and conversations, all local news sources.

COMMENT: There had been hope that the IBC would permit some exports from Paraná ports beginning in January. However, it now appears that no significant shipments will be allowed before March. Discontent in Paraná is general, from laborers to owners, and the populace blames its present situation entirely on the IBC and the incumbent Federal government.

Edward L. Rowell
American Consul

cc: Supervising Consul General, Rio de Janeiro.

NOTE: It is requested that the Department airpouch one copy of this despatch to São Paulo for the information of the agricultural officer.

UNCLASSIFIED

0493

AIR PRIORITY (PRIORITY) | OFFICIAL USE ONLY (Security Classification)

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832.00/1-1560

FOREIGN SERVICE DESPATCH

FROM : Amembassy, RIO DE JANEIRO — 721 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — January 15, 1960 (DATE)

REF : CERP C-1

JAN 21 1960

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REF-1 IRC-15 ICA-11 E-6 ARA-5 AG-8 IN-7 LAB-6 TA
	REC'D 1-23-60	INFO OTHER USIA-10 OSD-2 Army-35 Navy-20 Air-30 CIA-16

SUBJECT: WEEKLY ECONOMIC REVIEW No. 3 (January 8-15) FRB-3 XMB-4

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1. Esso Becomes a Brazilian Corporation
2. 1959 Petroleum Production Largest Ever
3. Manganese Ore Shipments Exported
4. Cocoa Exports
5. Coffee
6. Government Attitude Regarding Labor Strikes Explained
7. Free Exchange Market
8. Celso Furtado to Head SUDENE
9. Visit of Belgian Foreign Minister.

1. Esso Becomes a Brazilian Corporation:

On January 12, President Kubitschek signed a decree changing the status of Esso Standard do Brasil Inc., an American corporation, to that of a Brazilian corporation, to be called Esso Brasileira de Petroleo S.A. (UNCLASSIFIED)

Comment: The press coverage of the "nationalization" of the American distributing company was excellent. Esso President Cornelius J. Griffin held a press conference on January 13 in which he highlighted Esso's 47 years of service in Brazil. Prominently mentioned was the fact that two of the six directors are Brazilian citizens. The official reason given by Esso for requesting "nationalization" was that it was in line with Standard of New Jersey's world-wide policy. Esso's move will tend to minimize nationalistic pressures which may increase this year as Brazilian elections approach. For other advantages and the significance of a foreign firm's becoming Brazilian, see Despatch 648, December 23, 1959. (OFFICIAL USE ONLY)

2. 1959 Petroleum Production Largest Ever:

Petrobras announced that the production of crude petroleum in Brazil reached a total of 23,589,872 barrels in 1959, or almost

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0494

25% more than the previous year's record of 19 million barrels. (UNCLASSIFIED)

Comment: This amounts to some 28% of the country's needs in 1959, estimated at about 85 million barrels. Since only one refinery in Brazil, Mataripe, near Salvador, Bahia, is capable of refining the crude found in Brazil, which has a high paraffin content, most of the petroleum was exported. (OFFICIAL USE ONLY)

3. Manganese Ore Shipments Exported:

The first shipment of manganese ore from URUCUM mines at Corumbá, Brazil, has been loaded for export at NUEVA PALMYRA, Uruguay. (UNCLASSIFIED)

Comment: This ore has been accumulated at Nueva Palmyra, Uruguay, from barge and tow-boat shipments down the Paraguay river from Corumbá, Brazil. The ore is probably consigned to an Atlantic seaboard steel plant of the US Steel Corporation. (UNCLASSIFIED)

4. Cocoa Exports October 1958-Sept. 1959 - Marketing Year:

Cocoa exports, (bean equivalent), rose almost 25% the past year over 1957-58 from 145,000 metric tons to 181,100. From the best estimates of production available, this indicates that exports exceeded production by about 7,000 tons. Emphasis is continuing on exporting other cocoa products rather than beans. Bean exports fell by 10%, cocoa butter increased by 26% and cocoa cake jumped from 1.3 thousand tons to 39 thousand tons.

Exports of cocoa beans and cocoa products bring in about 9% of the export dollar earnings annually to Brazil. (UNCLASSIFIED)

5. Coffee:

Coffee exports by destination for the first eleven months of Calendar Year 1959 show an total that exports increased 36%, or about 4-1/2 million bags over the same period in 1958. The United States portion of the 4-1/2 million bags was a little over 3 million. Most of the remaining 1-1/2 million is represented by the percentage increases in the following countries: Italy, 102%; Finland, 22%; The Netherlands, 95%; Poland, 234%; U.K., 50%; Yugoslavia, 78%; Japan, 200%; Czechoslovakia, 39%, and East Germany, 500%.

January exports are starting slowly, with only 138 thousand bags up to January 11. (UNCLASSIFIED)

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6. Government Attitude Regarding Labor Strikes Explained:

Answering critics who claim that the Administration's actions in regard to the shipping and railway strikes amount to an anti-union policy, Labor Minister Fernando Nobrega told a large gathering of union officials on January 12 that the Government is determined to maintain law and order, but that it does not intend to pare down the degree of freedom which unions have attained. The Labor Minister made these remarks in a speech at The National Confederation of Industrial Workers on the occasion of the formal inauguration of Deocleciano de Holanda Cavalcanti for another term as President of the Confederation.

In his speech, Cavalcanti stressed the loyalty of the labor movement and its support of the program of economic development; his comments seemed to be in reply to that portion of President Kubitschek's New Year's speech which dealt with labor.
(UNCLASSIFIED)

7. Free Exchange Market:

After opening the year at Cr$194, the free market rate through January 15 had varied between Cr$186 and Cr$190 to the dollar (check buying). This contrasts with December's high of Cr$208 (Cr$217 reported by some newspapers), and a monthly average for December of Cr$199.5. (UNCLASSIFIED)

Comment: The strengthening of the cruzeiro reflects, among other things, the effect of SUMOC Instruction 192 which placed additional exports on the free market and reported actions by the Bank of Brazil which is said to desire a rate high enough to stimulate exports but under Cr$200 to the dollar.
(OFFICIAL USE ONLY)

8. Celso Furtado to Head SUDENE:

On January 8 President Kubitschek appointed Celso Furtado head of the Superintendency for the Development of the Northeast (SUDENE), putting an end to rumors that the post would be turned over to a politician.

The same decree also designated eight of the 22 members of the Deliberative Council, an enlarged board of directors for SUDENE. The best known of these is the author Gilberto Freire, appointed as representative of the Ministry of Education and Culture. Representatives of the Governors of the nine states of the northeast will make up most of the remaining members of the Council. (UNCLASSIFIED)



Comment: Celso Furtado has been the leader and principal force in the Council for the northeast and a very strong advocate of the unified planning and coordinating organization for the area which SUDENE is supposed to represent. His appointment indicates that the President apparently has not been diverted from his support of this plan. (OFFICIAL USE ONLY)

9. Visit of Belgian Foreign Minister:

This week, Belgian Foreign Minister Pierre Wigny winds up a ten-day state visit to Brazil. Included in Wigny's crowded schedule were, inter alia: signing of a cultural agreement; a collective press interview; the (now obligatory) trip to Brasilia to view the site of the future Belgian Embassy; a trip to São Paulo; and the handing out of numerous decorations to Brazilian luminaries. In a final gesture, Wigny gathered together all Belgian Ambassadors accredited to Latin America for a call upon the President, at which time he eulogized Brazil's development and promised (in vague terms) Belgian support for OPA. (OFFICIAL USE ONLY)

Comment: Though apparently a success from a public-relations standpoint, it is questionable that Wigny's visit achieved its primary objective: convincing the Brazilians that the European Common Market would benefit, rather than harm, Brazil. (OFFICIAL USE ONLY)

For the Ambassador,

Douglas S. Egan,
Commercial Attaché

Approved:
William A. Fowler,
Counselor of Embassy
for Economic Affairs.

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Item 9 - HAQuinn.

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PRIORITY (Security Classification)

FOREIGN SERVICE DESPATCH

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FROM : Amembassy, Rio de Janeiro 735
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. January 18,1960
DATE

REF : CERP - C. 2

JAN 21 1960

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REP-1 IRC-8 E-3 AAA-4 ICA-11 Army 6 Navy 3
	REC'D 1-23-60	OTHER CIA-10 AG-8 IN-7 LAB-6 TAR-2 TR-3 FRB-3 XMB-4

SUBJECT:

MONTHLY ECONOMIC SUMMARY - DECEMBER - 1959

1. Domestic Trade and Commercial Activity
2. Industry Developments
3. Foreign Trade and Commercial Policy
4. Finance
5. Transportation and Communications
6. Coffee and Agricultural Developments
7. Labor

SUMMARY

Christmas sales were up over last year. Credit was somewhat tighter, a situation expected to prevail into the new year, accompanied by higher prices. The meat shortage eased. 1959 iron ore exports and petroleum production reached all-time highs, although little increase in steel production over 1958 was anticipated. Responsibility for establishing a Brazilian tractor industry was assigned to GEIA. A three-year Brazilian-Soviet agreement called principally for trade of crude petroleum for coffee the first year, 1960. Brazil signed a trade pact with Yugoslavia under which the latter country may deliver investment goods to Brazil on credit.

SUMOC Instruction 192, putting all exports on the free market except notably coffee and cocoa beans, at least temporarily strengthened the cruzeiro, which had weakened at one point to 220 to the dollar. Cost of living continued to rise and may total 55% for 1959. December currency issues (Cr$11.8 billion) were the largest in history and brought total issues in 1959 to Cr$34.8.

Dredging of the Port of Vitória commenced, and VARIG inaugurated jet (Caravelle) service between Brazil and the United States. Major strikes (airline ground personnel and merchant marine officers and harbor pilots) were settled, the latter by Government intervention.

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SUMMARY (cont'd)

1959 coffee exports reached 17.6 million bags, 38% more than in 1958, and the Brazilian Coffee Institute made plans to promote the development of the soluble coffee industry in Brazil. The Congress passed a law setting up a central control agency (SUDENE) to foster the economic development of the Northeast.

1. Domestic Trade and Commercial Activity

Christmas sales were quite good, retail stores generally reporting up to 40% increases over last year; most increases, however, were in cruzeiro value and not in volume. Appliance sales were very good, practically everything that could be produced being sold, without building up inventories. Apparatus sales, slow over the past two or three months, showed little change, but prospects looked more promising for 1960.

Construction materials continued at practically the same level as during most of 1958 and 1959, due to lack of easy credit for construction purposes. The sale of basic chemicals was good, and also pharmaceuticals, but because of Government price controls on the latter products, profits were being squeezed.

Credit was somewhat tighter in December than in November. Financial circles were predicting continued tight credit in 1960 and higher prices, caused by increased costs, inflation and possible new wage increases.

By the end of the month the meat shortage was almost a thing of the past. Meat supplies had returned to normal for the season but at considerably higher prices.

2. Industry Developments

Companhia Swift do Brasil, one of the four large foreign meat packers in Brazil (others: Wilson, Armour and Anglo) closed down its 40-year old meat-packing plant in the coastal town of Rio Grande, Rio Grande do Sul State, and some 1500 workers were thrown out of work. According to Rio newspapers, the company was forced to take this action because of the continued ban on meat exports.

The Companhia Vale do Rio Doce exported 3.2 million tons of iron ore in 1959 worth US$35 million and anticipated sales of more than 4 million tons in 1960.

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2. Industry Developments (cont'd)

The Mineração Hannaco Ltda. of Belo Horizonte, a subsidiary of the Hanna Company of Cleveland, Ohio, was reported in the press to have drawn up a new plan, reducing from an estimated $300 to $50 million its proposed investment in railroad and port equipment. If the new plan were approved by Brazilian authorities responsible for expanding iron ore exports, and were carried out, Hannaco could commence operations by exporting 2-3 million tons of ore annually.

Brazil's 1959 production of crude petroleum reached a record total of 23,589,872 barrels, almost 25% more than the 18,922,738 barrels produced in 1958. In an effort to save foreign exchange as well as to assist the national sugar-cane alcohol industry, the percentage of alcohol added to gasoline in the States located in the sugar-cane area, was increased. Gasoline sold in the States of Rio de Janeiro and São Paulo now contains 25% alcohol. In certain states of the Northeast (Rio Grande do Norte, Pernambuco, Alagoas and Sergipe) the alcohol mixture in gasoline runs as high as 35%. Only high-compression engines appear to experience difficulty with the alcohol mixture. Press reports indicate there will be no increase in the price of refined petroleum products for the first quarter of 1960.

Late in the month, the Vice-President of Bolivia, Ruben JULIO, accompanied by two Bolivian Senators, arrived in Rio reportedly to discuss the possible necessity of revising the Robore accord on joint exploitation of Bolivia's petroleum resources. At year's end the visiting Bolivians and official Brazilian sources asserted that no such revision of the agreement was contemplated.

No large increase in Brazilian steel production is expected for 1959 as one of Volta Redonda's two blast furnaces was closed down for repairs. However, it is anticipated that a substantial increase will be recorded in 1960 if expansion plans in the major steel mills are carried out. Official figures on 1958 steel ingot production recently released show 1,359,527 tons, somewhat lower than preliminary data given out earlier in the year.

Two bills tossed into the Chamber of Deputies hopper late in the month would provide for Government control of distribution services (electric power, light, gas, fuels and lubricants) and for the importation of crude petroleum and petroleum products to be a state monopoly under Petrobras. No action will probably be taken on either of the bills until the regular Congressional session re-opens on March 15, if then.



2. Industry Developments (cont'd)

A Presidential decree was issued assigning to the Executive Group for the Automotive Industry (GEIA) the responsibility for establishing a tractor industry in Brazil. Firms, foreign and National, have until January 31st to submit proposals to GEIA for manufacturing tractors, from which four or five will be selected; to these exchange favors and other incentives will be granted. The decree also prohibits the importation of complete and assembled tractors at special exchange rates after July 1, 1960.

3. Foreign Trade and Commercial Activity

The Foreign Office released details of the trade agreement negotiated between Brazil and the Soviet Union in Moscow early in the month. The two countries agreed to an exchange of goods during 1960, 1961 and 1962 valued altogether at US$ 208 million. Trade the first year will be US$ 25 million in each direction, to be increased to US$ 35 million and US$ 44 million the following two years. Principal items of trade the first year are Soviet petroleum and Brazilian coffee.

Brazil signed a trade pact with Yugoslavia under which the latter country may deliver investment goods on credit. It was also agreed that the two countries would form a special Brazilian-Yugoslav committee to work out measures to strengthen economic cooperation by increasing regular trade and by special deliveries of Yugoslav investment goods.

During the month a Governmental investigative committee considered the evidence in the case of the "rotten" American beans imported by COFAP earlier to help resolve the bean shortage (See November report). It was anticipated that the committee would make its findings in the case available early in January.

4. Finance

During December, currency issues continued at an unprecedented rate, reaching Cr$11.8 billion for the month and bringing the total outstanding as of December 31 to Cr$154.6 billion. The total issued during the year 1959 was Cr$34.8 billion as compared to Cr$23.2 billion during 1958.

Recognition of the inflationary effect of these currency issues led the Government to adopt a number of other means to meet its heavy expenses in December. These included the requirement under SUMOC Instruction 190 of December 21 that 80% of freight payments negotiated in the free market must be paid in advance



4. FINANCE(cont'd)

and the amounts deposited in the Bank of Brazil, part payments to exporters in Letters of the Bank of Brazil under Instruction 192 of December 30 (noted below) and, according to the press, use of Treasury Letters to pay at least some of the government's current bills.

The month ended with a modification of the exchange system of considerable significance. Under SUMOC Instruction 192 all exports may be sold at the free market rate except coffee and cocoa beans, which will receive a rate of Cr$76.00 per dollar, and cocoa derivatives, castor seeds and crude oil and derivatives, which will receive Cr$100.00 per dollar. However, all exports negotiated through the free market will receive only Cr$130.00 per dollar in cash and the remainder - i.e., the difference between Cr$130.00 and the free market rate - in 6 months, 6% Letters of the Bank of Brazil. The part-payment in Letters of the Bank of Brazil was defended by the Minister of Finance as a anti-inflationary measure.

SUMOC estimated that Instruction 192 would add approximately $200 million to the free market supply of foreign exchange during 1960. It was hoped that the move would stimulate exports but the first effect was strong reaction in the free market. The cruzeiro which had opened the month at Cr$194.00 to the dollar (check buying) and had risen to Cr$208.00 to the dollar by December 23 (the press reported quotations as high as Cr$217.00 and even Cr$220.00), fell on December 31 to Cr$198.00 to the dollar in an atmosphere of considerable confusion.

The federal Budget, which Congress had passed just before the November 30 deadline, was approved without change by the President. The Budget Law for 1960 in comparison with the Budget Law for 1959 is as follows:

	1959	1960
	(Cr$ billions)	
Revenue	147.7	179.5
Expenditures	156.2	194.3
Estimated Deficit	8.5	14.8

The Congress in passing this Law increased most of the estimated revenues and the suggested expenditures proposed by the Executive.

From all indications, the cost of living continued to rise at approximately the same rate as that of the month before but no figures are yet available for December or the total for the year which, however, will probably be approximately 55% as measured by the Getulio Vargas Foundation index.

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5. Transportation and Communications

Dredging of the Port of Vitória, state of Rio de Janeiro, has commenced, according to an announcement made by the Director of the National Department of Ports. When completed, this operation will provide a channel and a turning basin for large (35,000 ton) iron ore vessels. It is reported that the dredging will provide a harbor depth of 37.5 feet and enable the handling of six million tons annually of iron ore supplied by the Companhia Vale do Rio Doce (See Section 2).

The mid-air collision over a Rio suburb on December 22 of a VASP Viscount and a Brazilian Air Force training plane, in which 37 persons were killed, including five persons in the four houses destroyed in the crash of the Viscount, has pointed up the necessity of segregating military and civil air traffic especially in areas where Air Force and civil air installations are close together. The press called for action to prevent similar accidents in the future.

On December 19, VARIG inaugurated jet (Caravelle) services between New York and Brazil (Rio, São Paulo and Porto Alegre) with two flights a week. Complementing the airlines Super G Constellation schedule, this gives VARIG daily service between Brazil and the United States.

6. Coffee and Agricultural Developments

December coffee exports amounted to 1.2 million bags, as against slightly over a million bags in December 1959. Total exports for 1959 were slightly more than 17.6 million bags, exceeding 1958 exports (12.9 million bags) by some 38%. The coffee registrations for the 59/60 crop totalled 32.9 million bags as of November 30, and Government officials were publicly predicting a total of 37 million bags for the crop year.

The President of the Brazilian Coffee Institute announced that early in January the Institute would make known the basic conditions for the establishment of soluble processing plants in Brazil.

Late in the month the Government issued a decree outlining a plan to allocate wheat, both national and imported, by regions, taking into consideration present consumption and milling capacity. Another important feature of the decree prohibits the importation of wheat after January 1, 1960 until all the national wheat has been placed.

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6. Coffee and Agricultural Developments (cont'd)

On December 15 the Congress passed Law 3692 establishing a Superintendency for the Development of the Northeast (SUDENE). This law creates the planning and administrative framework for the coordination and supervision of activites for fostering the economic development of Brazil's Northeast and brings under SUDENE other Government agencies already engaged in such activities.

7. Labor

Airline ground personnel struck for higher pay during the first half of the month, bringing national air transportation practically to a halt for several days. Through the intercession of Vice President Goulart, wages were increased 35% and the strike ended on December 12.

Merchant Marine officers and harbor pilots went on a strike for higher wages and other worker benefits just before Christmas, interrupting normal Brazilian port activity. Calling the strike illegal, the Government brought it to an abrupt end on Christmas Day by arresting the leaders and threatening to treat striking naval reserve officers as deserters if they did not return to work. The Government publicly announced it would take vigorous action against strikes within the national transportation system, referring specifically to the merchant marine strike and to a threatened strike by workers of the Leopoldina Railroad in January.

The Brazilian Supreme Court handed down a ruling to the effect that Brazilians and foreigners working in the same company and having equal responsibilities must receive equal pay. The decision involved an ex-employee of the Texas Oil Company, who sued Texaco on the grounds that he received a lower salary than an American employee having similar duties and responsibilities. The Court sustained the decision of a lower court and ordered Texaco to pay more than a million cruzeiros in back pay.

For the Ambassador:
LeRoy E. Colby
LeRoy E. Colby
Economic Officer

Approved:
William A. Fowler
W.A. Fowler
Counselor of Embassy
for Economic Affairs

Contributor: R.G.Walker

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, RIO DE JANEIRO

747
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 22, 1960
DATE
JAN 26 1960

REF : CERP C-1

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REP-1 IRC-15 ICA 11 E-6 ARA-5 LAB-6 IAT FAA 5
	REC'D 1-29-60	INFO OTHER USIA 10 OSD-2 Army-35 Navy-20 Air-30 CIA-16 OCR-32 CAB-6 TR-3 FRB-3 IAD-4

SUBJECT: WEEKLY ECONOMIC REVIEW No. 4 (January 15-22)

FILED
FEB 17 1960
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1. Proposed Redemption of Federal Obligations
2. 1960 Economy Plan
3. Cost of Living
4. Bendix Automotive Brake Factory Inaugurated
5. U.N. Petroleum Study and Private Capital
6. Emprêsas Elétricas Elects Officers
7. Closing of Port of Rio International Airport Postponed Until After Eisenhower Visit
8. Arrival of Another Large FRONAPE Tanker.

***

1. Proposed Redemption of Federal Obligations

On January 15 the Ministry of Finance announced that "in carrying out monetary and financial measures for this year", the Caixa de Amortização has been authorized to recommence the redemption of securities of the internal funded debt. The announcement went on to state that this is part of a program to restore public credit and strengthen the securities market. No details were given as to the rate of redemption. (UNCLASSIFIED)

Comment: The internal funded public debt has remained at approximately Cr$13 billion (not counting Treasury Letters) for several years with occasional redemptions and some small issues of long-term obligations. Since the announcement gave no details on the proposed scale of these operations, it is difficult to judge the likely results. The redemption may strengthen the Federal Government's general credit position but any new issues would have to guarantee a substantial yield to obtain public acceptance in the current inflationary period. (OFFICIAL USE ONLY)

2. 1960 Economy Plan

The Economy Plan mentioned by the Minister of Finance in his

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press release of two weeks ago (WER No. 2), was officially announced on January 19 through a presidential decree. In essence it withholds until June 1960 appropriations of various Ministries totalling approximately Cr$30 billion. Thereafter these appropriations may be released but only after approval by the President. The President's decision is to be based on the advice of the Ministry of Finance and the Administrative Department of the Public Service (DASP) as to the possibility of such releases. (UNCLASSIFIED)

Comment: An Economy Plan has become an annual feature of the Government's finances. In the period of 1959 the Plan initially withheld Cr$35 billion. The final results are not yet available but reportedly most of these suspended appropriations were later restored. The 1958 Plan had a similar outcome. The results in 1960 will, of course, depend on the determination of the Administration to carry out these tentative budget cuts. (OFFICIAL USE ONLY)

3. Cost of Living

According to press reports the cost of living increase in the Federal District for the year 1959 was calculated at 51.9% on the basis of the Getulio Vargas Foundation index, which rose from 451 at the end of December 1958 to 685 at the end of December 1959 (1948 - 100). The increase in December, on the basis of the same index, was 2% following a 5% increase in November. The Foundation's index showed increases of 19.3% in 1958 and 12.5% in 1957. (UNCLASSIFIED)

4. Bendix Automotive Brake Factory Inaugurated.

On January 22, a new factory of Bendix do Brasil Equipamentos para Automóculos S.A., a subsidiary of the Bendix Aviation Corporation and Bendix Westinghouse Automotive Air Brake Co., was inaugurated in Campinas, State of São Paulo. Initially, the factory will manufacture hydraulic, vacuum and air brake systems for cars, trucks and other heavy automotive vehicles. Principal speeches were made by the President of the new plant, officials of the U.S. Parent companies, the Mayor of Campinas and Admiral Lúcio Meira, President of GEIA (Automotive Industry Executive Group) and the National Economic Development Bank. (UNCLASSIFIED)

Comment: Among the estimated 400 persons attending the inauguration were the Embassy's Deputy Chief of Mission, Embassy Economic Officer, the Consul General from São Paulo as



well as representatives from the automotive industry. As heretofore brake systems have been imported, Bendix will play an important role in Brazil's effort to be self-sufficient in materials used in its automotive industry. Bendix itself will use 97% Brazilian raw materials and employ some 600 workmen. The speeches made by the Mayor of Campinas and Admiral Meira were especially warm and friendly in welcoming Bendix to Brazil.
(OFFICIAL USE ONLY)

5. U.N. Petroleum Study and Private Capital

The Rio press reported that a recent U.N. study had indicated that Brazil and Mexico had both decided to follow Argentina's example and invite foreign companies to develop their petroleum reserves. (UNCLASSIFIED)

Comment: Brazil's answer came fast. Petrobras' President Sardenberg told the press, "We are not considering this and in my opinion Brazil never will consider it. The report is destitute of any logical foundation." National Petroleum Council President Fleiuss stated that they knew of nothing concerning this matter, pointing out that "For foreign capital to be able to participate in exploration /in Brazil/ a special law would have to be passed by the Congress".
(OFFICIAL USE ONLY)

6. Emprêsas Elétricas Elects Officers

Emprêsas Elétricas Brasileiras (American & Foreign Power Co.) elected the following new officers:

President	Dr. Sizinio Rodrigues
Executive Vice President.	Mr. William John Ross
Vice Presidents	Dr. Máximo Coimbra da Luz
	Mr. William James Crocker
	Mr. Anthony Arute
	Dr. Léo do Amaral Penna
	Dr. Pedro Américo Werneck
	Mr. Peter Charles Peterson
	Mr. Randolph Powell Butler
Treasurer	Mr. Luiz Burgos Netto

Four of the five directors selected are Brazilian.
(UNCLASSIFIED)

Comment: Dr. Rodrigues, former vice-president and legal adviser, has been with the company since it was organized in 1927.

The fact that a Brazilian was elected president undoubtedly heralds a change in American & Foreign Power Co. policy in Brazil.



This move did not come as a great surprise, in view of the difficulties the power company has been having in such areas as Pôrto Alegre, Belo Horizonte and Recife. The vice president of the company is being transferred to Santiago, Chile, and the Rio press noted that the company's former president, W.S. Nelson, had been transferred to the New York office. (OFFICIAL USE ONLY)

7. Closing of Port of Rio International Airport Postponed Until After Eisenhower Visit

In order to permit the operation of President Eisenhower's Boeing 707 into Galeão International Airport during his visit to Rio de Janeiro, the Air Ministry has decided to postpone until February 28 (original date, January 31) the closing of all but 1650 meters (5400 feet) of the present runway in connection with the program to extend and strengthen the runway in preparation for heavy commercial jets. The planned date for completion of the work on the field is the end of June of this year, and the Air Ministry has stated that the rescheduling caused by the trip of President Eisenhower will not cause a delay in the opening of Galeão to the big jets. (UNCLASSIFIED)

Comment: In view of the long history of delays and missed deadlines in the work at Galeão, the Embassy is skeptical about the Air Ministry's claim that the month-long postponement will not affect adversely the June date.

The Embassy has been informed by Braniff officials that the line's service to Brazil with 707-220's which it is anxious to begin in April will, if possible, use Cumbica military airport in São Paulo, with a shuttle service by leased Convairs to and from Rio de Janeiro's intown Santos Dumont airport. According to present plans, the Braniff 707's will refuel at Campo Grande in the state of Mato Grosso on westbound flights to Lima because of limitations on load imposed by the short Cumbica runway. (OFFICIAL USE ONLY)

8. Arrival of Another Large FRONAPE Tanker

On January 15 the new 33,500 dwt FRONAPE (National Tanker Fleet) tanker, Presidente Wenceslau, arrived in Santos after completion of her maiden voyage from Japan via the Persian Gulf, where she took on a cargo of petroleum. The Ishikawajima-built vessel arrived in Rio de Janeiro on January 18. The tanker, which is the fourth of a group of seven ships of the same size to be delivered to Brazil, represents a substantial increase in FRONAPE's tonnage, which, including the new acquisition, is now



approximately 370,000 DWT. The remaining three vessels -- two under construction in Japan and one in the Verolme yards in the Netherlands -- are scheduled for delivery before the end of the year.

The arrival of the Presidente Wenceslau was marred by a report that she was carrying a large amount of contraband. A search of the tanker, made after a rather dramatic interception off Santos by naval vessels, seems to have failed to turn up any smuggled merchandise. (UNCLASSIFIED.

For the Ambassador,

Douglas S. Egan,
Commercial Attaché

Approved:

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

Contributors:

Items 1,2,3 - RGWalker
Items 4,5,6 - LEColby
Items 7,8 - JHCrimmins

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO

257
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 22, 1960
DATE

REF : CERP C - General Interest

For Dept. Use Only	ACTION	CCM-2	DEN REP-1 ARA-5 IRC-6 E-1 CA-1
	REC'D	1/27	INFO OTHER ARMY-4; NAVY-BC AIR-1; OSD-2 OCB-2 USIA-10 C/R-46

SUBJECT: Weekly Economic Review (January 15 - 21, 1960)

XMB-4 FRB-3 TR-3 IAC-6 [redacted]
TAR-2 IN-7 LAB-6

BEGIN UNCLASSIFIED

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1. Industry Holds Conference in Goiania
2. General Electric Will Increase Investment in Brazil
3. Cotton Export Quotas Under Consideration
4. Shortage of Animal Feeds
5. Activities of the São Paulo State Trade Union Council

1. Industry Holds Conference in Goiania

On January 20 the IV Plenary Meeting of Industry was opened in Goiania, capital of the State of Goiás, to last until January 24. These meetings are called by the National Confederation of Industries and are held at different state capitals, with the participation of industrial leaders and associations from all parts of the country. Some 400 people are taking part at Goiania, where various aspects of the Brazilian economy and problems affecting industry will be discussed.

2. General Electric Will Increase Investment in Brazil

On January 19 directors of the General Electric Co. arrived in Campinas to look over the property the company acquired there to build its fourth factory in Brazil, in which close to US$10 million is to be invested. The factory to be built in Campinas is to produce heavy electric equipment, such as large power transformers, motors and generators. The General Electric company already has factories in Rio de Janeiro, Santo André and the City of São Paulo, in which it is producing electric light bulbs, transformers, electric refrigerators and household appliances, radios and television sets and other items.

3. Cotton Export Quotas Under Consideration

The Syndicate of São Paulo Cotton Exporters is preparing to request CACEX (the Foreign Trade Department of the Bank of Brazil) to establish a 120,000 ton export quota for South Brazil cotton for the marketing year which is to begin

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March 1. Present forecasts of the coming crop indicate that the exportable surplus of South Brazil cotton should permit this quantity to be exported without endangering supplies for domestic consumption. The textile industry, however, has taken the position that the export quotas should be established only after the crop is completely harvested in order to avoid unforeseeable shortages for the domestic industry.

4. Shortage of Animal Feeds

Following repeated complaints of inadequate supplies and high prices of feeds on the part of the São Paulo poultry and dairy industry, a committee of producer representatives and local price control officials has called on COFAP (the Federal Price and Supply Control Agency) to resolve the problem of the distribution of mill by-products. The producers charge that mill by-products are presently diverted by millers to prepared rations for which excessive prices are charged. Although the wheat by-products per se would be subject to price controls, there are none available as the milling industry absorbs the entire supply in the manufacture of prepared rations.

5. Activities of the São Paulo State Trade Union Council

The Conselho Sindical de Trabalhadores no Estado de São Paulo (CST)--São Paulo State Trade Union Council--has expanded its activities to the interior of the State of São Paulo. City Centrals which are affiliated to the CST have been recently founded in Campinas, Ribeirão Preto, Taubaté, Sorocaba and the ABC industrial triangle of Santo André, São Bernardo and São Caetano located in the suburbs of the City of São Paulo.

In addition the Executive Commission has issued a convention call to all unions and federations operating in the State of São Paulo for April 28-May 1, 1960. Dante PELLACANI, secretary-general of the CST and president of the National Federation of Typographical Workers, has been designated as chairman of a commission of São Paulo trade union leaders charged with the organization and internal functioning of the Congress. END UNCLASSIFIED

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Comment: Sr. Pellacani informed the Consulate General's labor officer that he expects more than 2,000 delegates from some 250 local unions and 20 federations to attend the Congress. Unions affiliated with the I.C.F.T.U. and W.F.T.U. will be invited to send delegates. Invitations to attend will be sent to the AFL-CIO and to many of its affiliates. According to Sr. Pellacani the militant non-Communist minority within the CST is confident that the W.F.T.U. will send representatives. In addition the Commies feel sure that the AFL-CIO and the I.C.F.T.U. will not send representatives, and

have been taunting the non-Commie majority to this effect. The Consulate General's labor officer is following these developments closely, and will take all necessary possible steps to assure AFL-CIO and I.C.F.T.U. participation in this Congress. END OFFICIAL USE ONLY

William P. Cochran, Jr.
Consul General

AP

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

263
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 29, 1960
DATE

REF : CERP C - General Interest

JAN 29 1960

JAN 29 1960

For Dept. Use Only | ACTION CCM-1 | REC'D 2/1 | INFO DEPT. REU-1 IRC-1 ICA-1 ANA-5 E-1 EUR-5 OTHER ARMY-35 NAVY-20 AIR-31 OSD-2 CCS-2 USIA-1 DCIA-1 FNB-3 TAR-2 TRT XMB-4 AG-6 INT LAB-6

SUBJECT: Weekly Economic Review (January 22 - 28, 1960)

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1. Janio Quadros Favors Rubber Monopoly
2. Some Inflation Good Says Industrial Leader
3. Trade With East Germany
4. State Censorship of Motion Picture Films Postponed

1. Janio Quadros Favors Rubber Monopoly

In a television appearance in São Paulo on January 26, at which he discussed his election campaign for president in north and northeast Brazil, Janio Quadros indicated he favored a monopoly of the crude rubber trade. What he said was that the Amazon Development Bank had a monopoly on rubber transactions and imported consumption requirements in excess of domestic production (over 30,000 tons). He then asked what the Federal Government, "the nationalist", did, and answered: "It decided that rubber should be imported directly and made the Amazon Development Bank lose transactions totaling 400 to 500 millions of cruzeiros a year."

Comment: Obviously his remarks were aimed at getting votes from the Amazon Valley through those who would benefit from imports through the bank, but his remarks must be interpreted as meaning he will reinstate the complete import monopoly under the Bank if he is elected president. Actually the Bank lost its status of sole importer of the deficiency of local production because it was no longer able to finance imports when the subsidized exchange rate for rubber purchases was withdrawn (see São Paulo despatches 124 and 205 of September 18 and November 3, 1958). If the monopoly is reinstated, the Federal Government would have to provide the Bank with funds to finance the imports.

2. Some Inflation Good Says Industrial Leader

Mr. Antonio Devisate, president of the São Paulo Federation of Industries, is reported to have said at the IV Plenary Meeting of Industry held in Goiania (see São Paulo despatch 257 of January 22) that "I am one who believes that inflation is not bad if it stems from productive investments" and "Inflation as a stimulant to Brazilian economic progress cannot be rejected. It is essential,

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however, that it be controlled rigorously. In that way it could greatly help national development." The O Estado de São Paulo considered this attitude of São Paulo industry as strange and surprising, particularly now when the intensity of inflation already has reached dangerous proportions. Industrial leaders, it said, seem to fear monetary stability, as though it could not go hand-in-hand with economic progress of large proportions.

Comment: São Paulo industry, which once felt inflation was a useful means of accumulating capital for industrial expansion, now no longer finds inflation as useful as before for that purpose. Actually São Paulo industry now is not so much in favor of inflation as in fear of deflation that will sharply curtail credit facilities it has been relying upon to maintain sales volume.

3. Trade With East Germany

On January 22 the East German vessel Freundschaft arrived at Santos with a cargo of 6,200 metric tons of potassium chloride and 1,960 metric tons of ammonium sulphate. These were said to be the first shipments against an order of US$3.7 million worth of fertilizers for the Brazilian Coffee Institute (IBC). Messrs. Herbert Konitzer and Kurt Ullrich, East German commercial agents traveling on the boat, said East Germany could supply jet passenger planes, complete hydroelectric equipment, agricultural and other machinery, in exchange for Brazilian raw materials, fruit, coffee, cereals, meat and manufactures.

On January 26 Mr. George Bieniek gave a press interview. Mr. Bienick was described as a member of an East German trade mission that has been in Brazil since December 13 and already visited Rio de Janeiro and Porto Alegre. The mission is to remain in São Paulo for two weeks. Mr. Bieniek said the government bank of East Germany had an agreement with the Brazilian Coffee Institute to exchange US$20 million worth of coffee for East German products. He invited government officials and businessmen to visit the Fair at Leipzig to be inaugurated in March.

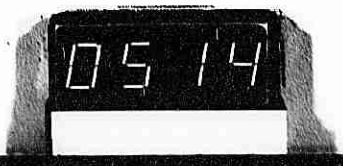
4. State Censorship of Motion Picture Films Postponed

Official announcement that motion picture film censorship would be instituted in São Paulo (see São Paulo despatch 237 of January 8, 1960) was followed by an order from the Division of Public Amusements of the State Secretariat of Public Security prohibiting the exhibition after February 1, 1960 of any motion picture, even though cleared by the Federal Censorship Service, unless duly censored by the São Paulo motion picture film censorship office. This order, however, was rescinded a few days later when it was ascertained that censorship in São Paulo could not be performed satisfactorily due to existing deficiencies in equipment and other facilities and of trained personnel. Therefore, until further notice motion picture films will continue to be censored solely by the Federal Censorship office, as heretofore.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, RIO DE JANEIRO 767 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. January 29, 1960 DATE FEB 1 1960

REF : CERP C-1 U/CEA-1 EUR-5

33 For Dept. Use Only	ACTION	DEPT.	Com-12 REP-1 IRC-15 ICA-11 E-6 INR-5
	REC'D 2/3	INFO OTHER	USIA-10 OSD-2 Army-35 Navy-20

SUBJECT: WEEKLY ECONOMIC REVIEW No. 5 (January 22-29) Com-30 CIA-17 OCD-2 TA-3 FRB-3 XIM-4 AG-9 EN-7 LAB-6 THR-2 FAA-5 CAB-6 DMS-2

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5. Synthetic Rubber Plant in Pernambuco
6. G.E. to Produce Heavy Electrical Equipment
7. Possible Tractor Plant for Minas Gerais
8. Cocoa Discussions in Africa
9. Brazilian Sugar for the U.S.?
10. Coffee Sales Slow.

1. Cuban Conference on Underdevelopment:

Cuban Ambassadors Carlos Lechuga (UN) and Levi Marrero (OAS), special emissaries of Fidel Castro, bearing an invitation to Brazil to attend the proposed Havana conference of underdeveloped nations, arrived in Rio de Janeiro January 23 and departed five days later for Buenos Aires.

The Foreign Office issued a statement pointing out that the Foreign Minister in refusing the Cuban invitation directed the attention of the Cuban Foreign Minister to the series of commitments assumed by Brazil and other countries of the hemisphere, particularly OPA, which made inadvisable holding another conference on the same subject. (UNCLASSIFIED)

Comment: After the Foreign Office note was published, the Cubans in a press interview just prior to their departure expressed deep disappointment in the Brazilian refusal, pointing out the cordial reception accorded them in all six countries previously visited and the official acceptances from Mexico, Panama and Venezuela. The Cubans then went on to speak at some

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length on the "international conspiracy against the government and people of Cuba." Although they did not name the U.S. as responsible, the inference was clear. In an interview given to the press shortly upon arrival, the Cubans had been careful not to make any statements which might be interpreted as critical of the United States. (OFFICIAL USE ONLY)

2. Bank of Brazil Loans in 1959:

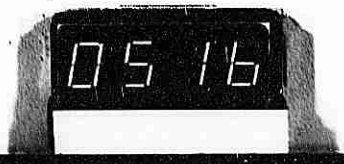
With the publication of the Bank of Brazil balance sheet for December 31, 1959, press articles pointed out the surprising fact that during the year its loans to the public had increased only 15.5%, as compared to 26.5% in 1958 and as contrasted with a 32.0% increase in similar loans by private commercial banks during 1959. This behavior is particularly striking in the face of the 34% rise (December 1958 - November 1959) in the general wholesale price index maintained by the Getulio Vargas Foundation. (UNCLASSIFIED)

Comment: The increase of Cr$10.1 million in loans to the public by the Bank of Brazil during 1959 was Cr$0.5 million less than the ceiling set in the original Lucas Lopes Stabilization Plan of October 1958. Thus it reflects a conscious effort to limit the Bank's role in credit expansion. This policy was, of course, nullified to a large extent by the increase in the Treasury's indebtedness to the Bank of Brazil which amounted on the Bank's balance sheet to Cr$35.1 million during 1959 as compared to Cr$20.2 million during 1958. (OFFICIAL USE ONLY)

3. BOAC Returns to South America with Comets:

With the arrival at São Paulo on January 26 of a Comet IV carrying VIP's, including British Air Minister Duncan Sandys, BOAC reinitiated its service to Brazil and other countries of South America, which had been suspended since 1954 because of shortage of suitable aircraft. The South American service will offer two flights weekly, with stops at Recife, São Paulo (Cumbica military airport), Montevideo, Buenos Aires and Santiago. BOAC's return to Brazil was marked by an energetic publicity campaign, which included full-page ads in the principal Rio and São Paulo newspapers. (UNCLASSIFIED)

Comment: The Embassy has been informed that Sandys, during his visit to Brazil beginning on February 3, will make a last effort with President Kubitschek for permission for the Comets to operate into Santa Cruz military airport near Rio de Janeiro. In view of the final decisions taken by the Brazilian authorities on



Galeão Airport (See WER No. 4, January 22), the Embassy doubts that the effort will be successful. (OFFICIAL USE ONLY)

4. Soviet Oil Shale Engineers Contracted:

The press this week stated that four members of the Soviet Institute of Schist, who are specialists in chemicals, fertilizers and plastic materials, arrived in Brazil January 18 to spend four months installing the Mombaça gas plant in the Paraíba Valley for the Companhia Industrial de Rocha Betuminosa (CIRB). The Soviet bid was the lowest among those submitted by the foreign firms consulted (also German, French and US). This, coupled with Soviet technical achievements in the field, reportedly motivated their selection by the CIRB.

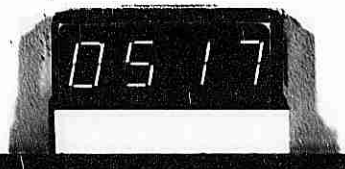
The Russians are using the gas system of Leningrad as a basis for their work. According to their estimate, the production of the Mombaça plant will supply the domestic and industrial needs of the Paraíba Valley, as well as of São Paulo and Rio. Their studies will include not only the production of gas but also its by-products. A training school for Brazilian technicians will be set up as well. (UNCLASSIFIED)

Comment: The Embassy has not yet been able to discover whether there is any connection between this project and the bilateral trade agreement recently signed by Brazil and the Soviet Union. (OFFICIAL USE ONLY)

5. Synthetic Rubber Plant in Pernambuco:

The press reported that Phillips Petroleum and Koppers International were assisting in financing the dollar costs (US$17,759,000) of a synthetic rubber plant, Companhia Pernambucana de Borracha - COPERBA, to be installed in Cabo, Pernambuco, 40 kilometers from Recife. Capitalized at Cr$1.5 billion, the plant will utilize 114 million liters of sugar cane alcohol to produce annually 40,000 tons of "natural synthetic rubber", which according to press comments, can be substituted for natural rubber. The capital stock will be raised by upping the state sales and consignment tax by 0.5% and be distributed according to the following formula: State of Pernambuco - 20%; commercial firms - 30% and consumers - 50%. It is anticipated that the plant will be functioning within three years. (UNCLASSIFIED)

Comment: At the rate Brazil is consuming rubber (an estimated 70,000 tons in 1959 and 85,000 in 1960), the country will likely be able to utilize COPERBA's full production in 1963 or 1964.



By that time the Petrobrás synthetic rubber plant near Rio de Janeiro, which will produce 40,000 tons per year, should be in full operation, supplementing a natural rubber production (wild and cultivated) of perhaps 30,000 tons per year.

Although the cost of COPERBA's rubber probably will be quite high in relation to imported natural rubber (one rubber official said it was "uneconomical" in his opinion), the plant will assist in the development of the northeast, will use excess sugar cane alcohol and in the long run will probably save foreign exchange. How COPERBA plans to divide 50% of its stock among the "consumers", who are in reality providing the capital by paying the increased sales and consignment tax, is not clear. (OFFICIAL USE ONLY)

6. G.E. to Produce Heavy Electrical Equipment:

General Electric announced plans to construct an $8-10 million plant in Campinas, State of São Paulo, to produce power transformers, circuit breakers and high frequency motors. GE has reportedly bought 700,000 square meters (about 117 acres) of land outside of Campinas. No date has been set for the initiating of construction work. (UNCLASSIFIED)

Comment: President Kubitschek demonstrated his interest in this important segment (capital goods) of Brazilian industrial development by receiving in Laranjeiras Palace several high U.S. officials of General Electric who had come to Brazil in furtherance of their plans. (OFFICIAL USE ONLY)

7. Possible Tractor Plant for Minas Gerais:

A proposal to establish a tractor manufacturing plant in Belo Horizonte was submitted to GEIA before the deadline of January 31, according to newspaper accounts. The State of Minas Gerais has joined hands with private Brazilian financial groups and two Japanese tractor manufacturing companies to form a corporation for that purpose. The Japanese companies, Komatsu Co. Ltd. and Kumoshita Co. Ltd, besides holding a minority of stock, would provide technical assistance and equipment for the plant. (UNCLASSIFIED)

Comment: The Embassy understands that a German and an Italian group were also in the running but were eliminated by the Japanese, who made better offers, probably in connection with the financing of the plant equipment. First, however, the proposal must be approved by GEIA, which has responsibility for establishing a tractor industry in Brazil and will consider proposals submitted



by January 31. In view of the state government's participation in the project, GEIA may find it hard not to approve the proposal. Several American firms are reported to have submitted proposals. (OFFICIAL USE ONLY)

8. Cocoa Discussions in Africa:

It was reported that Ignácio Tosta Filho, Director of the Foreign Trade Department of the Bank of Brazil (CACEX) left Brazil on January 26 for Ghana and Nigeria where he was to hold discussions concerning the international cocoa market. (UNCLASSIFIED)

Comment: The Embassy understands that the express purpose of Tosta Filho's visit is to try to reach agreement with African cocoa producers on international pricing policy. (OFFICIAL USE ONLY)

9. Brazilian Sugar for the US ?

It is reported that representatives of the Sugar and Alcohol Institute will leave shortly for the United States to discuss the possibility of including Brazil among the US' suppliers of sugar under the US Sugar Act. Brazil reportedly would like to have an export quota of 100,000 tons annually. (UNCLASSIFIED)

Comment: This move is made in connection with the extension of the Sugar Act of 1948 which will be considered soon by the US Congress, and Brazil would like a share in quotas established thereby. (OFFICIAL USE ONLY)

10. Coffee Sales Slow:

January coffee exports were moving at a slower rate than during the past few months. As of January 23rd, exports for the month totalled about 650,000 bags. (UNCLASSIFIED)

For the Ambassador,
LeRoy E. Colby
LeRoy E. Colby,
Economic Officer.

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs.



Contributors:
Item 1 - HQuinn
Item 2 - RGWalker
Item 3 - JHCrimmins
Item 4 - VMathews
Items 5,6,7,8,9 - LEColby
Item 10 - REAdcock

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 272 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 5, 1960 (DATE)

REF : CERP C- General Interest

FEB 5- 1960

AF-5 NEA-4

For Dept. Use Only — ACTION REC'D 2/7 — DEPT. COM-12 REP-1 ARA-5 IRC-15 ICA-11 E-6 EUR-5 — INFO OTHER ARMY 35 NAVY 2.0 AIR 30 OSD-2 OCB-2 USIA-10 IN-1 AEC LAB-6 CIA-16 TR 3 FRB-3 TAR-2

SUBJECT: Weekly Economic Review (January 29 - February 4, 1960)

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1. Federation of Industries Establishes Productivity Department
2. Road Building Equipment to be Made in São Paulo
3. Mercedes Benz do Brasil Manufactures Four Wheel Drive Trucks
4. Rothschild Intends to Expand São Paulo Cotton Growing
5. Unemployment - City and State of São Paulo

1. Federation of Industries Establishes Productivity Department

On January 30, 1960, the São Paulo Center and Federation of Industries established a Productivity Department, in order to promote greater productivity in the State of São Paulo. Messrs. Aristides Pileggi, Furmino Rocha de Freitas, Roberto Schoueri, Rubens de Mello, and Jorge Duprat Figueredo, were appointed members of the Deliberative Council of the new department.

Comment: A similar organization already exists in Rio de Janeiro under the name of Centro Nacional de Produtividade na Industria (CENPI), which has obtained sufficiently encouraging results to prompt action along the same lines in São Paulo. The São Paulo organization plans to cooperate closely in respect to productivity with SESI (Industrial Social Assistance Service), SENAI (National Industrial Apprentice Service), and IDORT (Institute of Rational Organization of Labor).

2. Road Building Equipment to be Made in São Paulo

Caterpillar do Brasil S.A. is investing a billion and a half cruzeiros, partly in equipment from Germany, France, Switzerland and the United States, in a new plant in São Paulo for the manufacture of road building equipment. Caterpillar already produces in Brazil and sub-contracts the production of some 1,800 replacement parts for its road building equipment and tractors. The new plant is scheduled to start the manufacture of spare parts still imported for Caterpillar equipment in March. Production of motor graders, scrapers and bulldozers is expected to start in the third quarter of 1960. The new plant has a total area of 164,000 square meters, of which 10,500 are covered.

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3. Mercedes Benz do Brasil Manufactures Four-Wheel Drive Trucks

Starting February 1, Mercedes Benz do Brasil S.A. undertook the manufacture of four-wheel drive, six-ton trucks in addition to the conventional six and nine-ton trucks and buses it already was producing at its plant at São Bernardo do Campo (S.P.). Present plans are to produce 50 to 60 units a month, and gradually raise output to 100 units monthly by the end of 1960. These are the first four-wheel drive trucks manufactured in Brazil.

A few prototypes of the new Mercedes Benz trucks took part in a concerted drive on Brasilia to celebrate on February 1 the fourth anniversary of the Kubitschek administration. The trucks were part of four motor vehicle caravans which converged on Brasilia from North, South, East, and West Brazil.

4. Rothschild Intends to Expand São Paulo Cotton Growing

On a visit to São Paulo Assis Chateaubriand, Brazilian Ambassador to Great Britain, told Governor Carvalho Pinto that Mr. Leon Rothschild (of the British banking organization) would soon come to São Paulo to discuss with the Governor plans he has to develop cotton growing here along lines similar to those he undertook in Egypt and Sudan. The Ambassador said this would call for coordination with the Government's irrigation plans, in order to develop large cotton plantations that could later be split and sold to small farmers.

Comment: Apparently this would be an exploratory trip. If cheap land requiring irrigation is being sought, it might be difficult to find something suitable in São Paulo.

5. Unemployment - City and State of São Paulo

In a recent press release Dr. Paulo Marzagão, Secretary of Labor for the State of São Paulo, estimated total unemployment for the City and State to be around 3.7 per cent of the industrial, commercial, transportation and agricultural workers.

The total labor force of the State is estimated at about 4,000,000. Agricultural employment accounts for nearly 2,500,000 million workers or 62-1/2 per cent of the total labor force of the State. Twenty-five per cent of the labor force, or around one million workers, are employed by industry, and the remaining 12-1/2 per cent, nearly one-half million, are engaged in commerce, transportation, banking and the maritime trades.

Approximately 21 per cent of the total non-agricultural workers are considered to be skilled workers, while some 55 per cent are classified by labor ministry technicians as semi-skilled. The remaining 24 per cent are regarded as unskilled workers and manual laborers.

0522

Most observers agree that there is very little unemployment in the skilled and semi-skilled categories and that there is a shortage of skilled workers. However, there exists somewhat of a surplus of manual laborers as agricultural workers from the interior of the State and from the northeast states of Brazil are migrating to the cities of São Paulo, Campinas and Santos to seek industrial employment. It is in this latter group that some joblessness is to be found. Therefore, Dr. Marzagão's estimate places unemployment to be around 55,000 workers. Categories most affected are building trades, textiles, glass and leather tanning.

Comment: The rapid industrial expansion of the City and State of São Paulo has in general resulted in a fairly high level of employment, and Dr. Marzagão's estimate of unemployment of 3.7 per cent is not considered serious.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, RIO DE JANEIRO — 781 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 5, 1960 (DATE)

REF : CERP C-1

FEB - 8 1960

20 For Dept. Use Only	ACTION	DEPT.
	Com-12	ALP-1, IRC 15 ICA-11 E 6 APPL 5 AGS EM 7 LAB 2
	REC'D 2-10-60	INFO OTHER USIA 10 OSD-2 Army 25 NAVY 20 Am 30 CIA 16 OCB 2

SUBJECT: WEEKLY ECONOMIC REVIEW No. 5 (January 29-February 5) TA 3 TAD-3 XMR-4

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1. President's Speech on Administration Anniversary
2. US Aid for Petrobrás
3. Cost of Living Index Declared "Classified Information"
4. Wage and Price Increase
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6. GEIA Considering Agricultural Tractor Industry Proposals
7. Plans for Pipeline and Refinery
8. Free Exchange Market
9. "Caravans of National Integration" Arrive in Brasilia by Highway.
10. Visit of Senator Smathers.

1. President's Speech on Administration Anniversary:

On February 1, the fourth anniversary of his administration, President Kubitschek reviewed his achievements in detail with emphasis on the development projects he had instituted. With respect to 1960 he expressed his intention to complete these projects but reiterated his New Year's day statement that the Administration is devoting itself to the task of monetary recovery "without prejudice to development". He also referred to the impending visit of President Eisenhower, expressing his belief that it will add to Inter-American solidarity and friendship and stating further the hope that "it may be possible for us to create new bases for an increase in our commercial relations through the removal of certain obstacles still existing between the Brazilian exporter and the North-American consumer".

UNCLASSIFIED.

Comment: The President expressly recognized the liberal U.S. policy toward coffee imports and did not specify the obstacles in other trade areas to which he referred. He may have had in mind our import quotas on sugar. His reference to

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"monetary recovery" echoes similar statements by the Minister of Finance but was a very minor note in his speech. More reflective of at least the "desenvolvimentista" wing of the Administration was a speech made January 28 by Lúcio Meira, President of the National Economic Development Bank asserting the value of a certain amount of inflation to maintain the full use of the country's productive capacity and to prevent unemployment.
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2. US Aid for Petrobrás:

Considerable play was given in the Rio press during the week to the possibility of US Government aid to Petrobrás, Brazil's state petroleum monopoly. The Jornal do Brasil, quoted "responsible sources in the Government" as saying there are "great possibilities" that this subject will be on President Eisenhower's agenda when he visits Brazil later this month. That part of Ambassador Moreira Salles' speech in New York last week dealing with the need for US financial assistance to Brazil's petroleum industry was also well publicized. Also given prominence in the press was Senator Aiken's recent statement recommending that US public funds be made available to Petrobras to assist in increasing Brazilian oil production. UNCLASSIFIED

Comment: The Jornal do Brasil even pinpointed the time when Presidents Eisenhower and Kubitschek would discuss the matter: "When they meet in Brasilia...after a dinner offered by the Brazilian President, Northamerican assistance in the field of petroleum should be one of the high points of their conversation". Petrobrás President Sardenberg denied any knowledge of such impending discussions between the two presidents, the only statement by a government official on this subject noted in the press. A great deal of optimism apparently is being engendered in this direction which, coupled with the announcement this week that Argentina has reached self-sufficiency in crude petroleum production, may tend to build up pressures on the Brazilian side for petroleum discussions on the occasion of President Eisenhower's forthcoming visit. OFFICIAL USE ONLY.

3. Cost of Living Index Declared "Classified Information":

According to information received by the Embassy, the Ministry of Labor has decided to treat as confidential its calculations of the monthly increases in the cost of living. This policy will be in effect from now until April, a period during which additional collective wage agreements will be renegotiated between unions and employer groups. Apparently the Ministry does not wish to have unions continue to cite its



official figures on the increasing cost of living in connection with demands for higher wages. As most collective wage agreements expire during the six months period from October through March, the wage-negotiation scene is normally one of relative calm from April until September. OFFICIAL USE ONLY

Comment: Apart from the current effort to restrict disclosure of its cost of living figures to fewer persons than normally have access to them, the Ministry's regular practice has never been to release the figures promptly to the press and the public. In practice, however, nearly anyone with contacts in the Ministry of Labor could get the latest figures without much difficulty; now the Ministry wishes to shut off such "leaks" until April.

As several other indices of the cost of living - such as the one prepared by Getúlio Vargas Foundation - are generally available, it is obvious that union officers engaged in wage negotiations will not suffer from any shortage of statistical evidence of the increasing cost of living in Brazil. OFFICIAL USE ONLY.

4. Wage and Price Increase:

Workers in Rio de Janeiro's sugar refining industry were granted a 40% wage increase, with a guarantee of a minimum raise of Cr$3,000 for each worker. As is usually the case in collective bargaining in Brazil, the Ministry of Labor participated in the negotiations. The sugar industry agreed to the wage increase on condition that the Ministry of Labor would instruct COFAP, the price control agency, to authorize an increase of from Cr$18 to Cr$19 in the retail price of one kilo of sugar. The new authorized price in thus about 6% higher.

Workers in the dairy industry requested a wage increase equal to the one won by sugar workers, and the industry agreed, provided COFAP raises the ceiling on the price of milk. COFAP has not yet acted on the dairy workers' petition.

Rio's streetcar workers announced that they would go on strike within the next few days. It seemed probable that the Ministry of Labor would put together some type of temporary settlement to avoid the strike, possibly by arranging for the municipal government to make a loan to Rio Light, which operates the streetcar system. The streetcar workers said that they had not been receiving the full amount of a wage increase granted them last year; they want the backpay due them, plus an additional wage increase. OFFICIAL USE ONLY.

Comment: Increased wage payments to the streetcar workers would have to come from higher fares, but the municipal government



is reluctant to authorize them because of possible strong protests from students and workers which might follow. OFFICIAL USE ONLY.

5. Coffee Notes:

Coffee exports for 1959 were 48% higher than in 1958 - and income reported to be 10% higher. The value of exported coffee in 1959 is reported to be $750 million dollars and the volume amounted to 18 million bags. This compares to export value in 1958 of 688 million dollars and almost 13 million bags of coffee.

Coffee exports for January moved slightly beyond the million-bag level, reaching 1,107,000 bags. Most coffees in export position were reported to be held by dealer-agents of the IBC. Thus other exporters were required to fill orders by purchasing at prices close to the minimum export price.

The IBC released a story to the Folha de São Paulo announcing that July-January registrations (1959-60 crop) were 39 million bags. The statement added that total registrations when known would not pass much beyond 40 million bags. December registrations have not yet been released. UNCLASSIFIED.

6. GEIA Considering Agricultural Tractor Industry Proposals:

Some twenty proposals for the establishment of agricultural tractor plants in Brazil were reportedly received by the Executive Group for the Automotive Industry (GEIA) by the deadline for submission of proposals, which was extended to February 1 because January 31, the original cutoff date, fell on Sunday. According to Sidney Latini, GEIA Executive Secretary, "a small number" of the proposals will be accepted with preference to be given those firms which can establish plants at the lowest cost by adapting, where possible, existing facilities.

Comment: Although GEIA has not revealed the identity of the firms submitting proposals, it is believed that at least three are American -- Caterpillar, International Harvester and Oliver. OFFICIAL USE ONLY.

7. Plans for Pipeline and Refinery:

Petrobrás announced that preliminary studies had been completed on the construction of a Rio-Juiz de Fora-Belo Horizonte pipeline and a refinery in Belo Horizonte. A special Petrobrás committee has been formed to accelerate the implementation of these two projects. UNCLASSIFIED



Comment: Both the pipeline (12 inch) and the refinery (daily capacity: 25,000 barrels) are included in the Petroleum Goal. So far there has been no indication of how these projects will be financed. OFFICIAL USE ONLY.

8. Free Exchange Market:

After remaining between Cr$186 and Cr$187 to the dollar (check buying) from January 12 to 31, the cruzeiro began to strengthen and reached Cr$181.50 on February 4. UNCLASSIFIED.

Comment: During most of the month the Bank of Brazil has been paying slightly over the rates of commercial banks and has thus been the major dollar purchaser in the market. The immediate cause of the strengthening of the cruzeiro during the last week was the lowering of its offering rate by the Bank of Brazil. UNCLASSIFIED.

9. "Caravans of National Integration" Arrive in Brasilia by Highway:

On February 2, President Kubitschek received in Brasilia four groups of vehicles which had come by highway from Belém in the north, Rio de Janeiro in the east, Porto Alegre in the south and Cuiabá (Mato Grosso) in the west. The trips, which were sponsored and conducted by components of the Brazilian automobile industry, with government help, were designed to honor President Kubitschek on the fourth anniversary of his government (actually January 31) by demonstrating the feasibility of travel by highway to Brasilia from widely separated points and the capabilities of the automobile industry installed during the President's term. Of the four columns, the one from the north which traversed the Belém-Brasilia highway received the greatest publicity and had the hardest time, although the reports of the trip indicated that the difficulties were not so great as anticipated. Part of the Belém column continued on to Rio where it was again greeted by the President, and thence to Porto Alegre. On the basis of the available accounts, the vehicles, all manufactured domestically, performed well. UNCLASSIFIED.

Comment: In spite of the fact that the "caravana" represented not normal, every-day movement but a special effort mounted with considerable government assistance--including in the case of the group from the North airdrops of supplies by the Brazilian Air Force--the operation was dramatic and, from the point of view of public and press reaction, successful demonstration of progress in the field of highway transportation. UNCLASSIFIED.



10. Visit of Senator Smathers:

Senator George A. Smathers (D-Florida), accompanied by several assistants and an interpreter, visited Rio from February 1-4 in the course of a trip to several Latin American countries for the announced purpose of studying United States-Latin American trade. The Senator called on President Kubitschek and Foreign Minister Lafer and met with leading local Brazilian and American businessmen and political leaders during his three-day visit. UNCLASSIFIED.

Comment: Senator Smathers' visit received good coverage in the Rio press and was the subject of several favorable editorial comments. Leftist Ultima Hora, however, in covering the Smathers press conference, dwelled on the alleged unwillingness of the US to take measures against other Latin American dictators while willing to do so against Cuban Fidel Castro. OFFICIAL USE ONLY.

For the Ambassador,

LeRoy E. Colby
LeRoy E. Colby,
Economic Officer.

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs.

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FEB 9 - 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsulate, PORTO ALEGRE — 28 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 8, 1960 DATE

REF : 1957 CERP - Section requirements: Section C, Item 1

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REF-1 IRC-8 E-3 ARA-4 ICA-11 USIA-10 CL-4
	REC'D 2-17-60	INFO OTHER CIA-10 TAR-2 TR-3 FRB-3 XMB-4 AG-8 IN-7

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - January 1960.

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance.
7. Labor

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SUMMARY

The weather was favorable to agricultural activities during the period under review. Large grape and rice crops are expected. Threat of meat shortage has apparently disappeared. Shipment of black beans is prohibited to other states to avoid a shortage. Wool growers are at loggerheads with São Paulo textile mills which insist that no raw wool be exported. Seasonal drop in State sales is expected. Collections of trade bills have improved. Visiting East Germany Trade Mission expressed willingness to export equipment to this State on a barter deal basis for coffee. State Electrification Commission started rationing program. IT & T officials discussed telephone problem with authorities. State is authorized to issue larger amount of Treasury Letters. A State savings bank will be established here. The cruzeiro strengthened somewhat during the month. No indications of any pronounced easing in the money situation. Cost of living continued to rise.

FEB 17 - 1960

1. Agricultural Developments:

Wine Grapes - The current wine production is expected to be large, about 130 million liters against 115 million in 1959, with stocks in February expected at about 110 million liters as compared with 87 million liters in the same period last year. Although wine producers claim an excess in production, the demand

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for Rio Grande do Sul wine throughout the country is increasing substantially. Prices to be paid to grape growers should be 20/30 percent higher than last year, and the total income to be realized in the State should reach over Cr$800,000,000.

Meat Supply - Despite local haggling over price controls the threat of meat shortage has now apparently disappeared as more cattle are being slaughtered. It is reported that the price being paid for cattle on the hoof in the interior is now Cr$26.00 per kilo. Nevertheless, beef retailers are not satisfied with profit margins and they are threatening to close their shops if prices are not adjusted.

Rice - The rice situation is described as generally favorable in the State at the present time, as the weather continued satisfactory. The current crop's forecast is 18,200,000 bags (910,000 metric tons), against last year's 15,000,000 bags (750,000 metric tons) of unhulled rice. The minimum prices to producers to be established are now being studied and it is believed that they will average about Cr$550.00 per 50-kilo bag.

A plan now contemplated by the Government would encourage crop rotation in the rice area instead of continuing the present custom of allowing the land to lie fallow for one or two years. This plan will be submitted to the Bank of Brazil for approval and financing of rotation crops, including artificial reseeding for pasture. The Consulate will report further developments.

Wheat - At the end of December 1959 the Minister of Agriculture in Rio published a decree establishing the minimum price to be paid to wheat producers which was equal to last year's Cr$500.00 per 60-kilo bag, with a bonus of Cr$250.00 per bag.

In addition to this, the Government intervened with the Federal Minister of Agriculture because growers were not satisfied and sought gubernatorial support. At the meeting between the Minister and the Governor it was agreed that there should be an additional global bonus of 2 billion cruzeiros as compensation for previous crop losses. However, the agreement will not go into effect until a decree implementing it has been published.

Black Beans - The estimate of 1,000,000 sixty-kilo bags) for the December crop of black beans now appears to be over-optimistic, according to informed sources. The local demand seems to be in excess of supply, and authorities have discovered



that black beans have been going into the neighboring state of Santa Catarina, where higher prices are paid. Black beans shipments from the State are prohibited to avoid a local shortage in supply.

Wool - Woolgrowers are disturbed over efforts of São Paulo textile mills to have the Federal Government prohibit exports of raw wool from Brazil, especially since it is expected that production will be larger than domestic consumption requirements. Latest official estimates place the 1959/60 Rio Grande do Sul raw wool clip at 23,000 metric tons, or 20 to 25 percent less than the previous production. The Minister of Finance is considering the prohibition of wool exports until complete and accurate figures on the domestic consumption needs, total raw wool production, and current stocks on hand are available. Rio Grande do Sul wool growers asked for allocation of 3,000 metric tons for export now, and for any subsequent additional surplus. Local woolgrowers are disatisfied with São Paulo textile mill policies and are urging that Rio Grande do Sul should expand its own textile facilities to reduce dependency on São Paulo buyers.

Silos and Warehouses - The Secretary of Transportation submitted a bill to Governor Brizola in which it is proposed that the State should organize a silo and warehouse corporation for storing agricultural products. The State would be the major shareholder, with participation of individuals of Brazilian nationality. The initial capital would be 250 million cruzeiros. For products stored in silos and warehouses warrants are to be issued which would be discounted by banks in this State. This plan now is being studied by State economists. It is said that these storage facilities would help in organizing domestic supplies and shipments of surpluses to other markets.

2. Domestic Trade and Commercial Activity:

Reports concerning sales at this time of the year are generally conservative, as sales drop during the summer months. However, some increases in sales are reported and trade sources indicate collections of trade bills are improving throughout the State.

The value of State sales for December 1959 (latest figure available), based on the number of tax stamps sold, showed a substantial increase (Christmas sales) over the preceding month. Comparative figures, in thousands of cruzeiros, for November and



December 1959, and December 1958 are as follows:

November 1959	December 1959	December 1958
16,379,415	19,050,468	14,912,241

Rising prices of commodities accounted to an important extent for the larger sales volume.

3. Foreign Trade:

Exports from Rio Grande do Sul have declined because of difficulties experienced by exporters. Local consumption requirements and smaller crops have resulted in a prohibition of exports by state authorities. The prohibition of flaxseed and hide exports is now under consideration. Leading businessmen and state officials complain that agricultural products shipped from this State to other domestic markets are subject to rigid price controls, whereas machinery and tools are brought in from São Paulo or Rio de Janeiro at high prices which are not controlled. This, they add, is the price paid by Rio Grande do Sul for not being included by the Federal Government in the country's industrialization program.

4. Industry and Investment Developments:

A Trade Mission from Eastern Germany visited Porto Alegre early in January to discuss trade possibilities. The Mission expressed an interest in exporting equipment for foodstuffs, brewery, chemical, and oil pressing plants, refrigeration facilities, silos, road building machinery, etc. The transactions would be based on a trade in coffe through the Brazilian Coffee Institute (IBC).

These are preliminary talks and no details have been discussed. It has been stated that the Chief of the East German Trade Mission in Rio de Janeiro will soon visit local authorities when final conversations will be held. The Consulate will report further developments.

The State Secretary of Economy in his continuing efforts to interest São Paulo manufacturers to install plants in Rio Grande do Sul announced that the São Paulo U.S. firm Anderson, Clayton is contemplating the installation of an edible oils plant at Cruz Alta. He also reported that São Paulo economic groups show interest in processing local fruits and dairy products.



5. Transportation and Communications:

State Electrification Program - Due to breakdown in a 30,000 hp. generator at the Canastra hydroelectric plant on January 15, the State Power Commission started a rationing program affecting some parts of the State, including Porto Alegre. This rationing program is expected to end in February, when repairs will be finished. It is not known yet to what extent this power shortage will hit industrial production. Light and power rates in the interior of the State will be adjusted by the Government, probably in February, as present rates are considered low.

Telephone Company - IT&T officials recently visited Porto Alegre to discuss with Governor Brizola the telephone problem of the local Cia. Telefonica Nacional, an IT&T property. The visitors were received by the Governor and one aide at his summer residence outside Porto Alegre; apparently no members of the State Energy and Communications Commission were present. It is reliably reported that at this meeting the Governor recognized that in this case the company (IT&T) is in the situation of awaiting a response from the State to its proposals which were made months ago. There is no firm indication yet, however, as to what the State Government's response will be.

6. Finance:

"Brizoletas"- By 26 to 25 votes the State Legislative Assembly passed a bill authorizing the Government to issue Treasury Letters up to 10 percent of the estimated receipts in the 1960 budget. This will amount to approximately 2 billion cruzeiros of "Brizoletas". The measure was passed by a narrow margin over the objection that the administration should not be trusted with this authorization when its budget is now in the red by 5 billion cruzeiros which may increase to 8 billion if promised state salary increases are put into effect.

Rio Grande do Sul Savings Bank - A State Savings bank (Caixa Economica) will be established here as a result of a bill which on January 25 was passed through the State Legislative Assembly by 26 to 22 votes. Although there is a Federal savings bank in this State, the State Administration believes that a State savings bank would be of great help to Rio Grande do Sul's economy. The opposition criticized the Administration's decision because the State operates the Banco do Estado do Rio Grande do Sul and, therefore, there is no need seen for an additional official bank.



Exchange - The cruzeiro strengthened somewhat during the period under review, varying from Cr$194.70 early in the month to Cr$187.00 to the dollar at the end of the period (check buying rate), or an average Cr$188.96, as compared with an average Cr$204.00 in December. The improvement in the cruzeiro is partly attributed to an increase in free market dollars available from exports.

The exchange surcharges (agios) for commercial imports in January remained about the same as in the previous month. The dollar agio in January stood at Cr$408.90 in the special category and Cr$192.00 in the general category.

Money conditions - It is reported by banking sources that while there are no indications of any pronounced easing in the money situation, banks appeared to handle normal demands of their clients.

7. Labor:

Management-labor relations were relatively quiet during the period under review. Rising costs of living and government's inability to check inflation have been causing a great deal of apprehension among workers. Streetcar fares were raised 33 percent recently to meet demands for more pay from streetcar employees. Other commodity price increases appear to be in the offing.

Percy Warner
American Consul

cc: Amembassy, Rio



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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 787 — DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE: February 9, 1960

REF : CERP, Section D, V, A-2 and VII, A-1, April 3, 1957 Enclosure

For Dept. Use Only — ACTION ARA-4 — REC'D 2-22-60 — INFO DEPT. RAMP 2 FBI [illegible] E 3 ICA — OTHER CIA 10 COMM-12 IAR 2 IR 3 FRB

DEPARTMENT OF STATE — BUREAU OF INTER-AMERICAN AFFAIRS — FEB 1960

SUBJECT: Speech by President of the BNDE; The Need for and Objectives of Planning for Development.

Attached is a translation of a speech which ~~was to have been~~ presented by Lúcio Meira, President of the Banco Nacional do Desenvolvimento Economico, at a dinner on January 27 honoring him as "Man of the Year", an event promoted principally by the newspaper Ultima Hora. The dinner was reportedly planned as a full display by the supporters of "developmentism" and was attended by Vice-President Goulart and other notables. This speech and other speeches programmed were not delivered because the dinner ended early on the announcement of Oswaldo Aranha's death. The text appeared in several papers the following day but did not arouse the hoped-for publicity.

The speech is reported in full for what it reveals of Meira himself and because it is an attempt to discuss and justify "developmentism" on a theoretical plane. It is thus much more than the usual repetition of statistics of achievement although toward the end some of these figures are given. In summary, Meira emphasizes his dislike of economic "dogma" and disbelief in the efficacy of the "free play of economic forces". He places his faith in planning, cites the major current problem as the lack of fully utilized capacity and calls for broader and more intensive planning in the future. The speech seems to reflect a sincere but somewhat mystical belief in Brazil's development achieved through planning and spurred by economic adversity. This attitude is perhaps the cause of a certain incoherence and this attempt at summarizing probably imposes more logic than appears in the original. Thus those interested should read the speech itself.

The major theme of the speech is the desirability and necessity of planning. Meira states that it has been demonstrated that development will not occur by itself. It follows, therefore, that planning is needed and although he admits existing defects, he considers these caused by inadequate planning and curable by more planning. To this end he expects a second Program of Goals.

Meira appears to believe that unutilized capacity is currently the major problem. He cites the lack of orders for some elements of Brazil's capital goods industry despite the fact that capital goods are in short supply. He considers this problem caused in part

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by foreign competition subsidized by the exchange system but more by failure to produce the correct type of goods. It is this which planning must correct. Future planning should cover almost all elements of a given project but must be based upon the existing capacities of Brazil. In this connection, it may be noted that Meira appears to use the term "unused capacity" in two ways, one the usual meaning of unused existing facilities and the second the idea that Brazil has the capacity to do more than it is now doing, i.e., to develop its resources better and to create more facilities.

Throughout Meira makes it clear that he considers critics of the development effort to be almost traitors but he does reply to some of their objections. With respect to inflation, he rejects the idea that the government should have stabilized the economy before undertaking planned development. He seems to believe that this should not have been done because the existence of certain "structural disadjustments" would have caused prices to rise anyway. These disadjustments are not clearly defined although at one point he cites as examples the surplus of coffee and scarcity of beans. He also indicates that a stabilization plan could not have been adhered to, even if attempted, because it would have caused unemployment and thus social upheaval. Indeed he states that an expansion of the money supply is a stabilizing force which increases demand and causes capacity to be used that otherwise would lie idle. In passing he notes that perhaps this stabilizing force is losing its efficacy but apparently would not abandon it till certain all capacity is being used. There is no indication that he considers inflation basically harmful though he admits it does not serve development "under all conditions".

Meira also attacks the assertion that the development program sacrifices the present to the future. Meira says this is not so and refers to the fuller utilization of present capacity as an achievement of the development program which is a benefit to the present. This point is really an effort to convince manufacturers that the development program is helping them. Meira also makes gestures to other sections of the economy by saying that more attention should be given to agriculture and that trade should be expanded.

The final major point presented by Meira is the necessity to expand the capital market as a method of mobilizing public savings. No specific suggestions are made on this point and no mention is made of the relationship of inflation to the problems of savings or to other distortions in the economy.

For the Ambassador:

Approved:
William A. Fowler

William A. Fowler
Counselor for
Economic Affairs

R. G. Walker
Finance Officer

Enclosure: President of BNDE speech on January 27, 1960.

0537

TRANSLATION

Source: Última Hora, January 28, 1960

Speech by Lúcio Meira, President of BNDE on the occasion of a dinner honoring him as "Man of the Year" in a promotion supported principally by Última Hora

It was with great surprise that I received the news of my election as the "Man of the Year" for 1959. It was indeed a surprise because for a long time I have been used to the silent and anonimous work of those who seek only the right and holy duty to serve Brazil and the cause of its economic development with no aspiration for reward or compensation. I am one of those men willing to give all to his country, asking nothing in return.

As I told Última Hora when that modern and brilliant newspaper of Samuel Wainer came to ask me how I received the news of my election, I said that I am very grateful to the jury that selected me, bestowing on me this homage of such significance. It is natural that I would feel deeply touched, as no administrator can be indifferent to the public repercussion of his activities, inasmuch as it represents one of the measures of the success of his undertakings and indeed the final judgment of his activity.

Forgive my immodesty but my conscience is serene and I believe that I have not done too badly the part assigned to me in the program of President Kubitschek. In four years of the government the country has seen substantial advances in various sectors of the economy thanks to achievements among which are those flowing from my stay in the Public Works Ministry and lately in the BNDE and the Conselho de Desenvelvimento.

I never imagined that my activities as an administrator could have such bread implications as to justify the great honor of the title "Man of the Year", bestowed on me. I want to thank the illustrious and distinguished personages who elected me and say that their applause is not in vain. It constitutes one more reason for me to persevere in the battle for the emancipation of my country in which all worthy Brazilians are engaged.

I am fully aware that the distinguished jury when selecting my name wished in fact to honor Brazil, to honor the tremendous energy which our country is placing at the service of its industrialization, of its development, of ending its backwardness. I am a soldier and a fighter in this good combat and I am fully aware of the reason for my selection. But I cannot fail to do honor to the two great "generalissimos" of this struggle during the decade just ending, to

the great Heads of the Government, under whose orders I have been serving - President Getulio Vargas, killed in action - and his distinguished successor, President Juscelino Kubitschek de Oliveira. These are two names which history will preserve when passions of the moment fade away and the saga of our industrialization or, better still, the heroic times of our industrialization are recorded.

Sometimes affectionately, other times ironically, I have been called the "goals driver" (tocador de Metas) - the goals of President Juscelino Kubitschek de Oliveira. I have in fact linked my fate to that of the goals for the execution of which I was responsible on behalf of the government and I am conscious of having given to this mission all the courage and patriotism of which I am capable. I do not commit the capital sin of doubting its strength and destiny.

This is the reason why in the name of the fighters for the industrialization of Brazil I accepted this honor and I don't believe this to be the proper moment to speak about myself or of the determined staff of public servants, some of whom have been working with me since the time when we assisted President Getulio Vargas in launching Petrobras, in preparation of the National Electrification Plan, in the first efforts to create the Brazilian automobile industry and the shipbuilding industry. It is rather the appropriate hour to speak about the real hero of the day, not myself but the national effort towards industrialization and development.

The history of our industrialization is not a placid one. A crisis gave birth to it a century ago in the daring of men like the great Mauá, an innovator in action and thought. Successive crises pushed it on, especially the First World War, the Great Depression, the Second World War and the post-war economic convulsions. Up to the present our industrialization has been like the birds of the poet, which intoxicate themselves in storms and flee from calmness.

The efforts to create substitutes for imports are intensified not when everything is going well or when the external market absorbs the expertable production at good prices. On the contrary, it is when foreign exchange becomes scarce, when the very foundations of the economy are shaken that Brazil reacts, ignoring the warnings of the doctors who - quoting Mauá - do in fact forget his counsel, because the great name of the Brazilian industry was also a rebel against the "dogmas of economic science" of his time, which in his opinion did not correspond to the concrete conditions of our life.

If Mauá were alive, he would be on our side fighting the dogmatic people who pretend to frame the economic facts within a few oversimplified formulas, denied by day-to-day life. He would be with us, seeking to know and measure unused productive capacity which until now has only been discovered in moments of crisis and which we wish to use regularly.

The post-war period brought a definite contribution to Brazil and to the world. I refer to the idea that it is possible and necessary to program economic development - a notion previously considered an aberration and the extravagant dream of revolutionaries. Nowadays no one believes the free play of the economic forces is the best way and the number is constantly increasing of those stating that spontaneous development is an illusion. In our time, economic development is, on the one hand, a necessity for survival and on the other, an act of will by the people.

For the first time with the Program of Goals of President Kubitschek Brazil has attempted this act of will and, as was natural, alongside the great successes have been some reverses. Above all, the central idea, the idea that urges the promotion of development by an orderly act of will by the national community has grown deep roots and will not be destroyed. It is enough to see the state governments under the leadership of the representatives of the great political parties either executing or setting up their own regional development programs which must fit into the national planning. The idea of programming has ceased to be a matter of contention to become an indispensable part of the platform of any political party or current of opinion.

I am aware of the criticism of the Program of Goals, that is, the first truly national program of economic development that we have ever had, and I myself have ideas of how in the future to perfect our planning. But it is a pity that not all the criticism seeks to use the experience acquired to enrich the theory and improve the practice of planning. It is a pity that not all criticism is constructive in the sense of preparing the ground so that a second program of goals - our next national development program - may be better than the first one, may mobilize more broadly and deeply the energies of the country, may increase at a stronger rate the growth of the gross national product, and may avoid at the same time certain disadjustments which are the roots of our present problems.

Some of the criticisms made of the Program of Goals either express the old and superseded notion that the economy can still be developed without a plan, or limit themselves to the superficial examination of some of the problems pending solution, often attributing to planning what should after all be imputed to its insufficiency. But, at the root of all this one can generally detect the capital sin mentioned at the beginning of my speech, the lack of confidence and faith in Brazil's destiny.

We must defend the Program of Goals against this type of criticism, the form which the national development effort has taken in the last four years and the true object of this homage.



The most frequent criticism is that which attributes Brazilian inflation to the Program of Goals. No one is unaware that the government has been forced to issue money and that the banking system on account of its growth multiplies the money issued by creating deposit money. I am not trying to sell you the simple idea that this is the best way of promoting the economic development of the country and I don't even pretend that under all conditions, inflation serves the purposes of economic development.

The most authoritative critics usually think that it would have been better for the government to begin by stabilizing the currency and balancing public finances and then on the ground thus prepared to promote the development.

This point of view, apparently full of sense, does not, however, resist deeper examination as no answer could be given to the major question of what would happen to the general level of economic activity if simply we adopted an anti-inflationary spirit leading us to stop the expansion of the money supply. No one fails to recognize that in the Brazilian economic system there are structural disadjustments which spontaneously tend to raise prices. It follows, therefore, that before these disadjustments are corrected, the limitation of the total money supply would lead not to the stabilization of the global purchasing power but to its decline, since a rise in prices implies a reduction in the real supply of money, namely, the supply of money measured in terms of a constant purchasing power.

If the government as a prior and preparatory measure of the effort for development had started with a monetary stabilization "a outrance", the result would have been a drop in the general level of activity followed by unemployment and perhaps social convulsion. It is not unlikely that the government making such an attempt, surprised by its undesirable effects, would withdraw, provoking in passing a revival of the inflationary surge.

In fact, my friends, since other forces causing the rise of the general price index are at work besides the expansion of the money supply, the latter operates, to a certain extent, as a <u>stabilizer of demand</u> and therefore of the general level of activity. If we wish a monetary stabilization really compatible, I don't mean with the acceleration of the development but with a simple state of dynamic equilibrium of which we have enjoyed and which results in rate of development relatively modest, it will be necessary first to take care of these other causes leading to price increases.

These other causes operating independently of the expansion of money supply and which in the absence of such expansion would bring about a contraction of the general level of economic activity have not yet been confronted and it does not appear fair to hold the



government responsible for this. The truth is that until now this tendency to contract has been offset without major inconveniences by the most instinctive reaction of the banking system, that is, precisely the expansion of the money supply.

I believe that the efficacy of money issues as a measure to stabilize the economic activity is nearing an end. The accuracy of this hypothesis cannot be tested as it is usual among us by observing simply the evolution of prices, but rather by examining the rhythm of economic activity. What really matters is to know whether the industries are working at full capacity or are partly idle and not whether prices are rising at this or that rate per year. The existence of idle capacity, the emergency of unemployment more or less disguised, the worsening of the relative position of the less developed areas of the country as a consequence of the closing down of factories or because the lack of demand for their farm products, should indeed worry us and are in fact worrying the government and calling for corrective measures. The setting up of an Executive Working Group for Heavy Industry in the Development Council, the launching of Operation Northeast and the recent creation of SUDENE give evidence of these concerns.

Gentlemen, inflation is not the result of planning but the evidence that planning is not sufficient. The expansion of money supply is still an unplanned stabilizing reaction of our economic system. Because of its loss of efficacy it is becoming necessary to build up new defenses for the national economic organism and this implies a broadening of the scope of planning.

We cannot expect the structural causes of the currency depreciation to be removed by themselves. We have to know them and prepare ways to keep them under control, not with the simple aim of producing balanced budgets and stable prices, but as a means of promoting a more intensive use of the productive capacity of the country, assuring an adequate volume of employment and with the additional gross national product created by means of this intensified activity raise the national rate of investment, increase the productive capacity and assure the maximum rate of utilization of the capacity thus created.

We come now to another criticism raised against the Program of Goals: that the consumption capacity is being reduced to finance the investments. As a remedy our critics cannot think of anything better than a reduction of investments. I live among industrialists and feel very much surprised that they should defend such a thesis. They know perfectly well that a cut in investments would mean simply more idle capacity in their enterprises and more unemployment for the labor force. The truth is that notwithstanding the incipient state of our capital goods industry, many of its enterprises are not finding sufficient orders for their products. This points out an



abnormal situation, because if one considers our limited capacity to import, the rate of investment should in principle be such as to absorb the total internal production of equipments.

The national economy is not like a family which with a fixed income cannot increase investments without curtailing consumption. It is a conquest of economic science that investments are not only interesting in the future as a means to augment the productive capacity of the system, but are also now a means of creating demand for the existing capital goods industries, of assuring remuneration for every one by conditions of employment and, by the salaries paid, of also creating a demand for consumer goods industries.

No one can claim that Brazil is taking full advantage of its available productive capacity. The only thing that can be and has been alleged is that the existing idle capacity cannot be used for several reasons: because it fails to comply with the requirements of demand, because its products are unable to compete in quality and sales terms with foreign products of similar nature or with those of other regions of the country; or for various other reasons.

My friends, if a factory closes down or reduces its working hours, there is always a reason. We would be very poor planners if we did not take an interest in finding out the reason and knowing them if we did not seek for ways and means to eliminate them. It is no different when we ignore idle capacity and reduce planning to merely listing the industries to be created, to the investments to be made, assuming beforehand that the problem of resources is solved.

We still maintain many of the habits inherited from the time when unplanned development was possible. The attitude of the Brazilian planner is hindered by this when he does not really consider the problem of resources except to determine the amount in local and foreign currency necessary to the fulfillment of the area programs and the specific projects of which they are made up; This implies, first, that the task of mobilizing financial resources will be accomplished without the assistance of the planner; and second that the market will promptly offer the necessary goods and services in satisfactory quantity and quality as soon as the demand becomes effective.

This attitude was understandable since previous planning experience was sectorial. It was justified in a time when the State was still able to draw resources, including by the issuance of money, without creating much trouble before improving the macro-economic equilibrium of the system. It happens that people are not willing to abandon the means of action which proved to be efficient in the past before something turns up and proves the impossibility of continuing to act in the old and proved manner.



The doctors criticizing the Program of Goals and pointing out flawswhich, if well studied are sometimes virtues, have not indicated at the beginning or now the way to solve the complex problem of resources. They limited themselves to formulating old criticism which former experience and good sense repudiated.

In the first Program of Goals - let me call it that because I am sure that others will follow with new virtues and new flaws to be corrected - there is in the basic attitude with regard to resources a third implication which should be examined without delay. I refer to the unstated assumption that once the financial resources for its implementation are mobilized, the national economy would not only generate an offering of goods and services satisfactory in quantity and quality and corresponding to the demand thus turned effective but that this demand would not leave idle factors.

The truth is entirely different because the demand thus created, generated at the same time considerable additional pressure on certain resources, leaving idle many others which duly utilized could have raised the rate of investment. For this reason I am convinced that the next program must necessarily be based on a study of the idle capacity now accumulated in the economic system.

A development program, I repeat, does not interest only the future but also the present. It is not only a question of creating in the future good factories, shipyards, plantations, means of transportation, electric systems, etc. It must be done with an adequate use of existing installations. For this reason the planner is not free to choose the type of the productive units to be created, it being indispensable that his decisions be taken with a view to the nature of the resources the economy can already supply. By acting in this way, he is contributing to a reconciliation of the present with the future.

One of the features of the next program must be the fight against technological affectation, the tending to imitate slavishly the technical solutions adopted abroad without finding out whether the national economy can supply a substantial part of the specific resources required.

But this is not all, because usually the Brazilian technician understands the need to save foreign exchange and consequently the need to direct to national industry the demand for all equipment and materials that it is able to produce. A much more serious problem is the question of prices and purchasing terms.

Our infant heavy industry cannot always compete with the consolidated foreign industries, especially if one considers that the foreign competitor is generally supported by heavy exchange subsidies.

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Besides, we don't have a national credit system capable of financing medium and long-term sales of equipment. Therefore, even in the cases where the national producer may be able to compete with the foreigner on an equal price basis he cannot, in many cases, offer his product under the same conditions for payment.

I am not against either our looking for the best foreign techniques, nor the granting of the exchange subsidy for the importation of equipment nor, again, our seeking foreign equipment with the most favorable long-term installment scheme. I only note that if the national rate of investment is to be raised it is indispensable that decisions on technical matters be taken with due regard to the real structure of the resources of the country; that subsidies for the importation of foreign equipment do not leave national production in an inferior position because otherwise we would be engaged in the irrational task of building factories to leave them without orders, and lastly that it is urgent to give credit assistance to the national producer of equipment, this being a hard task because in great part this type of production is organized into medium size and small enterprises.

I speak about these things to exemplify how one can exert influence to banish the reasons why an important part of the productive capacity of Brazil remains idle, in spite of the inflationary process under way. Formerly it sufficed to expand the total demand, which could be done by offering money to assure the utilization of important reserves of idle capacity. If we want to obtain the same result under present conditions, it will be necessary to exert pressure on other levels, to go down to much more detail, because distorsions have occurred in the system, the effects of which on the economic activity can no longer be neutralized by simple movements of total demand.

The forthcoming plans must take care of these details and recommend the appropriate measures of fiscal, credit, exchange and other types, always with the purpose of assuring the maximum utilization of existing material resources. On this basis it will be easier to solve the problem of financial resources.

For this purpose the organization of a national capital market becomes the great measure. In present conditions, when for various reasons it is almost impossible to channel the savings of the public to the points of the economic system in which the opportunities for investment are defined, the actual investment is uncertain not to mention the inflation which contributed to making the stock market inoperative. On the one hand, individuals or corporations having resources available seek investments bearing sometimes illusory yields, and on the other hand industrialists having good projects and good opportunities for investment, not having access to the



savings of those who do not possess these opportunities, remain limited to the use of their own savings and press the State for additional resources.

One must agree that this is an intolerable situation and that without solving the problem of the capital market, the curtailment of State expenditures and therefore the credit of industrialists having good projects will cause a drop in the rate of investment and a decline of the economic activity in general.

But this is not the proper moment to discuss the matter exhaustively and I don't mention them to spread pessimism. I spoke to you about the hero of the day, which is not I but rather the national effort for economic development.

I pointed out that the problem of the limitation of real resources - the war horse of the critics of the Program of Goals and of industrialization -/an imaginary one in an economy in which the existence of an ample idle capacity is undesirable, including the sector of capital goods, which is the least developed; and I stressed that the problem of financial resources would be solved at the end, as an accessory by the organization of the capital market, which has already started.

As to the rational use of these resources, I shall not speak not because it is an unimportant matter, but because this is the largest contribution to the first Program of Goals: the acknowledgment of the principle that it is necessary to invest rationally, always more rationally. The State cannot give its support at random, it must do it according to certain priority criteria aiming at the elimination of the bottlenecks.

Industries are being set up as substitutive for imports and this policy must go on in the future until the conditions of the world market change so as to absorb wholly our export products.

In this field the prospects are promising. The huge economic periphery of the world - i.e., that part of mankind to which we belong and which is placed outside the small group of developed countries - is stirring and beginning its industrialization as are we. Therefore, as soon as we adopt new ways of trading, trade will expand and I am sure we will see to a complete change in our export pattern. This being so, it is very likely that instead of expanding the exports of raw materials we will see the opening of new and important markets for industrial products so that industrialization directed up to now to the internal market will be directed to the foreign market.

This does not mean that agriculture should be disregarded. I stated recently at the Fourth Plenary Meeting of Industry in Goiania



that the moment had arrived to give serious attention to agriculture. Any industrialist will understand better my words, considering that agriculture by the prices of its products exerts a strong influence on the economic conditions of business because on the farm prices depend essentially the salary level necessary for the workers. And he will understand still better the interdependence of agriculture and industry because he knows that the labor market is regulated in the last instance by the movements in the agricultural sector that sometimes ejects and other times absorbs large masses of workers.

I am not one who cries to the skies when it is discovered that the agricultural production is increasing less than industrial output. On the contrary, I know this to be a good sign and even an index for measuring development, not only in Brazil but in any place in the world. I cannot fail to worry, however, at the fact that food prices have been rising for over ten years at a rate higher than the general price index, considering that foodstuffs weigh decisively in the determination of salaries.

It is time to give more attention to agriculture the problems of which have a certain similarity to what has been said above with regard to industry. Here too one will find idle or excessive capacity and scarcity side by side. We have, therefore, rather a problem of composition than of magnitude of agricultural production. Last year, for example, we had coffee in excess and beans in shortage.

Now the germ of inflation under the present conditions lies as much in the overproduction as in the scarcity of agricultural products. In the first case the State has been forced to issue money especially for the purchase of surpluses; whereas in the second case, the resulting rise of the internal prices, principally of foodstuffs, affects directly the level of salaries, the main item of the cost structure of less equipped industries. These industries in their turn play a decisive role in the price formation of industrial products. Here we have an example of the disadjustments generating inflation to which I referred previously.

The closing down of less equipped enterprises which this increase in salaries threatens is not good for Brazil. Their closing may result in large scale unemployment and losses in industrial output not otherwise compensated. The rise of technological standards must be gradual both in industry and agriculture. We must, therefore, watch carefully the small and medium size enterprises among which are the less mechanized units which are for that reason more dependent labor, just as it is necessary to look after the industries of less developed areas which are particularly threatened.

I have spoken perhaps too long and your patience must be exhausted. But you must agree that these matters although perhaps dry are vital

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to all of us because they concern Brazil and its economic independence. These matters are the only ones of interest in this "Celebration of Progress and Development" as the brave and dynamic editors of Ultima Hora, promoters of this ceremony have christened it.

It was not my intention in this "Celebration of Progress and Development" to speak about the Program of Goals of President Kubitschek de Oliveira who in fact is the one honored this evening.

However, I cannot help pointing out the successes already obtained in the automobile industry which ranks Brazil among the largest national producers with over 200,000 vehicles in comparison with no vehicle produced at the beginning of this government; in the electric power field where the production was raised from 3,148,000 Kw in 1955 to around 4,000,000 in 1959 to reach the spectacular goal of 8,000,000 Kw to be installed in the coming five years with the full output of the undertakings under construction (Furnas, Tres Marias, and other projects), including state projects with Federal support, the surprising development of the petroleum industry where the exploration and production figures went up from 6,828 barrels per day in 1955 to an average of 80,000 barrels in the last quarter of 1959, whereas in the same period the refining capacity went up by over 50%; the expansion of the highway network where thanks to the tax on lubricants and oil the number of kilometers constructed practically doubled - 13,160 Km in 1955 to around 26,000 in 1959. The paved highways increased from 1,647 Kms. in 1955 to approximately 5,000 Kms. in 1959.

These successes are reflected in other sectors, such as steel industry, merchant marine, railroads and warehouses and silos spread over the vast and multiform national territory covered by the 30 government goals. Our shipyards will launch before long the national ships already under construction with the new resources mobilized by the Merchant Marine Fund bringing Maua's dream to a wonderful conclusion, the fertilizers needed by our agriculture are being more and more industrialized and produced in the country; the mechanization of agriculture will have before long the valuable help of tractors produced in Brazil in accordance with plans set up by GEIA.

The ports are being reequipped and dredged in a scale without precedent with resources appertioned by the National Port Fund; nonferrous metals and cement are being produced in the country in increasing proportions; cellulose, newsprint, rubber and basic chemical products show high rates of increase and become more and more imperant in the frame of the Brazilian economy; in the foreign trade field we are adjusting ourselves more and more to the contingencies of the world markets seeking by firm efforts to conquer new markets and to expand the old ones; this policy is already bearing fruits apparent in the improvement of the balance of payments; the



exportation of mineral ore reaches new peaks and the heavy industry already so much developed among us, is being organized on a new basis to participate in the vigorous "leap ahead" this magnificent and bold leap of the Brazilian Nation seeking its glorious destiny.

These accomplishments of the Program of Goals are known by you and by the Brazilian people and, quoting a renowned English economist, have impelled the national economy, perhaps infringing, but infringing splendidly the canons of the traditional economic science.

The tremendous effort made to endow the country with this economic power is evidence that this government is really building for the future of the present generation.

To conclude, I reassert the words of faith we should use as a slogan for the development of the country we love so much: We are not impressed by the less favorable episodes of national development. We are growing up as a nation and the time when misery will be eradicated in our country is drawing nearer and nearer. We possess resources and the capacity to overcome definitely under-development in a near future. Nowadays the crises occurring in our economic system result rather from disadjustments between sectors than from over-all insufficiency. If from now on we distribute better the national work and use fully the productive capacity of the people, the sooner will Brazil attain its preminent position among the greatest countries of the contemporary world.

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Translated by Walter Blomeyer.



AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 23 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. February 11, 1960. DATE

REF : CERP- Section C 2.

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	Com-12	REP-1 IRC-8 ICA-11 E-3 ARA-4 OSD-4 CA-4
	REC'D 2-23-60	INFO OTHER CIA-10 AG-8 IN-7 LAB-6 TAR-2 TR-3 FRB-3 XMB-4 Army-6 Navy-3 USIA-10

SUBJECT: Economic Summary for January, 1960.

General Economic Developments: Despite the fact that tobacco buying in the interior is now under way, with a consequent drain on the cash reserves of the local banks, the money market remains relatively easy. Part of the explanation lies in Petrobras' continuing expansion program and in the fact that GACEX continues to buy cocoa on a large scale. But an equally important factor seems to be the recent exchange reform. Reports indicate that local banks have begun purchasing substantial amounts of export exchange in the free market, which has reflected in the steading of the cruzeiro to approximately 185 to one dollar for the selling rate. Since a large part of these transactions are for future delivery, the corresponding spot sales have placed large quantities of cruzeiros at the disposal of the banks for a period corresponding to the tenor of the future purchase contracts. Thus, the fluency of at least those banks operating in the exchange market has increased noticeably.

On the other hand, a certain amount of local dissatisfaction has risen in face of the exchange reform since Bahia still finds it's principal exports on the official market. The cocoa bean and castorseed markets continue in a state of relative paralysis. Internal prices of basic products have soared, sisal and tobacco increasing almost 100%. Cash is plentiful as no cocoa exports are being financed and sight cruzeiros are available from future purchases of exchange. Lack of shipping is said to be causing difficulties for exporters. Local industry is likely to continue suffering as financing is being directed to exports.

The COAP- Comissão de Abastecimento e Preços (Price Control Commission), due to the continued severe shortage of fresh beef in this area, has decided to increase the prices of fresh beef (which however, must have the approval of the CAFAP) to Cr$50,00 and Cr$85,00 per kilogram with bone because the cattle raisers are demanding higher prices for their stock. Governor Juracy ~~XX XX~~ Magalhães has stated that the following measures will also be taken to remedy the meat situation: (a) urgently increase the slaughter stock; (b) modernize the São Roque slaughter house in the Reconcavo area in order that it's capacity may be increased; and (c) request the Leste Brasileiro Railroad for a priority in order that live cattle may be transported from Feira de Santana, thus avoiding the great loss of weight as a result of walking the cattle into Salvador. The Governor has also prohibited the export of live cattle to neighboring States in order to build up the deficit in cattle stock in the State of Bahia.

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It has been learned that two cattle ships are now operating between Ilheus and Salvador (about 160 miles). This manner of shipment and possible rail facilities overland, may greatly improve the quality of meat in the Salvador area in the future.

Agricultural Development and Policy:

Commodity Review-Cocoa Beans. The cocoa situation remains unchanged. CACEX continues to purchase the comodities in unlimited quantities and remains the only entity legally permitted to export abroad. The total Bahia 1959-60 crop is now estimated at between 2,600,000 and 2,800,000 bags. Weather conditions continue favorable in most sections.

Castorseed. During the period under review no sales were made to foreign buyers as CACEX will not accept sales declarations. This is academic however, since none exists at present for export. The local crushers are paying Cr$17,00 per kilogram delivered in Salvador. There has been plenty of rain in the interior and this has been beneficial to the coming crop, which now is expected to be larger than usual.

Tobacco Leaf. Present indications are that the Bahia 1959-60 tobacco crop will not be as good as originally predicted, neither in quantity nor quality. Present estimates are between 280,000 and 300,000 bales of 75 kilograms each.

Minerals. The A TARDE newspaper in it's issue of January 21, 1960 published an interview with Dr. Luiz Viana Filho, Federal Deputy for Bahia (UDN) in which he stated that the Petrobras President has been unfair to Bahia since he has not fulfilled the following requests: (a) increase of royalties from 5% to 8%; (b) decrease the price of gasoline in Bahia. (For some time, Bahia has been paying higher prices for gasoline, with poorer quality, than in the States of Rio de Janeiro or São Paulo); (c) payment of royalties for the off-shore drilling inside the Bay of All Saints; (d) supply natural gas to Bahian industry at lower prices; (e) take immediate measures for the installation of a petrochemical industry in Bahia to manufacture fertilizer and asphalt. As a result of such statements the Comissão da Conferencia do Petroleo (Petroleum Conference Commission - see Economic Summaries for January and September 1959 and Despatch No. 22 of January 27, 1959) has sent telegrams to the Presidents of the National Petroleum Council and Petrobras, requesting explanations regarding the unattended requests.

Petrobras recently announced the installation of a new pipeline connecting three recently discovered fields to the marine terminal at Madre de Deus. High expectations are held for one of these new fields, named Taguipe. So far, out of 14 wells drilled, 13 are producing, several at an average rate of 1000 barrels per day. Petrobras sank 164 wells in 1959 as compared to 97 during the year 1958. The estimate of total recoverable reserves has moved upward and is now listed at 601 million barrels, as compared to an estimate of 482 million barrels at the end of 1958.



Transportation and Communication:

1. Bids for the installation of a new telephone company in the city of Salvador named TEBASA - Telefones da Bahia S/A were openned recently and a commission was appointed to examine said bids. The company will explore the urban and inter-municipal telephone service in the State of Bahia. The winning bidder is expected to be announced within the week. The capital of the new company will consist of 5,000,000 cruzeiros, represented by 5,000 ordinary and preferential shares in the nominal amount of 1,000 cruzeiros each. After the bids are judged the present company furnishing the telephone service in Bahia - Companhia Energia Eletrica da Bahia (subsidiary of the Bond and Share Company), will sell its entire telephone installation to the TEBASA for the amount of 40,000,000 cruzeiros. 20,000,000 cruzeiros will be paid at sight and the other half in six months. Telephone subscribers will be shareholders of the new company. Upon transfer of the present equipment to TEBASA, the company capital will be increased to 600,000,000 cruzeiros. On January 19, 1960 a contract was signed by the Governor of Bahia granting a concession to TEBASA to operate the telephone system in Bahia for a period of 60 years. By this contract 13,200 new telephone units will be installed. Including the equipment now used by the Companhia Energia Eletrica da Bahia, there will be a total of 20,000 telephone units. Under the new setup it is reported that there will be: (a) one telephone per 25 persons and (b) installation of underground lines and construction of two automatic systems in Itapagipe and Rio Vermelho, suburbs of the city of Salvador (See Economic Summaries for December 1956, first six months of 1957, October 1957, January 1958, April, June, July, September and December 1959).

2. The new paved Federal highway connecting Salvador - Feira de Santana (104 kilometers), the construction of which began 11 years ago, was opened to traffic at the end of January. Up to 1957 there were 50 kilometers of paved road between the two cities, the remaining 54 kilometers being completed at this time. During the last three years the Federal Government expended the sum of Cr$343,500,000 cruzeiros on this project. By the state highway, which is still mostly unpaved, the trip takes approximately three hours. The normal trip now over the new paved road involves a little over one hours driving. The new highway is seven meters wide and presents the possibility of traffic for 1,500 vehicles without danger of accident, bottleneck, etc. The official inauguration will take place on February 10th.

3. Law No. 1,250 dated January 6, 1960 was signed by the Governor of Bahia which authorized the State Government to plan and build highways in Bahia from 1960-69 with an appropriation of Cr$71,000,000. The Bahia state Government will coordinate with municipal and federal governments as well as with private entities in order that the plan may be most favorably administered.

4. On February 1st the Associação dos Funcionários Públicos, inaugurated a TV course (Curso de Preparação do Pessoal de TV), which was organized by the Televisão Itapoan, a television enterprise in Salvador, with the object of training technicians for the TV station soon to be installed in this city - the

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equipment is already in port. 90 men have been initially enrolled in the course, which is a diversified three months training period.

Construction of the experimental breakwater at the port of Ilheus, 160 miles south of Salvador, is now under way. Stone and gravel have been dumped into the bay making a protrusion of 52 meters. It is reported that the breakwater will be 252 meters in lenghth and is actually an experimental project to determine the reaction of the water flow in the bay under various weather conditions.

Labor:

The employees of the local radio broadcasting stations, through their union (Sindicato dos Radialistas da Bahia) are demanding an increase in their salaries. 50% has been mentioned. The matter is now in the hands of the Delegacia do Trabalho (Labor Court).

The repair shop employees of the Federal railway Leste Brazileiro have also asked for a 50% increase in salary which indicates that another rash of general salary increases is in the offing.

Trade With Soviet Bloc Countries:

Exports from Bahia to Soviet Bloc countries during the month of January, 1960 were as follows, in metric tons: To Poland, Cocoa beans 307 tons and sisal fiber 621 tons.

Finance:

According to the State Internal Revenue Department, 121,812,530 cruzeiros were collected during the month of January, 1960 which constitutes an increase of 38,422,536 cruzeiros over the same period in 1959.

James M. Flanagan

James M. Flanagan
American Consul

File 500

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FOREIGN SERVICE DESPATCH

FROM : Amembassy,RIO DE Janeiro

793
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 11, 1960
DATE
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SUBJECT: MONTHLY ECONOMIC SUMMARY - JANUARY 1960

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CAB-6

1. Domestic Trade and Commercial Activity
2. Foreign Trade and Commercial Policy
3. Finance
4. Industry Developments
5. Transportation and Communications
6. Coffee and Agricultural Developments
7. Labor
8. Minerals.

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SUMMARY

Business activity experienced its normal January decline, credit eased somewhat and bank collections continued good. The issuance of SUMOC Instruction 192 in late December tended to stimulate exports but an embargo was placed on the export of hides to protect national leather manufacturers. The cost of living kept on going up. The cruzeiro strengthened steadily and averaged Cr$187 to the dollar compared with a December average of Cr$199. President Kubitschek announced that 1960 would be dedicated to strengthening the currency, halting inflation and lowering the Federal deficit.

The Brazilian - Soviet trade agreement was officially accepted by both countries, the Brazilian-Japanese trade agreement expired and Brazil extended for an additional six months its trade agreement with Czechoslovakia and its payments agreement with Poland.

An inter-ministerial committee to combat contraband was established by presidential decree.

Brazilian-made jeeps were exhibited in an international auto show in Lima, Perú. Esso Standard do Brasil was granted the status

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of a Brazilian corporation. Petrobrás predicted self-sufficiency in refined petroleum products by the end of the year. Bendix inaugurated a brake-system manufacturing plant in São Paulo state, General Electric announced it would manufacture heavy electrical equipment in Brazil and plans for establishing a synthetic rubber plant in Pernambuco were reported to be gelling.

Brazil received two more foreign-built ships, a Petrobrás tanker from Japan and a coastwise vessel from Poland, while GEICON's national shipbuilding plans were going forward, highlighted by the laying of the keel of the first ship to be constructed in Brazil. BOAC reinitiated its South American service. Work on the extension of Rio's Galeão Airport was suspended until after President Eisenhower's visit. Four columns of Brazilian-made vehicles began to converge on Brasilia from four different directions to demonstrate the progress made in highway construction and the automotive industry during President Kubitschek's first four years in office.

Coffee exports of slightly over a million bags were less than 80% of exports in January last year, and estimates for the 1960-61 crop went as high as 24.6 million bags. Prospects for food crops were bright for 1960. Two prominent Government officials were implicated in the "bean scandal". Celso Furtado was appointed head of the recently-created Superintendency for the Development of the Northeast (SUDENE).

The Administration's "get tough" policy prevented the outbreak of further strikes and numerous workers' groups either received wage increases or were petitioning for them.

The first overseas shipment of manganese ore from Mato Grosso state was made via Neuva Palmira, Uruguay, bound for the U.S. Soviet engineers were contracted to assist in producing gas from oil shale in São Paulo State.

* * *

1. Domestic Trade and Commercial Activity

Brazilian business activity in January was marked by the normal seasonal decline following December highs. Appliance sales were reported to have dropped off. However, pharmaceuticals and related luxury items experienced excellent sales, but profits continued to be squeezed by the Government's price control agency. Considerable publicity was given to the plight of the pharmaceutical industry which indicated it was in a serious financial condition due to rising costs and COFAP's refusal to grant price increases.

The manufacturers of basic chemicals, insecticides and related products were reported to be working at almost full capacity without building up inventories. The mid-summer tourist trade was said to be helping business somewhat, especially in Rio.

Although there still appeared to be an almost insatiable demand for loans in the larger cities, according to banking officials, credit was reported to have eased slightly over December. Bank collections in general remained satisfactory except in some sections of the interior where they were reported to be slow.

The opinion prevailing in banking circles was that SUMOC Instruction 192, which released additional exports to the free market and permitted the Government to issue six-months treasury notes to exporters for amounts above the rate of $130 to the dollar, was having a temporary steadying effect on the free exchange market but some observers predicted that this would disappear beginning in June when the first of the treasury notes matured. Domestic wool and leather manufacturers were threatened with the drying up of their supply as producers saw advantages in exporting rather than supplying the domestic market.

The Getulio Vargas Foundation reported that the cost of living in the Federal District had gone up 1.2% in December contrasted with 5.1% in November, making a total increase of 52.1% in 1959. Although statistics for January 1960 were not yet available, all indications pointed to the continuation of an upward trend.

2. Foreign Trade and Commercial Policy

SUMOC Instruction 192 of December 30, 1959 released all exports to the free market except coffee, cocoa beans and derivatives, castor seeds and crude oil and derivatives. The effects of Instruction 192 began to be reflected in increased cruzeiro prices for exportable products. This caused complaints by São Paulo manufacturers but particularly vehement objections in Rio Grande do Sul where it was claimed that increased exports of hides would limit supplies and force great price rises in shoes and other leather products. As a result, CACEX established an export embargo on hides under its authority to protect the domestic supply of products traded through the free market. On the other hand, producers of pig iron and carnauba wax were said to be satisfied with the instruction, as a result of which two export shipments, one of pig iron and the other of wax, valued at a total of US$8.5 million were reportedly being negotiated.

An exchange of telegrams between Ambassador Edmundo Barbosa da Silva, head of the Economic and Commercial Department of the

Brazilian Foreign Office, and Russian Vice-Minister of Foreign Trade N.N. Smeliakov confirmed official acceptance of the Brazilian-Soviet trade agreement signed in Moscow in December. Foreign Minister Horácio Lafer, in denying that Brazil is considering the establishment of trade relations with Communist China, was quoted as saying that Brazil could not do so since it recognizes the Government of Chiang Kai Chek. Lafer, however, was reported to have proposed to the Polish Chargé d'Affaires in Brazil that a Polish trade delegation be sent to Rio to "re-examine the trade relations between the two countries with the aim of improving them."

After periodic extensions, the trade agreement between Brazil and Japan expired on January 15th and henceforth trade between the two countries will be conducted under the multilateral trading rules of GATT, unless discussions dealing with a new agreement bear fruit.

Brazil extended its 1950 trade agreement with Czechoslovakia for six more months until June 30, 1960 and its 1954 payments agreement with Poland for six more months until July 2, 1960.

During the month there were a number of visits to Brazil by foreign officials interested primarily or incidentally in promoting foreign trade:

Mr. Morton Schwartz, U.S. Department of Commerce trade mission planning officer, spent several days in Rio conferring with Embassy and Brazilian officials in regard to the U.S. Trade Mission scheduled to visit Brazil in May. The Foreign Office declined an invitation to participate in the Havana conference of underdeveloped nations, brought to Rio by two officials of the Cuban Government. Although Mexican President López Mateos was warmly received in Brazil, it did not appear likely that any aignificant results in the way of increased Brazilian-Mexican trade would develop as a result of his good-will visit. Likewise, no developments likely to affect Brazilian trade were reported following the ten-day visit of Belgian Foreign Minister Pierre Wigny.

Late in the month CACEX Director Ignácio Tosta Filho left Brazil for Ghana and Nigeria to hold discussions concerning the international cocoa market. The press reported that representatives of the Sugar and Alcohol Institute were planning a trip to the U.S. to discuss the possibility of Brazil's sharing in any new quotas set by the extension of the U.S. Sugar Act. Brazil sent representatives to the Montevideo Free Trade Area conference.

President Kubitschek signed a decree establishing a Special Committee to Combat Contraband, consisting of representatives from the Ministries of Finance, Justice, War, Navy and Air.

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According to the press, the committee "has ample powers to tackle the matter in all its aspects."

3. Fénance:

January opened with a New Year's measage from the President which, in the economic sphere, emphasized the Administration's success in selling coffee and reducing the 1959 balance of payments deficit to $125 million. He also emphasized the great steps taken in Brazil's development and denied that any aspects of his development program had caused inflation. He did, however, state that 1960 would be dedicated to strengthening the currency, halting inflation and lowering the Federal deficit. The President qualified his remarks about stabilization with the proviso that it would be done "without prejudice to measures necessary for national development". The policy emphasis was reversed at the end of the month in a speech prepared for presentation by Lúcio Meira, President of BNDE on the occasion of a dinner honoring him as "Man of the Year" in a promotion supported principally by the Rio newspaper, Ultima Hora. Meira indicated that some monetary stability might be feasible but contended that inflation is valuable in assisting the utilization of full capacity and the encouragement of development generally.

Meira's speech, although published, was not actually delivered because the dinner was interrupted by the news of the death of Oswaldo Aranha. Aranha had been an important figure in Brazil since the beginning of the Vargas regime in 1930. As Minister of Finance in 1953 his "Aranha Plan" was embodied by SUMOC in Instruction 70 which, inter-alia, established the exchange auction system still prevailing.

On January 19, the President signed two decrees related to the budget. One of these established an economy plan for 1960 under which approximately Cr$30 billion of appropriations are to be withheld until June 30 and released after that time only with Presidential approval following the recommendation of the Ministry of Finance stating that the expenditures are important and that funds exist to meet them. There have been similar economy plans in the past and ordinarily a substantial part of the withheld appropriations have later been released.

The other decree provided that a wide range of budgetary appropriations could only be spent after presentation of a detailed program which, in the case of expenditures of over Cr$20 million, would have to be approved by the President.

According to the press the President appointed Finance Minister Paes de Almeida as Brazil's representative on the Board



of Governors of the Inter-American Development Bank with Cleantho de Paiva Leite, a Director of the Banco Nacional do Desenvolvimento Econômico, as alternate.

Public speculation as to possible concrete advantages to Brazil arising from President Eisenhower's visit in February were conspicuously absent until a speech delivered in New York by Brazilian Ambassador Walther Moreira Salles. The press generally applauded his emphasis on the relatively small amount of grant aid received by Brazil and its good record in meeting its obligations.

The general category exchange auctions in Rio fluctuated within a relatively narrow range during January. The average high at the weekly auctions was Cr$192.64 to the dollar reached on January 23 and the low was Cr$187.01 reached the week following. In the special category auctions there was a steady increase during the month starting with Cr$410 to the dollar during the first week's auctions and ending with Cr$450.60 in the last auctions of the month.

In the free market the cruzeiro showed a steady strengthening during the month. The high was Cr$194 to the dollar, (check buying), quoted on January 4 and the low was Cr$185 quoted on January 29. The average for the month was Cr$187 in comparison with a December average of Cr$199.

The Finance Minister issued a directive maintaining the "fiscal dollar" for the month of February at the same rate (Cr$174) as for January. This rate is used in calculating import duties.

4. Industry Developments

A number of significant developments in the field of industry took place during the month.

The special exchange rate of Cr$85.92 per dollar accorded to motor vehicle manufacturers to import parts not manufactured in Brazil expired on December 31, 1959 and a new rate (Cr$206.92) was established for the period January 1 - July 31, 1960. This will result in an increase in production costs.

A jeep and a jeep station wagon, manufactured by Willys Overland do Brasil, were exhibited and received favorable local mention at the International Automobile Show held in Lima, Peru from January 8-17. This was the first time Brazilian-manufactured automotive vehicles had been displayed at an

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international auto show.

At its own request, Esso Standard do Brasil, Inc., the largest foreign distributor of petroleum products in Brazil, was granted the status of a Brazilian corporation by Presidential decree, and henceforth will be known as Esso Brasileira de Petróleo S.A.

Colonel Idálio Sardenberg, President of Petrobrás, told the press that he anticipated that Brazil would be self-sufficient in refined petroleum products by January 1961 and that self-sufficiency in the production of crude petroleum was not impossible by that time. Brazil's production of crude petroleum reached almost 23.6 million barrels in 1959, about 25% more than in 1958. At month's end newspapers carried stories based on statements from "reliable Government sources" that the possibility of US Government loans to assist in Brazilian petroleum development would be one topic discussed by President Kubitschek on the occasion of President Eisenhower's visit to Brazil in February.

On January 22, the large new factory of Bendix do Brazil Equipamentos para Automóveis S.A., a subsidiary of the Bendix Aviation Corporation and Bendix Westinghouse Automotive Air Brake Co., was inaugurated in Campinas, State of São Paulo; the factory will manufacture air brake systems for automotive vehicles. Several General Electric officials from the United States visited Brazil during the month to carry forward announced plans to construct an $8-10 million plant in Campinas to produce power transformers, circuit breakers and high-frequency motors.

Press reports from Recife stated that Phillips Petroleum and Koppers International had agreed to finance the dollar costs ($17.6 million) of a large synthetic rubber plant to be constructed at Cabo, Pernambuco, using excess sugar cane alcohol as a base material to produce 40,000 tons of "natural synthetic" rubber annually. Cruzeiro costs and capitalization of the company will be obtained by increasing the rate of the State sales and consignment tax, the State Government, commercial firms and consumers holding the capital stock.

Volta Redonda announced the inauguration of its third battery of coke ovens which will increase coke production in 1960 to 1,440 tons daily, thus making the steel mill self-sufficient in this important product. Although Volta Redonda's 1959 production of steel ingots only slightly exceeded that of 1958 (872 as against 811 thousand tons), company officials predicted more than a million tons for this year.



The National Economic Development Bank granted guarantees on the financing of a number of industrial projects during January. The $99 million guarantee for USIMINAS, the new steel mill being built with Japanese assistance in Minas Gerais, was the largest in the Bank's history. Other loan guarantees noted were: 7 million marks for a shipbuilding company to purchase equipment in Germany, $6 million to the Minas Gerais State Power authority to purchase equipment for the Três Marias dam project and 3.5 million marks for the purchase of German equipment to improve a salt company's operations in Rio Grande do Norte. The Bank also made loans totaling Cr$1.3 billion to four State agencies to promote the construction of cereal warehouses and silos under the Government's program of economic goals.

As the January 31 cut-off date for the submission of proposals to GEIA for the establishment of agricultural tractor plants in Brazil approached, it was noted that a Brazilian-Japanese company, recently formed in Belo Horizonte, as well as several American companies, had made the deadline.

In the electric power field, it was estimated that Brazil's installed capacity had exceeded four million kilowats in 1959 and Rio Light warned that the city of Rio de Janeiro would suffer a power shortage in 1961 if additional financing were not forthcoming to enable the completion of a hydroelectric plant to supplement the city's supply.

5. Transportation and Communications

There were several developments of note in the shipping field during the month. The National Tanker Fleet (FRONAPE) received another large (33,500 DWT) tanker, the fourth in this class already in commission, the first to be built by a Japanese shipyard. The Japanese firm is to deliver two more this year; a Dutch yard also will deliver one, its fourth, thus completing the FRONAPE order of seven vessels of this type totalling nearly 240,000 DWT. Lloyd Brasileiro also put into service another (the third) Polish-built, 6000 DWT freighter. The fourth and last ship of this size is scheduled to be delivered in Poland this year. In addition, most of the ten smaller (5000 DWT) freighters for coastwise service also included in the Brazilian-Polish coffee-for-ships deal should be in operation by the end of 1960.

At the end of January the Minister of Transport authorized the ordering from two Spanish shipyards of two 550-passenger ships for the state-owned coastwise shipping line. On the domestic side, President Kubitschek on January 31, the fourth



anniversary of his administration, presided over the ceremonies marking the laying of the keel of the first ship--a 1500 ton coastal freighter--to be constructed under the GEICON ship-building program which calls for an eventual annual production of nearly 150,000 DWT. In connection with this plan, GEICON started during January to canvass the capabilities of Brazilian industry to supply domestically equipment and materials needed for the shipbuilding industry which various participants in the GEICON program have indicated an intention to import.

In aviation, BOAC reinitiated its South American service--suspended since 1954 because of lack of aircraft following the Comet I failure--on January 26 with a Comet IV flight to Recife and São Paulo, and thence to Montevideo, Buenos Aires and Santiago. The carrier will have two flights per week along the route indicated. Pending completion of the work on extending the Rio International Airport at Galeão, BOAC is using the Cumbica military airport in São Paulo as its principal traffic stop. With respect to Galeão, the Air Ministry announced at the end of the month that the closing of all but 1650 meters (5400 feet) of the runway would be postponed until after the visit of President Eisenhower and his 707, the latter part of February. This represents a delay of a month in this phase, but the Air Ministry announcement stated that the full 3300 meters of the extended runway would be available for use by heavy jets at the end of June, the date originally set in the basic schedule established last December.

On the domestic side, the Civil Aeronautics Directorate began the execution of various directives issued in December to regulate and supervise air tariffs. These directives represent an effort to control some of the abuses which have contributed to the difficulties which Brazilian commercial aviation has been going through.

By the end of the month, four columns of vehicles, all produced in Brazil, were in motion toward Brasilia from the four points of the compass: Belem in the north; Rio de Janeiro in the east, Porto Alegre in the south and Cuiabá in the west. These "Caravans of National Integration", sponsored and organized, with government help, by various components of the domestic automobile industry, were designed to honor President Kubitschek on the fourth anniversary of his administration by demonstrating the feasibility of travel to Brasilia by highway from widely separated points and the capabilities of the automobile industry installed during the President's term of office. Quite naturally, the Belem-Brasilia column was receiving the greatest amount of the considerable publicity generated by the undertaking and was having the hardest time,

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although reports from the column indicated that the difficulties were not so great as expected.

Informal, preliminary estimates of the deficit of the Federal Railway System (Rêde Ferroviaria Federal) indicated that the 1959 deficit was somewhat more than 13 billion cruzeiros, an increase of about a billion cruzeiros over 1958. The rise in the deficit appeared to have been caused principally by greater labor costs brought about by the 1959 wage increases.

6. Coffee and Agricultural Developments

After a slow start coffee exports for January passed the million-bag mark (1,017,000 bags), or less than 73% of exports in January 1959 (1,400,000 bags). Since most coffees in export position were reportedly held by dealer-agents of the Brazilian Coffee Institute, other exporters were obliged to fill orders by purchasing at prices near the minimum export prices.

Excellent rains continued to fall in the coffee-growing areas and some trade estimates for the 1960-61 crop went as high as 24.6 million bags. At the beginning of the month estimates were around 20 million bags. The IBC informed the press that July-January registrations (1959-60 crop) were 39 million bags and that total registrations when known would probably not go much over 40 million bags.

Although coffee exports in 1959 (18 million bags) were nearly 50% higher than in 1958 (13 million bags), the 1959 income from such exports (US$750 million) was reported to be only about 10% higher than in 1958 (US$688 million).

The moving of most agricultural commodities to the free market category (SUMOC Instruction 192) was expected to increase exports of minor export crops in 1960. Coffee and cocoa which now account for more than 65% of Brazil's dollar export earnings are still exported at a rate of exchange which yields Cr$76 per dollar to exporters.

Prospects for the 1960 food crop appeared to be excellent. As new crop beans came on the market the retail price continued to fall from a high of about Cr$90 per kilo several months ago to around Cr$50 at the end of January. (By way of contrast, the average price of a kilogram of beans in 1958 was Cr$13). Prices should drop at a faster rate in February. In some localized areas corn was reported in surplus and in areas of a later planting date corn was reported to be doing well.

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Commercial national wheat will probably not exceed 350,000 metric tons for the 1959-60 year. The prospects for the 1959-60 flaxseed crop in Rio Grande do Sul was extremely good. The outlook for 1960-61 was for a crop of from 20-25,000 tons, compared to the average annual crop of from 5-8,000 tons.

The Federal committee looking into the question of the American beans imported by COFAP last year made public its report and implicated two high officials, Colonel Frederico Mindello, former COFAP president and now a director of Volta Redonda, and Sr. Ignácio Tosta Filho, head of the Bank of Brazil's Exchange Department (CACEX), and recommended that both men either resign from their present positions or be dismissed. At the close of the month both officials, having publicly denied participation in any irregularities in the bean case, were still holding their jobs.

During the month the President appointed Celso Furtado as head of the Superintendency for the Development of the Northeast (SUDENE). Furtado had been the leader of the Council for the Development of the Northeast, an executive-appointed group superseded by the new agency. He reportedly is determined to coordinate the now scattered and expensive Federal efforts in the drought area and to attempt substantial reforms. His appointment was considered in the press a defeat for the conservative forces now controlling in that region.

Unconfirmed press accounts stated that flagelados (1) have appeared in the municipality of Pesqueira, Pernambuco, some 250 kilometers from Recife, driven from their homes by drought. It is still too early in the season to predict whether lack of rainfall in parts of the Northeast will cause a drought of serious proportions.

7. Labor

The labor scene which during the closing weeks of 1959 (See December Economic Summary) was one of strikes and threats of strikes (airlines, shipping and several railroads), changed as President Kubitschek indicated in his annual New Year's message that further strikes with widespread repercussions on the economy would not be permitted. The President's remarks were generally interpreted by the press as amounting to a "get tough" policy, and while many newspaper editorials commended the policy, labor spokesmen expressed disapproval.

(1) Refugees from the drought areas.



Answering critics who claimed that the Administration had become anti-labor, Labor Minister Fernando Nóbrega told a large gathering of union officials on January 12 that although the Government was determined to maintain public order, it did not intend to pare down the degree of freedom which unions have obtained.

An example of the implementation of the policy announced in the New Year's message was provided by the settlement of the wage dispute between the Government-owned Leopoldina Railroad and the railway workers union. The union accepted a wage settlement (which it had previously considered unacceptable) and called off the threat of another strike. The union president was quoted in the press as saying that he was not happy about the settlement and that it had been forced upon him by the Government.

Besides the wage increases granted to the railway workers (Cr$3000 per month maximum for unskilled workers and lesser amounts for skilled workers), other groups received pay boosts:

Rio soap factory workers - 35% over November 1958 wages
Rio waiters union - 15% over present wages, but those employed in coffee bars agreed to wait until the price of a cafezinho, now Cr$1.50 in most bars, was increased by COFAP.
São Paulo State Government employees - 20% retroactive to January 1, 1960 plus another 10% effective July 1, 1960.

Federal Government employees association continued to push for a reclassification plan which would mean pay increases for many workers as well as other benefits.

At month's end it was noted that workers in Rio's food industry--sugar, milk and meat-- were petitioning for substantial increases which, if granted, would mean price rises in the three food products concerned. In Belo Horizonte employees of service stations were threatening to strike if a 50% wage increase were not granted.

The retail price of tires went up 12% in January and it was reported the National Petroleum Council would authorize an increase in the price of petroleum products, which have remained relatively stable for the past ten months.

8. Minerals

The mild interest in Brazilian iron ore properties, which had been going on for some time, continued although no



significant developments took place during the month. It appeared that SUMOC Instruction 192, which gives a free market exchange rate for iron ore exports, might provide an incentive which had not existed under the special category. The first overseas shipment of manganese ore from the URUCUM mine near Corumbá, State of Mato Grosso, was loaded at the transfer station at Nueva Palmira, Uruguay, for Sparrows Point, Md.

Three Russian engineers from the Soviet Institute of Schist, under a four-months' contract to a private Brazilian oil shale development company, arrived in Brazil January 18 to develop plans for the construction of a plant for the commercial production of gas from oil shale found on the "Fazenda Mombaça" at Pindamonhangaba in the State of São Paulo.

For the Ambassador,

LeRoy E. Colby

LeRoy E. Colby,
Economic Officer.

Approved:

William A. Fowler

William A. Fowler,
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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 797 DESP. NO. — February 12, 1960 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C-1

FEB 15 1960

SCS-1

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SUBJECT: WEEKLY ECONOMIC REVIEW No. 7 (February 5-12)

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* * *

1. Petrobrás Service Station in Brazilia:

The Embassy has learned that Petrobrás is installing a service station for the retail outlet of petroleum products including gasoline and lubricating oils in the new capital of Brasilia. One source said that the service station would be the largest in all Brazil and would be opened on April 21st, the day Brasilia becomes the nation's new capital. (OFFICIAL USE ONLY)

Comment: This will mark the entry of Petrobrás into the retail distribution of petroleum products, heretofore exclusively in the hands of private companies. In the regulations issued by the National Petroleum Council last June to govern the distribution of petroleum products within Brazil, provision was made for priority to be given to Brazilian companies, including Petrobrás, applying for new distributorships. At that time the President of the Petroleum Council told the press that there was no intention of removing the Brazilian subsidiaries of foreign petroleum companies from the distributing market. However, two American distributors have expressed the opinion that once Petrobrás gets "its foot in the door" it will expand its distribution activities,

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at the same time keeping the activities of present private distributing agencies from increasing, a device used in connection with private refineries several years ago. (OFFICIAL USE ONLY)

2. Oil Well Near Manáus:

The press quoted Petrobrás' Amazon Region Superintendent as saying that a new 1100-meter well located near Manaús, State of Amazonas, would be producing 40 barrels a day "within ten days", a quantity which justified commercial development per se and also for its "morale effect". The well is said to be the first commercial producer in nearly 50 holes drilled by Petrobrás in the Amazon area. (UNCLASSIFIED)

Comment: Apparently the official jumped the gun om Petrobrás in announcing the new discovery. One press account said that Petrobrás had wanted to keep the news out of the press until the oil was actually being piped into storage tanks, recalling the extensive publicity and ensuing disappointment several years ago surrounding the "discovery" of oil near Nova Olinda in the Amazon region. (OFFICIAL USE ONLY)

3. Another Presidential Speech:

On February 5, President Kubitschek again reviewed the achievements of his Administration, this time in a 2.1/2-hour television address which covered the Program of Goals in great detail as well as other major issues of his term in office such as Brasilia and the cost of living.

The speech was given extemporaneously and no text is available. However, press summaries state that he criticized the International Monetary Fund for attempting to reform Brazil's financial policy in a manner contrary to her interests and stated that Brazil did not owe a single dollar to any creditor in any part of the world. He also, in order to show that inflation is a world-wide phenomenon and support his contention that Brazil's cost of living increase has been one of the smallest in the world, read a selection from an unidentified British publication which allegedly placed Brazil in a better position than the United States, France and many others.

The President, despite this, cited the U.S. as an example to be followed by all, mentioning specifically the Hamiltonion policy of state assistance to development. (UNCLASSIFIED)



4. Inquiry into COFAP Practices:

According to the press the Minister of Labor has appointed a special commission of three attorneys to investigate irregularities allegedly committed by the price and supply control agency, COFAP, in the procurement and distribution of food products. The commission was requested by the President some weeks ago but reportedly the Minister had considerable difficulty finding people who would accept this task. (UNCLASSIFIED)

Comment: This commission should not be confused with a similar commission, now disbanded, which was appointed to investigate the scandal arising from the shipment to COFAP of some poor quality U.S. beans. About three weeks ago, that group reported that the principal officials responsible were Ignácio Tosta Filho, head of CACEX and Colonel Frederico Mindello, former head of COFAP, and recommended judicial action. The accusation against Tosta Filho has aroused numerous protests and the issue of future action is now under consideration by the Minister of Justice.

The bean case plus widespread distrust of COFAP led to the broader inquiry now instituted. (OFFICIAL USE ONLY)

5. Currency Outstanding:

Currency outstanding on January 31, 1960 totalled Cr$154,616 million, a slight decline of Cr$5 million since December 31, 1959. During January 1959 currency issued had declined approximately Cr$3 billion and in the first month of 1957, 1956 and 1955 between Cr$2 and Cr$2.5 billion had been withdrawn from circulation. (UNCLASSIFIED)

Comment: The absence of a sharp decline in currency issue in 1960 contrasts strikingly with previous years and at first glance suggests a continuation of the heavy cash expenses of the last months of 1959. However, it may be that the government is deliberately holding currency at this time in order to reduce the amount of issues required later in the year and thus to avoid the criticism that such issues inspire. (OFFICIAL USE ONLY)

6. Increase in Exchange Agios:

Brazil's Payments Agreement with Japan terminated on January 15, 1960. This was followed by an announcement that hereafter exchange for Japan would not be auctioned separately but would be included in the regular U.S. dollar auctions. The total dollar offerings were not increased and at the first auctions in Rio



under this system on February 9, the general category average rose by Cr$11 to Cr$199.5 to the dollar and the special category average rose by Cr$24 to Cr$480.00 to the dollar. (UNCLASSIFIED)

Comment: This sharp rise in the agios provoked considerable press comment and it is rumored that the government has decided to increase the total offerings, perhaps by half a million, in order to counteract the increased demand caused by the inclusion of Japanese imports in the U.S. dollar auction. (UNCLASSIFIED)

7. Free Exchange Market:

The cruzeiro weakened slightly during the past week. The low was Cr$183.50 to the dollar (check buying) on February 5 and the high was Cr$185.50 on February 11. (UNCLASSIFIED)

8. Coffee Exports:

Coffee exports for the first ten days of February were reported to be 451,419 bags. (UNCLASSIFIED)

Comment: This is considered to be a very good rate of export and, if it continues, exports for the month will again pass the one-million-bag mark. (UNCLASSIFIED)

9. Rio Trade Fair May Come to Life Again:

It is understood that plans are underway to try to revive this fair with an opening date perhaps as early as May but no later than September 1960. The coordinating committee is now working on a "new plan". (OFFICIAL USE ONLY)

Comment: President Kubitschek reportedly is determined to see this show opened before the elections in October.

There is still very little sentiment among business circles in favor of a trade fair this year, and general foreign government participation would be difficult on such short notice. Assuming bloc countries other than Communist China are invited, some of them might, however, be able to move quickly enough to participate (e.g. Soviet exhibit now showing in Havana). The Fair organization is believed to be virtually without funds and, without substantial government backing, probably would not be able to stage the fair. (OFFICIAL USE ONLY)



For the Ambassador,

LeRoy E. Colby
Economic Officer

Approved:

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

Contributors:
Items 1,2 - LEColby
Items 3,4,5,6,7 - RGWalker
Item 8 - REAdcock
Item 9 - DSEgan

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0571

Air Pouch
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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

281
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 12, 1960
DATE

REF : CERP C - General Interest

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REP-1 ARC-3 E-7 ECA N AFN-4 HGB Cur-1
	REC'D 2-16-60	INFO OTHER CIA-10 TR-3 IRR-3 RAM-2 4 LAB-6 Army-4 Navy-3

SUBJECT: Weekly Economic Review (February 5,- 11, 1960)

BEGIN UNCLASSIFIED

Index

1. Quadros Statement Refuted that Withdrawal of Rubber Import Monopoly Detrimental to Amazon Credit Bank
2. Volkswagen do Brasil to Export Vehicles to the United States
3. Aços Villares Inaugurates Steel Forge
4. Manpower Division Created in State Department of Labor

An editorial published in the Correio Paulistano of February 10, refuted the remarks made by Janio Quadros (see despatch 263 of January 29, 1960) that the Amazon Credit Bank lost profits totaling 400 to 500 millions of cruzeiros when its monopoly of rubber imports to cover domestic production deficiencies was withdrawn. It pointed out that the Bank had made money on rubber imports because a subsidized exchange rate made the laid-down cost of the foreign rubber lower than the domestic market price for Brazilian rubber at which it was resold to consumers. When the subsidized exchange rate was eliminated the Bank's profit automatically disappeared and the Bank itself said it did not have the funds to finance the imports at the much higher exchange rate (roughly 220 instead of the 80 cruzeiros to the dollar). The press article then added that the profit of 400 to 500 million cruzeiros formerly made by the Bank not only was shifted to the federal government, through the change in exchange rate, but the federal government was receiving an additional Cr$3.7 billion a year.
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Comment: It appears likely that the press article was inspired by the rubber industry. The industry apparently wanted to set the record straight in order to diminish the possibility of the monopoly being restored for political reasons if Janio Quadros is elected the next president of Brazil. It will be recalled that during the monopoly industry had to slow down production because of periodical shortages of raw rubber. END OFFICIAL USE ONLY

BEGIN UNCLASSIFIED

Volkswagen do Brasil to Export Vehicles to the United States

Mr. Sidney Lattini, executive secretary of the Executive Group of the Automotive Industry (GEIA) was reported by the local press to have declared that

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Volkswagen do Brasil S.A. will export locally manufactured motor vehicles to the United States at the rate of 50 units monthly starting March 1960.
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Comment:

An officer of Volkswagen do Brasil S.A. confirmed that the company intends to export to the Volkswagen Corporation of America in the United States a total of 300 vehicles between March and July 1960. The vehicles are the "Kombi" combination delivery van-panel truck which are manufactured by them at São Bernardo do Campo, São Paulo. The tentative export price is US$1500 port of entry Atlantic Coast and slightly higher for delivery at port of entry Pacific Coast. In view of the high ocean freight charges to the United States (US$470.00 to US$520.00), Volkswagen will not make any money on the transaction. In fact, it is only going through with it because of (1) the propaganda value to the company and the Kubitschek Administration, and (2) it hopes to be permitted to use part of the dollar proceeds from the exportation of these vehicles to import from Germany parts not yet produced in Brazil and required for inclusion in the locally manufactured vehicles. In order to hold costs down to a minimum, Volkswagen is trying to obtain exemption from the State sales and consignment tax on vehicles to be exported. Exports are already exempt from the Federal consumption tax.

Volkswagen do Brasil S.A. does not intend to export vehicles to the United States after July 1960. By then, practically the entire "Kombi" will be made from domestic parts and the domestic parts content of the passenger car (at present 65 per cent) will be close to 85 per cent, so that the need for imported parts will have been reduced considerably. END OFFICIAL USE ONLY

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Aços Villares Inaugurates Steel Forge

Aços Villares S.A., an important manufacturer of special steels, inaugurated a heavy steel forge on February 9. The principal units of the new forge are a 2,000-ton capacity high-speed hydraulic press--reportedly the only one of its kind in Latin America--manufactured by the Danish firm, Atlas A.S. of Copenhagen, and a manipulator with a capacity for ingots of up to six tons, manufactured by the Alliance Machine Co. of Alliance, Ohio. Only eight men are required to operate the equipment.

Comment: Aços Villares S.A. purchased the press against a loan extended by the National Economic Development Bank. The manipulator and auxiliary equipment was purchased in the United States under Export-Import Bank financing.

Manpower Division Created in State Department of Labor

On February 10 before a large gathering of trade union leaders Governor Carvalho Pinto signed a decree which created a manpower division in the São Paulo State Department of Labor. According to Dr. Paulo MARZAGRO, State

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Secretary of Labor, the new division will concentrate on training industrial supervisors, developing statistics on the labor force, orientating and placing unskilled migrant workers coming into São Paulo especially from the Northeast, and writing job descriptions, job classifications and a dictionary of occupational titles.

In a few brief remarks Governor Carvalho Pinto stated inter alia that the creation of the new division is part of his Plano de Ação (Plan of Action) which calls for a complete reconstruction of the State Department of Labor. Dr. Marzagão pointed out that the new division would go a long way toward making the State Department of Labor a positive and constructive force, and no longer a mere inspection agency simply reporting on violations of Federal labor laws. The Consulate General's labor officer and Mr. Roberto Wilson, Technical Director of Industrial Education USOM, attended the ceremony.

William P. Cochran, Jr.
Consul General

0574

AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belem, Para, Brazil
18
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.
February 12, 1960
DATE

REF : CERP Requirement Section C, Item 2.

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REPA IAC-8 E-3 ARA-4 EUA-11 USIA 10 CA-4 Navy-3
	REC'D 2-18-60	INFO OTHER CIA-10 TR-3 FRB-3 NME-4 TAB-2 AGE EH-7 LAB-6

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - JANUARY, 1960 OSD-4 Army-6

SUMMARY

Local merchants are now looking forward to Carnival sales with their shop windows full of Carnival suits, masks and other paraphernalia. Up to the end of January a good volume of sales was expected. Almost all at once several vessels coming from southern ports arrived in Belem bringing about 500,000 packages of assorted merchandise consigned to local businesses. It alleviated the shortages, but prices are still not attractive, going up as soon as the goods are released for consumption. The fresh meat situation has not improved; any larger amounts appearing on the market are being sold at a considerable higher price than that specified by law. Credit has been tightened during January, although not to an extent that would cause great difficulty to industry and commerce. A petroleum derived products terminal, property of "Amazonia - Derivados de Petroleo S.A.", located at Miramar some five miles from center of Belem, is ready for operation and will start delivering asphalt to this area at prices much below the usual rates paid to bring this product from the southern points. The shortage of coffee in Belem is now over with the arrival of 72 thousand bags of this commodity. The same has happened with wheat flour, namely that with recent shipments of raw wheat received from southern Brazil and U.S., the local distributing mill has a supply assured up to next March.

The Para State Government started on January 1 the campaign "Seu Talão Vale Um Milhão" only for the Belem municipality; this has brought about greater efficiency in the collection of sales and consignment taxes by the State Government. The Banco do Estado do Para has been duly approved by the State Legislature and its president and directors nominated by the State Governor; with its capital of 50,000,000 cruzeiros already subscribed, the inauguration of the bank's office is expected very soon. Financing was somewhat tightened during January, but it will be eased by March. The cruzeiro showed a slight reaction in the free [illegible] the beginning of the month with Cr$192 to one US dollar; at the end of the month it was at Cr$181 to one US dollar. Prices of supplies and other utilities are progressively going up.

On January 23, the Belem-Brasília highway, now officially named "Bernardo Sayão", was travelled by a caravan composed of 80 Brazilian-built vehicles carrying over 200 persons, which took a week from Belem to Brasilia.

Imports continue/

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Imports continue negligible, while exports are active through the port of Belém.

The "Divisão de Defesa Sanitaria Animal" in Belém is warning neighboring farmers about the incidence of "New Castle" poultry disease; steps to combat this plague have been taken by the State Production Department and the agency of the Ministry of Agriculture.

The political circles of this State as well as in the whole country have deeply felt the death of Pará Senator Dr. João Guilherme Lameira Bittencourt; his sudden demise is considered a great loss for the Amazon Valley.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Merchants are now actively engaged in Carnival sales. Christmas articles and ornaments that were shown in the windows up to the last day of 1959, have now been replaced by Carnival masks, tambourines and materials for disguises. It is estimated that a good volume of sales was obtained during January the same being expected for February.

Food stuffs and other merchandise have been received in large quantity. By the middle of January there were thirteen (13) ocean going vessels from southern ports docked at Belém, which unloaded about 500 thousand items of miscellaneous cargo destined for local outlets. Prices however, continued going up.

The fresh meat situation continues almost the same as reported for the past two months. There has appeared a larger, although not sufficient, quantity of fresh meat on the market but the price is considerably higher that that prescribed by price regulations.

During January 1960 credit was kept at a medium level; if not tight, it was easy either. Notwithstanding, merchants and dealers seemed to accept the situation as somewhat satisfactory.

The "Amazonia - Derivados de Petroleo S. A." is a new company organized in Belém with local capital, which is going to operate a petroleum derived products terminal in this city. Its terminal will be furnished with two asphalt storage tanks with capacity for 2,000 tons of asphalt each. These tanks are ready to receive a shippent of asphalt totaling 1,600 tons from the refineries Ipiranga (Rio Grande do Sul) and Cubatão (São Paulo), which is being transported by the tanker "Rio de Janeiro" of the "Fronape" and due to arrive in Belém at the beginning of next week. It is expected that with this new facility there will be no more shortage of asphalt in this region, and that it will be sold at reasonable prices.

During the first week of January there occurred a shortage of coffee in Belém. Ground coffee brought in from Rio de Janeiro and São Paulo by air transportation reached 120 cruzeiros a kilo at the black market. By January 15 the agency of the Instituto Brasileiro do Café - IBC, received two shipments

totalling 72 thousand/



totalling 72 thousand bags which were immediately put on sale for roasters and dealers. At present ground coffee is being sold at 45 cruzeiros a kilogram. The same thing happened with regard to wheat which has been in short supply since the latter part of December 1959. Fortunately the local mill belonging to Ocrim do Brasil S. A. received shipments from southern Brazil and the United States thus assuring a supply of wheat flour and other wheat products at least until March of the current year.

F I N A N C E

The State Government, through its Secretariat of Finance, has initiated in Belem the campaign "Seu Talão Vale Um Milhão" following the same methods used in Rio de Janeiro with great success. It may be said that around 40% of the local merchants, used to stratagems to avoid paying sales and consignment taxes, received this measure with complete dissatisfaction. However, the population, alerted by administration officials has pressed the merchants to give a receipt for every sale which they will be able to exchange for lottery tickets with drawings twice a year with 155 prizes, the first one in the value of one million cruzeiros. This, of course, has increased State revenues substantially since January the 1st. It is reported that an increase of 5 million cruzeiros was verified in January 1960 in the collection of sales and consignment taxes over the collection performed during December 1959 that reached 100 million cruzeiros. With a more vigilant attitude on the part of both government officials and the people itself, it is expected that for the coming months the State revenue will go up considerably.

The creation of the Banco do Estado do Pará S. A. by action of the State administration is a positive fact. With approval from the State Legislature, on January 11, State Governor Moura Carvalho appointed as its president Dr. Otavio Augusto de Bastos Meira, a distinguished lawyer, professor at the local Law School, who was formerly State Governor alternate, and president of the Amazon Credit Bank; two directors were also selected, Drs. Francisco de Paula Valente Pinheiro and Wanderley Normando, both occupying high positions among Amazon Credit Bank executives. At the same time Governor Moura Carvalho released the sum of 25,500,000 cruzeiros corresponding to the government's share of 51%. With public subscriptions the bank has already received the sum of 50,000,000 cruzeiros, this being the initial capital with which it will start its activities in this State. Selection of a good building to install the bank's office as well as organization of its board of directors and staff are being undertaken.

During the month of January the banks in this State reduced by about 30% their financing of industry and commerce, with the excuse that they were revising their financing policies for 1960. It is commented that starting next March most of the credit establishments in Belém will again finance industry and commerce on a 100% basis, unless otherwise forced by unforeseen circumstances.

During January 1960, the situation of the cruzeiro in the free market was as follows: at the beginning of the month, Cr$192 for purchase and Cr$198 for sale; at the end of the month, Cr$181 for purchase and Cr$186 for sale, to one US dollar.



totalling 72 thousand bags which were immediately put on sale for roasters and dealers. At present ground coffee is being sold at 45 cruzeiros a kilogram. The same thing happened with regard to wheat which has been in short supply since the latter part of December 1959. Fortunately the local mill belonging to Ocrim do Brasil S. A. received shipments from southern Brazil and the United States thus assuring a supply of wheat flour and other wheat products at least until March of the current year.

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one US dollar. The fluctuation in this period was Cr$181 for purchase and Cr$186 for sale, the lowest; Cr$192 for purchase and Cr$198 for sale, the highest, for one US dollar. Continued demand for US dollars has been reported by the local banks. Domestic and foreign bank collections have been reported normal during January 1960.

Personal financing has been adversely affected during January 1960, on account of progressive increases in price of utilities and supplies.

TRANSPORTATION & COMMUNICATIONS

On January 23, in accordance with a plan drawn by the Federal Government the "Caravana Norte da Integração Nacional" composed of about 60 vehicles (buses, station wagons and jeeps of Brazilian manufacturing) carrying over 200 persons (officials, guests and technicians), left Belem for Brasilia on the highway "Bernardo Sayão". It is reported that the trip was slow but safe regardless of the condition of certain stretches of the road which are still in construction. It is reported that Rodobrás will spend more than one billion cruzeiros in 1960 to complete this highway.

IMPORTS AND EXPORTS

During the month of January 1960, imports contined negligible with only a shipment of wheat in grain in a total of 4,200 tons. Export business was active with shipments to Europe, USA and Argentine of black and white pepper, raw skiins, lumber, balata and massaranduba gum, through the port of Belém.

AGRICULTURE

The "Divisão de Defesa Sanitaria Animal", an agency of the Ministry of Agriculture in Belém, has announced that the "New Castle" poultry disease is present in this area, with epidemic characteristics. Farmers around the city have been warned out to vaccinate their flocks, ao as to prevent a drop in the supply of poultry and eggs to the population. The State government through its Production Department jointly with the "Divisão de Defesa Sanitaria Animal" are taking the required measures.

P O L I T I C S

On January 26, the State of Pará, as well as the whole country, lost a great man in the person of Senator João Guilherme Lameira Bittencourt. Since 1930 he always fought for the new republic and in Pará he always followed the politival line of the Partido Liberal, which later became the Partido Social Democratico (PSD) section of Para. Everybody in the State, even the opposition, deeply felt thepassing of Senator LameiraBittencourt, as he was a man keenly aware of and vitally interested in the many problems of the Amazon Valley. Candidate to the State Government in the next elections, he would have been an almost sure winner.

A. José DeSeabra
American Consul

c.c. to Amembassy, Rio de Janeiro, Brazil.

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AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : AmConsulate, Curitiba, Brazil
DESP. NO. 34

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE February 16, 1960

REF : CERP Section C 2

FEB 16 1960

520 For Dept. Use Only	ACTION	INFO	DEPT.
	Con-12		Rio-1-SRC-8-ARA-4-PCA-11-E-3-
	REC'D 2/22		OTHER Cin-10-TP-3-FRB-3-TAR-2-AAB-6-Ag 8

SUBJECT: ECONOMIC SUMMARY FOR JANUARY, 1960

AM-7 05 E 4-Army-6
Navy-3-XMB-4-ELSIAE/O

I SUMMARY

The first month of the new year in Paraná and Santa Catarina was very much like the last month of the old year. The ports of Paranaguá and Antonina remained paralized. Warehouses are bursting with coffee. Curitiba is crowded with coffee trucks waiting for spaces in warehouses to deposit their cargoes. Discontent and resentment against the Federal Government's coffee policy continued to grow and the Government continued to promise it would do something to remedy the situation.

Statistics showing a 50% increase in the cost of living during 1959 served to support the demands of union leaders in Curitiba for an equally large adjustment in salaries. Retail prices remained fairly steady in January, however.

The Polish Commercial Attaché in Rio visited Curitiba and was received by the acting Governor, the state Secretary of Works and officials in Parana business circles. To no one's surprise he emphasized Polish-Brazilian friendship and advocated an expansion of trade between the two countries.

Another visitor was the President of the International Telephone and Telegraph Company.

There were indications that Foz do Iguaçú, already a well known tourist attraction in Brazil, might become better known with the construction of a landing strip capable of accommodating jets.

II AGRICULTURE

832.00/2-1660

LWS

George M. Scanlan:bb
REPORTER

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II AGRICULTURE

1. Coffee

During January only 36,000 bags of coffee were exported from Paranagua. More than 7 1/2 million bags are stored in the port. Costa Lima, President of the Brazilian Coffee Institute, visited Curitiba briefly during the month and said the stoppage of coffee exports was necessary to avoid damage to the price of coffee on the international market. He added that he hopes February and subsequent months would make up for "time lost" in the other months of the coffee year. The press was highly skeptical. SOURCE: All papers.

COMMENT: Thus far February has not made up for "time lost" and there is no indication it will. Unemployed dockworkers in Paranagua have neither money nor credit and if something is not done soon to provide them with work it is possible they might take matters into their own hands.

2. Lumber

Exporters of finished wood products have also been hit by the port tie-ups. With very few ships calling it's almost impossible to get the wood out. The biggest blow to the lumber industry continues to be Argentina's suspension of purchases. The Executive Secretary of the Parana Commercial Association estimates that there are 1,800,000 dozen lumber boards stocked at Atlantic ports for lack of buyers. However, the President of the Parana lumber trade syndicate is optimistic that with Argentina's lumber supply reduced to almost nothing and with improvement in her economic situation, exports to Argentina will pick up. In addition a Parana lumber mission is going to Buenos Aires to negotiate a reduction in the conference sea-freight rate from U.S. $3.50 per thousand board feet to $20.00. SOURCE: All newspapers.

COMMENT: Opinion is mixed on when Argentina will recommence purchases of wood. Some say almost immediately, others May or June. There are no signs that exports will pick up this month or early March.

3. Wheat

Wheat producers in Santa Catarina and Parana are pleased with the Federal Decree of December 24,1959, providing for transportation, distribution and storage facilities within areas of predominant production. The February 10 wheat census, the purpose of which is to establish just what are today's wheat production centers, will probably result



probably result in federal measures to increase milling and storage facilities in Paranagua. SOURCES: "O Dia", and "Diario do Parana", January 30, 1960.

III MINERALS

Petrobras will install a pilot plant for the exploitation of bituminous schist in São Mateus do Sul, southern Parana. If analysis of the schist is positive, a plant will be built by 1962 with a capacity of 10,000 barrels of oil a day.

It is believed that in an area of 200 million square meters 100,000,000 barrels of oil exist. SOURCES: "Gazeta do Povo", January 29, 1960.

IV LABOR

With the new year, and the publication of statistics showing a cost of living increase of about 50% during 1959, the clamor for wage increases was intensified. The coffee packers agreed to a 30% increase after demanding 90% (a demand which the head of their own union described as "absurd"); warehouse workers are asking for 30%; milling and bakery workers want 30 ; trained laborers in the civil construction industry were granted a 30% increase, untrained laborers, 18%; bus drivers will now receive 7,000 cruzeiros a month and conductors 5,000. Waiters are demanding a rise of 60%, but their employers claim the waiters receive big tips and don't need a salary increase.

A study put out by the State Department of Statistics (Paraná) showed an increase of 42% in food prices during 1959. The study allegedly demonstrates the accuracy of Engel's law (the lower the family income, the greater the percentage of income spent on food) although how it does so is nowhere apparent. Meat went up 65%, bread 22%, rice 34%, butter 29% and beans 233%. Bean prices, which have been relatively steady for the last two months, are expected to decline as the result of a very big crop. SOURCES: "Estado do Parana", January 17,1960, and all other newspapers.

V FOREIGN TRADE AND COMMERCIAL POLICY

1. Polish Commercial Attaché Zygmunt Starzinski visited Curitiba and spoke with the acting Governor of Parana, the Secretary of Public Works and members of the Parana Commercial Association. His theme was the development of trade relations. Starzinski said a barter of Parana cotton for Polish helicopters was under discussion. He also said Poland was very interested in seeing the Port of Paranagua dredged so that it could accommodate larger ships.

Paraná's share of

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Paraná's share of Poland's coffee imports from Brazil last year was only 200 tons (out of over 5000) but Starzinski was hopeful that Poland would buy at least 1000 tons from Paraná in 1960. Last year Poland sold 5 ships to Brazil and this year it hopes to sell 7. SOURCE: Diario do Parana, January 13, 1960.

COMMENT: This area has a very heavy Polish population so Starzinski's efforts to visit friends and influence people were not surprising. The press reported his visit very thoroughly and even sympathetically. The Secretary of Public Works, Ladislau Lachowski, is of Polish origin, which may explain his role in the ceremonies and interviews during Starzinski's visit.

2. The President of the International Telephone and Telegraph Company, Mr. Harold Geneen, also visited Curitiba. The visit was well covered in the press and Companhia Telefonica Nacional (an I.T.T. subsidiary) held a buffet in his honor. Geneen avoided public comment on the company's difficulties with the local government which will not permit an increase in telephone rates. SOURCE:(All papers, personal observations.)

3. The "nationalization" of Esso Standard drew little comment in the local press. One columnist however, (Estado de Santa Catarina, January 6, 1960) described the nationalization as a trick to counteract Brazil's "legitimate nationalistic interests." He also inveighed against the "Chicago Meat Trusts" (Wilson, Armour, Swift) for the standard reasons.

VII TRANSPORTATION AND COMMUNICATION

1. A 120 kilometer section of the Curitiba-São Paulo highway was opened on January 15. The road will not be completed until at least September. The auto trip between the two cities now takes about nine to ten hours over bad roads for the greater part of the way. When BR-2, as the highway is called, is completed, the trip will take only six hours.

2. The Ministry of Air has allocated 20 million cruzeiros to start construction of a jet landing field near Foz do Iguaçu, a popular tourist attraction in western Parana. Real Airlines maintains a hotel near the Falls, and claims that it is about 90% full most of the time. There are gambling casinos on the Uruguayan and Argentine sides of the falls, which add to the allure. Our informant said Pan American might divert it's 707 jets from Asuncion to Foz do Iguaçu when the landing strip is completed. At present, Pan American makes a refueling stop at Asuncion. SOURCE: Conversation with official of Air Force.

COMMENT: The state of Paraná



COMMENT: The state of Paraná has recently agreed to assist in the construction of the field. The falls of Iguaçu are higher than Niagara and would certainly be a point of interest to Americans heading south to Buenos Aires or north to New York.

Edward H. Rowell
American Consul

cc: Supervising Consul General
American Embassy, Rio de Janeiro

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 814 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 19, 1960 (DATE)

REF : CERP C-1

FEB 19 1960

For Dept. Use Only | ACTION: Com-12 | REC'D: 2-23-60 | INFO DEPT.: RCPI IRC 15 ICAA E 6 ARA 5 HMB-6 FAA 5 AGR 3 | OTHER: USIA 10 OSD-2 Army-35 Navy 30 Air-30 CIA 16 OCD-2

SUBJECT: WEEKLY ECONOMIC REVIEW No. 8 (February 12-19) FPC 3 XMB-4

INDEX

1. Wages and Prices
2. Rio Light Gets Loan from City
3. Increase in Port Charges in Rio de Janeiro
4. Wheat
5. Petroleum Meeting in Mexico
6. Coffee News
7. Increase in Dollar Exchange Offerings
8. Executive Director of Inter-American Bank
9. BNDE's Desire for Development Loans from the US and Increased Relations with Communists
10. Pre-Inaugural Flight of Braniff Boeing 707.

* * *

1. Wages and Prices

Wage negotiations were in progress in a number of industries in Rio and elsewhere in Brazil. The oil-products distributors - among whom Ipiranga, Esso, Atlantic Refining, and Shell are major firms - were being requested to raise wages by 35%. Negotiating for some 200,000 retail clerks, the Rio Commercial Workers Union rejected an offer by the Merchant's Association for a 25% wage increase over the last contract. Likewise, the chemical industry workers also wanted a 50% increase over the last contract (which would amount to 20% more than present wages). Rio brewery workers settled for a 25% increase over present wages.

Dairy workers joined the dairy industry in urging the Government to permit an increase in the price of milk. A wage dispute between bakery companies and their employees was being arbitrated by the Labor Court. Anticipating that the decision would oblige them to raise wages, the bakeries had petitioned for an increase in the price of bread. (UNCLASSIFIED)

DSEgan/jw (REPORTER) | OFFICIAL USE ONLY

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Comment: In nearly all cases, unions cited rising prices as the basis for their wage demands. In this connection, the rate of increase in prices has slowed down: the Vargas Foundation's cost of living index registered an increase of less than 1% for January over December. However, if various price increases were authorized as a result of wage increases, this would doubtless contribute to a further upward movement in the index.
(OFFICIAL USE ONLY)

2. Rio Light Gets Loan from City:

The municipal government of the Federal District granted a Cr$40 million loan to Rio Light for payment of salary increases of streetcar employees pending since the first of the year, according to news articles appearing in the local press. (UNCLASSIFIED)

Comment: This only postpones the inevitable increase in fares needed by Rio Light to meet operating expenses. Apparently the municipal government is reluctant to authorize fare increases at present because of possible demonstrations by students and other groups. (WER No. 6)
(OFFICIAL USE ONLY)

3. Increase in Port Charges in Rio de Janeiro:

A 30% increase in all port charges in Rio de Janeiro except those for internal warehousing became effective on February 15. The directive of the Ministry of Transport & Communications which authorized the increase at the request of the Rio Port Administration also stated that by May 1960 a new schedule of charges for the port would be submitted for approval and that the charges would be equivalent to the actual cost of the services rendered. The income from the higher charges is intended to meet the cost of wage increases already granted to port workers and of a reclassification (and upgrading) of port personnel. The Administration of the Port of Rio de Janeiro had a deficit of 300 million cruzeiros in 1959, caused principally, according to port authorities, by higher wage costs.
(UNCLASSIFIED)

4. Wheat:

On February 15th the Wheat Commission issued Resolution No. 16 authorizing the importation of 2,000,000 tons of wheat, duty-free, during calendar year 1960. This compares with 1,800,000 tons authorized in 1959.
(UNCLASSIFIED)

Comment: Wheat supplies are extremely low. One mill operator said that if wheat did not begin arriving soon, there would be a "national scandal" about wheat. National wheat is not moving and



producers have not agreed to the price of Cr$750 per bag. It is possible that the price will be raised to Cr$870.00.

80,000 tons of Argentina wheat are contracted, but are not moving due to the dock strike in Buenos Aires; Continental Grain won a bid on 11 February for 100,000 tons of U. S. P. L. 480 Hard Winter No. 2. The Wheat Commission issued Edital 3/60 for 80,000 tons more of Argentina wheat on 12 February; a new Edital 4/60 was issued on 17 February for 100,000 tons more of P. L. 480 wheat; therefore, there are 360,000 tons of wheat in the pipe-line--180,000 contracted and 180,000 tons on bid call. (OFFICIAL USE ONLY)

5. Petroleum Meeting in Mexico:

The press reported that the heads of the state petroleum entities in Venezuela, Brazil, Argentina, Chile, Bolivia and Peru would meet in Mexico City next month by invitation of Sr. Pascual Gutiérrez Roldán, President of Petróleos Mexicanos (PEMEX), Mexico's state petroleum entity. It was stated that Colonel Idálio Sardenbegg, Petrobrás President, possibly accompanied by several directors, would attend the Mexico City meeting. (UNCLASSIFIED)

Comment: The purpose of the meeting has not yet been made public. The meeting was undoubtedly set up by PEMEX officials on the occasion of Mexican President López Mateos' recent visit to the six countries concerned. One earlier press account indicated that Colonel Sardenberg might go to Mexico in March to discuss the possibilities of stimulating trade between the two countries involving petroleum products. (OFFICIAL USE ONLY)

6. Coffee News:

Coffee exports for the first fifteen days of February were reported to be 735,537 bags. Last week observers were talking in terms of "another million-bag month", but predictions are now going as high as 1,400,000 bags for the month. February exports appear to be exceeding expectations. (UNCLASSIFIED)

I.B.C. is said to be concerned about Russia's ability to utilize the amounts of coffee that are planned to be imported. The lack of roaster facilities in Russia is leading to greater interest on the part of Brazil to ship roasted and soluble coffee. Since Brazil does not have the facilities to process coffee in large quantities at this time, it is rumored that new plants will be established. (UNCLASSIFIED)



Comment: This is not a new development, as Renato Costa Lima has pointed out the desirability of Brazil processing coffee since the first month of his appointment to the presidency of I.B.C. It does, however, appear that the time of action may be approaching.

Brazil exported 52,000 bags to Russia in 1959, but for 1960 under the recent trade plan, it is proposed to ship 333,000 bags. The plan calls for 480,000 bags in 1961 and 666,000 in 1962. (OFFICIAL USE ONLY)

7. Increase in Dollar Exchange Offerings:

As anticipated by many (see WER 7) the Exchange Department decided to compensate for the effects of transferring exchange for Japanese imports to the US dollar auctions and increased the weekly dollar offerings by placing an additional $300,000 in the general category auctions held on February 16. This brings the total weekly dollar offerings throughout the country to $6,300,000. This increase was presumably the cause of a drop of approximately Cr$7.00 in agios at the dollar auctions held in Rio on February 16. The agio for that auction was Cr$192.63 to the dollar as compared with Cr$199.52 the week before. (UNCLASSIFIED)

Comment: This move illustrates the Administration's continuing sensitivity to factors tending to increase prices directly and its unwillingness to take advantage of opportunities to conserve its official foreign exchange. (OFFICIAL USE ONLY)

8. Executive Director of Inter-American Bank:

At the meeting of the Board of Governors of the new Inter-American Development Bank on February 16, Cleantho de Paiva Leite was among the six Latin Americans elected as executive directors. Sr. Leite has been for several years a director of Brazil's National Bank for Economic Development and was one of the principal negotiators in the discussions for the establishment of the new institution. (UNCLASSIFIED)

Comment: Sr. Leite has long been associated with those pushing Brazil's development at almost any cost as well as with those who appear to believe that U.S. support of this development should be forthcoming in large amounts without strings or prerequisites. It has been reported that he will serve as the economic advisor to Marshall Lott during his campaign. (OFFICIAL USE ONLY)



9. BNDE's Desire for Development Loans from the US and Increased Relations with Communists:

In an interview with a reporter for Ultima Hora, the President of the Banco Nacional de Desenvolvimento Economico, Lúcio Meira, stated that the BNDE is suggesting that the Administration discuss with President Eisenhower "loans and financings to permit the continuation of our government's development policy". He said that talks during President Eisenhower's visit would also relate to the increase of commercial relations between the two countries and "a still better understanding as to international policy". He went on to say that he believes important agreements of mutual interest will be negotiated at that time.

In the same interview Meira mentioned the desirability of greater contact with the Soviet Union and the establishment of relations with Communist China, stating that both countries offer great opportunities for Brasil's exports. In this connection he is quoted as saying that it "would be very desirable for the government to make every effort to have Prime Minister Nikita Krushchev visit Brazil in the near future. (UNCLASSIFIED)

Comment: Meira's comments are consistent with previous statements to the effect that all possible should be done to speed Brazil's development and to expand her trade relations. Although his statements on likely topics of discussions during President Eisenhower's visit are not authoritative, they probably reflect his own recommendations to President Kubitschek.
(OFFICIAL USEOONLY)

10. Pre-Inaugural Flight of Braniff Boeing 707:

A Boeing 707-227 of Braniff International Airways, with a distinguished group of VIP's aboard, arrived in Rio de Janeiro on February 16 on a flight previewing its "Jet Super El Dorado" service which the company intends to begin in April.
(UNCLASSIFIED)

Comment: The press coverage of the Braniff flight was good but not so heavy as that received by BOAC's reinitiation of its service to South America (WER No. 5). The Embassy understands that some PAA officials are concerned that Braniff beat PAA to the punch in putting a US commercial jet into Rio. (OFFICIAL USE ONLY)

For the Ambassador,

Douglas S. Egan,
Commercial Attaché

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs.

Contributors:
Item 1 - DPMann
Items 2,5 - LEColby
Items 3,10 - JHCrimmins
Item 4 - FMMilam
Item 6 - REAdcock
Item 7,8,9 - RGWalker

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

289
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 19, 1960
DATE

REF : CERP C - General Interest

FEB 19 1960

24 For Dept. Use Only	ACTION	COM-12	DEPT. REP-1 ARA-5 IRC-15 E-6 ICA-11 EUR-5
	REC'D	2/24	INFO OTHER ARMY-3G NAVY 20 AIR-30 OSD-2 OCB-1 USIA-10 C/A-6 AEC-6 FRB-3 TAR-2 TR-3 LAB-6

SUBJECT: Weekly Economic Review (February 12 - 18, 1960)

Index

1. São Paulo Press Questions Importation of East German Tractors
2. Meat Exports Resumed - Stockpiling Urged
3. Fuller Inaugurates Transmission and Gear Plant
4. Labor Leaders at Ultima Hora Opening
5. Labor Union Leadership Training

1. São Paulo Press Questions Importation of East German Tractors

The Correio Paulistano of February 16 referred to a recent barter transaction closed with East Germany by the Brazilian Coffee Institute (IBC), totaling US$8.7 million in an exchange of coffee for 580 tractors and other equipment. The newspaper lauds the efforts of the IBC in disposing of surplus coffee, but questions the advisability of the tractor transaction. The weak point, it said, was the problem of replacement parts, which has arisen before and discouraged some farmers from using tractors. The concluding remarks made were that an outright exchange of coffee is a political solution of the IBC. This is all very well, it said, but public opinion, particularly that of the farmer, should be enlightened concerning the advantages to be derived from East German tractors.

2. Meat Exports Resumed - Stockpiling Urged

On February 12 the first meat exports from Santos took place upon the lifting of the embargo that had been in effect since August 1959. A shipment of 356 metric tons was made to Genoa, Italy, and 135 tons were loaded for export to Holland, Hungary and West Germany.

Governor Carvalho Pinto telegraphed the President of Brazil and urged him to take steps to stockpile some meat in order to avoid a shortage during the off season later in the year as took place in 1959.

Comment: In the past consumers objected to frozen meat, but are gradually becoming accustomed to it. Financing the cold storage of the meat for a prolonged period, however, is still a problem in face of official price controls.

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3. Fuller Inaugurates Transmission and Gear Plant

Fuller do Brasil, a subsidiary of the Fuller Manufacturing Company of Kalamazoo, Michigan, inaugurated its transmission and gear plant at Santo Andre, São Paulo, on February 12. The initial investment is placed at US$2 million, of which about half consists of machinery imported from the United States. The company is already producing transmissions for the International Harvester Company in Brazil and expects to be active in supplying gears and transmissions to the tractor industry that is being developed under federal government sponsorship.

4. Labor Leaders at Ultima Hora Opening

A delegation of São Paulo trade union leaders flew to Porto Alegre on February 13 and joined with trade union delegations from Rio de Janeiro, Minas Gerais, and Rio Grande do Sul to participate in ceremonies which marked the opening of the State of Rio Grande do Sul edition of the left wing daily Ultima Hora. The São Paulo delegation was led by Olavo Previatti and Dante Pellacani, president and secretary-general of the São Paulo State Trade Union Council, and included Afonso Texeira Filho, regional delegation of the National Confederation of Land Transport Workers, Antonio Pereira Magaldi, executive board member of the National Confederation of Commercial Workers, and Floriano Francisco Dezem, president of the São Paulo State Federation of Chemical Workers.

5. Labor Union Leadership Training

On February 16, approximately sixty São Paulo trade union leaders led by Dante Pellacani traveled to Rio, met with and urged Minister of Labor Fernando Nobrega to release funds from the Comissão de Imposto Sindical trade union tax commission in order to finance courses where trade union leaders can receive training in São Paulo to fit them for service and leadership in the Brazilian trade union movement. The courses were proposed by the Regional Delegate of Labor Roberto Gusmão and are to be financed and supervised by the Comissão de Imposto Sindical (Social Syndicate Tax Fund), a branch of the Ministry of Labor. However, although approved in principle by Labor Minister Fernando Nobrega the necessary funds to finance the courses have not been authorized.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro

831
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 26, 1960
DATE
FEB 26 1960

REF : CERP C-1

For Dept. Use Only	ACTION	DEPT.	REP I INR 15 ICA-11 E-6 ARM-5
	REC'D 2/29	INFO OTHER	USIA-16 OSD-2 army-35 Navy-20 AF-30 CIA-17 CCB-2 TR-3 FRD-3 AG-8 IN 7 4HB-6 TAR-1 FCC-1 FHA-5 CAB-6

SUBJECT: WEEKLY ECONOMIC REVIEW No. 9 (February 20-26)

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1. Speech by the Minister of Finance
2. Visit of Brig. Gen. Cutler
3. New Director of the Carteira de Redescontos
4. Possible Legislation Against Bearer Stock
5. New President of Volta Redonda
6. Coffee Exports Going Well
7. Collision of U.S. Navy and Brazilian Commercial Planes over Rio
8. Difficulties in Petroleum Distribution
9. Press Communications Between Brasilia and Rio Function Acceptably.

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1. Speech by the Minister of Finance: The Minister of Finance, Sebastião Paes de Almeida, addressed the Rotary Club of São Paulo on February 20 taking as his general theme recent statements by President Kubitschek that the last year of his administration will be devoted to seeking monetary stability without detriment to continued economic development. The Minister noted both the necessity for corrective action against inflation through eliminating deficits in the budget and the balance of payments and cited as efforts toward this end a recent Federal Economy Plan and SUMOC's Instruction 192. Other measures noted were the recent increased of offerings in the exchange auctions, the efforts to prevent smuggling and to pay promptly the interest on the Federal funded debt. On the other hand, the Minister also emphasized that inflation is a feature of all [illegible] developed countries and that economic progress, particularly industrialization, is the real solution to Brazil's problems. (UNCLASSIFIED)

Comment: As noted, the Minister largely repeated and enlarged on previous statements and the stabilization measures he cited cannot at this time be considered substantial progress

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toward ending either the budgetary or balance of payments deficits. The increase in dollar offerings on the exchange auctions will have the reverse effect and the economy plan may well be more than compensated for by supplementary appropriations. At the same time the speech is further evidence that the Administration recognizes the problem created by massive currency issues.

(OFFICIAL USE ONLY)

2. Visit of Brig. Gen. Cutler: Accompanying President Eisenhower on his visit to Brazil, Brig. Gen. Robert Cutler, American Executive Director of the Inter-American Development Bank, had the opportunity to call on his Brazilian counterpart Clemtho de Paiva Leite and to discuss the Bank in general terms with members of the public and private financial community in São Paulo. He also met the Ambassadors of various Latin American countries at a reception given by the President at the Embassy residence. On none of these occasions were matters of policy discussed but on all of them General Cutler was able to strengthen the impression of the Bank as a functioning body and to indicate the great interest of the U.S. in making it a success.

(OFFICIAL USE ONLY)

3. New Director of the Carteira de Redescontos: On February 18 Carlos Cardoso was appointed Director of the Carteira de Redescontos of the Bank of Brazil replacing Francisco Rodrigues de Oliveira. In his initial statement to the press Sr. Cardoso expressed optimism with regard to the condition of the Brazilian banking system and to the possibilities of financial stabilization. He stated that at present the prospect is for smaller currency issues during 1960 and said that the efforts made to "sanitize" the banking system (referring to closer supervision and inspection) is stabilizing the volume of rediscounts.

(UNCLASSIFIED)

Comment: Sr. Cardoso has served in a variety of positions in the Bank of Brazil and private banks since 1929. His statements on currency issuance echo the general line taken since the beginning of the year by the Minister of Finance. The Embassy has been unable to discover the reason for the removal of Sr. Oliveira.

(OFFICIAL USE ONLY)

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4. Possible Legislation Against Bearer Stock: On February 16, the Chamber Committee of the Constitution and Justice approved a bill proposed by PTB Deputy Santiago Dantas to abolish bearer stock (as contrasted with registered or "nominative" shares). This Committee action, apparently because it opens the way for further and more rapid progress through the Congress, has aroused a wave of press comments opposing the elimination of this type of security on the basis of the probable disruption of the securities market at a time when every effort should be made to strenghthen it. According to a statement by Luis Cabral de Menezes, Vice-President of the Commercial Association of Rio and also President of the Brazilian Association of Security Holders, 99% of the shares traded on the Stock Exchange are bearer securities.

(UNCLASSIFIED)

Comment: Bearer securities have long been used in Brazil and doubtless their abolition would force a considerable change in stock trading. Reportedly, the real objection to this bill is based on the fact that income on registered shares is taxed at the rate applicable to the total income of the holder whereas bearer shares are taxed at the source at the flat rate of 28%. The possibility of increasing Federal revenue is, of course, one of the reasons for abolishing the bearer shares. The basis for the PTB support of this move is probably the fact that it would permit identification of all company stockholders.

(OFFICIAL USE ONLY)

5. New President of Volta Redonda: By Presidential decree dated February 19th, Engineer João Kubitschek de Figueiredo was appointed President of the Companhia Siderurgica Nacional (Volta Redonda), Brazil's large government-owned steel mill. Engineer Kubitschek, a cousin of the President of Brazil, had been Vice-President of the mill for the last three years and Acting President since the resignation of General Edmundo Macedo Soares six months ago(WER 39, Sep. 25, 1959).

(UNCLASSIFIED)

Comment: The new president of Volta Redonda is reputed to be an able administrator "not given to politics." One source said that undoubtedly Engineer Kubitschek received the appointment because of his kinship to the President of Brazil. On the other hand, he added, Juscelino could have done a lot worse, if he had "repaid a political debt." The new president of the steel mill officially assumed his duties on February 25th.

(OFFICIAL USE ONLY)



6. Coffee Exports Going Well: All indications continued to point toward another excellent month for coffee exports. The IBC reported that 1,142,430 bags had been exported by February 24th and last week's predictions of 1,400,000 bags for February may well be fulfilled.
(UNCLASSIFIED)

7. Collision of U.S. Navy and Brazilian Commercial Planes over Rio.

At about 1:15 p.m., February 25, a U.S. Navy R6D (DC-6) en route to Galeão International Airport from Buenos Aires and a Real DC-3 approaching Santos Dumont airport after a flight from Campos, north of Rio de Janeiro, collided in overcast over the mouth of Guanabara Bay. Of the 44 persons aboard the R6D, including 19 members of the Navy Band scheduled to play at President Eisenhower's dinner for President Kubitschek, three survived; there were no survivors from the Real plane, which was carrying 22 passengers and four crew members. Shortly before the crash, the Navy plane had given its altitude as 6000 feet, while the DC-3 had reported itself at 5000 feet. The cause of the accident has not yet been determined. Brazilian Air Force and U.S. Navy boards of inquiry have been established. In initial press reaction, papers which have been highly critical of air traffic control facilities and procedures in the Rio area returned to the attack, and one, Correio da Manhã, called for the dismissal of the principal officers in the Civil Aeronautics Directorate.
(UNCLASSIFIED)

8. Difficulties in Petroleum Distribution: The petroleum products transport workers stopped deliveries in the State of Rio de Janeiro and in the cities of Belo Horizonte and Recife for a short period (Feb. 22-24). Some road-blocks were established. In some cases Esso-owned trucks were permitted to pass the road-blocks. The cities of Rio de Janeiro and São Paulo were not involved or affected. On February 24th the transport workers decided to postpone their strike for 30 days, reportedly at the request of the Ministry of Labor in view of President Eisenhower's visit. They are now awaiting a decision by the Government regarding their request for an increase in the transportation rates of petroleum products.

The transport workers, who are members of the National Federation of Workers in the Commercial Distributing Companies of Mining Products and Combustible Materials, have taken their request for a 35% increase in wages to the labor courts. They have been offered approximately 30%, subject to an increase in gasoline prices amounting to Cr$ 0.8 per liter (approximately 4%) and related increases in the prices of other petroleum products. A decision may be forthcoming around March 11. (OFFICIAL USE ONLY)



Comment: The transport workers are employed by transportation companies which carry petroleum products in areas not usually reached by the major distributing companies (Esso, Texaco, Atlantic, Shell and Ipiranga), although in some cases they work under contract to these companies. Hence, the major distributors are not directly affected.

The principal problem involved is, of course, inflation. The Government has recently permitted price increasedsin a number of products in order to permit wages to rise, and it must again face a somewhat similar issue in this case. The price of petroleum products must be increased so that the transport companies may charge higher rates for carrying the products; then the transport companies will be in a position to grant wage increases to their employees, if authorized.

(OFFICIAL USE ONLY)

9. Press Communications Between Brasilia and Rio Function Acdeptably

After a spotty performance on Monday, the day before President Eisenhower's arrival, teletype communications for the press between Brasilia and Rio functioned well during the President's stay in the new capital. Except for a two-hour period in the evening, traffic moved without significant interruption all during Tuesday. The Embassy has been informed that 120,000 words were passed between the two cities.
(UNCLASSIFIED)

Comment: In addition to Brazilian Government (NOVACAP and the Department of Posts and Telegraphs) installations, AT&T and the U.S. Army Signal Corps provided facilities and personnel to the effort to ensure adequate press communications. Although it was uncertain, practically to the last minute, whether the promised NOVACAP channels would be operative, the Brazilian side came through quite well. (OFFICIAL USE ONLY)

Approved:

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

For the Ambassador:

LeRoy E. Colby

LeRoy E. Colby
Economic Officer

0597

Contributors:

Item 1 - 2 - 3 - 4 RGWalker
" 5 - 6 LEColby
" 7 - 9 JHCrimmins
" 8 JTFishburn

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 295 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — February 26, 1960 DATE

REF : CERP C - General Interest — FEB 2 1960

	ACTION	DEPT.
20 For Dept. Use Only	Com-12	REP-1 IRC 8 E-7 ICA 11 ARA-4 AGR 8 TR-3 FAS-3
	REC'D 3-1-60	INFO OTHER USIA 10 OSD-4 Army 4 Navy 3 Air-6 CIA 10 OCB-1 NSA-4 AAE-6

SUBJECT: Weekly Economic Review (February 19 - 25, 1960)

Economic Discussions During Eisenhower Visit to São Paulo

During the visit of President Eisenhower to São Paulo on February 25 members of the National Advisory Committee on Inter-American Affairs, who came to São Paulo with the President, discussed labor, education, finance and commercial relations with leading São Paulo figures in the respective fields. The one-hour discussions in four groups were along broad lines and provided worthwhile background information. The State Secretary of Finance outlined the São Paulo Plan of Action, and the President of the State-controlled bank described the operations of that institution. The São Paulo Secretary of Agriculture mentioned the U.S. policy on sugar and cotton in connection with Brazilian-American relations. Labor leaders expressed interest in American labor practices, such as a free labor movement and problems of automation.

Comment: The time available did not permit the detailed examination of any one subject. The press interpreted the meetings as a sincere attempt on the part of the United States to understand the problems of the South American countries.

William P. Cochran, Jr.
Consul General

BRANCH
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The minutes of the full meetings are being transmitted under cover of despatch No. 293.

1960 MAR 1 AM 11 53

FILED

REPORTER

Unclassified

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March 10, 1960

Dear Admiral Wilkins:

I refer to your letter of February 29, 1960, which requested information on the Brazilian economy, politics and people for the period since 1950 to the present.

Enclosed with this letter is a copy of a paper prepared in the Department of State which contains a summary of the current economic and political situation in Brazil. For further information, I suggest that you write the Pan American Union in Washington. That organization has several publications on Brazil and is able to supply you with information concerning the most recent books and other material that have been published.

I am happy to have been of assistance to you.

Sincerely yours,

Alton W. Hemba
Officer in Charge of Brazilian Affairs

Enclosure:
As stated.

Vice Admiral C. W. Wilkins, U. S. N. (Ret.),
116 River Lane,
Ormond Beach, Florida.

RM/R
Anal
Rev.
Cat.

ARA:EST/B:AWHemba:sg 3/8/60

GS/S-CR
MAR 10 1960 A.M.

FW 832.00/3-2960

VICE ADMIRAL D. W. WILKINS, U. S. N. (RET.)
116 RIVER LANE
ORMOND BEACH, FLORIDA

29 February, 1960

Reply drafted EST/B:HWilgis 3/8/60

Officer-in-charge of Brazilian Desk
Office of Assistant Secretary of State
for Latin American Affairs
Department of State
Washington, D. C.

Note: Document must be Returned to the RM/R Central Files

Dear Sir,

Would you please be kind enough to send me information on the Brazilian economy, politics and people for the period since 1950 to the present with indications of future trends.

This information is needed for the preparation of a research paper on Brazil which I have been assigned to prepare and present to my class in Latin American History at Stetson University, DeLand, Fla.

I shall be most grateful for any information you can send me in compliance with this request.

Thanking you in advance for your kind attention to this request, I am

Respectfully yours
C. W. Wilkins

RM/R
Ans. 28
Rev.
Cat.

XR 732.00
R 2-2160
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832.00/2-2960

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832.00/3-460

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FROM : Amcongen SÃO PAULO — 310 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 4, 1960 DATE

REF : CERP C - General Interest IN-7 UAB-6 TAR-2

For Dept. Use Only	ACTION	DEPT.
55	COM-12	
REC'D	3/14	INFO OTHER: RPD-1 IRC-15 ICA-11 E-6 ARA-4 W/FRC 4 USIA-10 OSD-2 Army-35 Navy-20 Air-30 CIA-16 OCB-2 FRB-3 FAB-3 XMB-4 AG-8

SUBJECT: Weekly Economic Review (February 26 - March 3, 1960)

On February 29 the O Estado de São Paulo wrote that economic developments during the preceding week were dominated by the visit of President Eisenhower (see despatch 295, February 26, 1960). The period ended March 1 in turn was dominated by Carnival and few economic developments. The following developments were worthy of note:

1. State Accounts Produce Surplus
2. Kotoshiro Fishery Co. Still Inactive in São Paulo
3. Trade Mission Going to Japan
4. São Paulo to Have Bumper Corn Crop
5. State Secretariat of Agriculture to Receive Cr$1,078,000,000.00
6. Rains Delay Road Traffic
7. Highway Problems to be Discussed
8. Railroad Workers Threaten Strike

1. State Accounts Produce Surplus

The Secretary of Finance of São Paulo reported to the Governor the results of the State accounts for the year 1959, which produced a surplus of almost Cr$74 million 1/. The 1959 budget had been voted with a small deficit. This was increased to a paper deficit of around Cr$15.1 billion, by supplementary and special credits opened during the year. The final surplus was obtained by excess revenue collections in the amount of Cr$10.8 billion, and economies in other accounts totaling close to Cr$4.5 billion.

2. Kotoshiro Fishery Co. Still Inactive in São Paulo

A recent press report stated that the Japanese fishing companies were pulling out of Brazil. Investigations revealed that statement to be inaccurate concerning operations out of São Paulo ports. The Tokyo

1/ At the current free market rate of exchange about Cr$185 equal US$1.

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Fishery Co. is continuing normal fishing operations. The press report possibly was prompted by the present inactivity of the Cia. de Pesca Kotoshiro. After experimental operation with a 500 ton long-liner Kotoshiro sent the vessel back to Japan in January 1959 for repairs (see despatch 387 of February 12, 1959). It was intended to bring the vessel back within two months, but it has not yet returned to Brazil. Under a second extension of its authorization to operate here, Kotoshiro has until July 1960 to return the vessel, and may then operate it for one year as a Japanese enterprise before nationalizing the vessel and crew. Kotoshiro still intends to bring the vessel back to Brazil, but no specific date has been set.

3. Trade Mission Going to Japan

On March 6 several São Paulo industrial leaders are leaving for Japan via the United States, to participate in a Brazilian Trade Mission invited by the Japan Consulting Institute to come to that country (see item 4 of despatch 237 of January 8, 1960). Participants include the following members of the São Paulo Center of Industries: Antonio Devisate, president; Oscar Augusto de Camargo, vice president; and Dr. Jorge de Souza Rezende, director. Among other Paulistas who will join the group in Japan are Eng. Mario Lopes Leão, head of the State-controlled electric power group USELPA; and Eng. Luis Dumont Villares, head of the Villares industrial group that includes elevators, steel forgings, and electric busses.

4. São Paulo to Have Bumper Corn Crop

Official and trade sources are forecasting a bumper corn harvest for the State of São Paulo. The Secretary of Agriculture states that 1960 production should reach 28 to 30 million bags as compared to 22.2 million bags harvested last year. The price of corn in São Paulo wholesale markets has fallen from Cr$700 to Cr$400 per 60 kg. bag during the past three months in anticipation of the oncoming crop. The possibility of exporting corn is being talked of but, while export offers at Cr$380 per bag FOB Santos have already been registered, no exports have been made to date.

5. State Secretariat of Agriculture to Receive Cr$1,078,000,000.00

Governor Carvalho Pinto approved, March 3, a program for agricultural development presented by the Secretary of Agriculture which calls for the expenditure of one billion 78 million cruzeiros under the Governor's "Plan of Action". Specific projects to be financed with these funds include a Center of Agricultural Mechanics, to be located in Jundiai, a Laboratory of Technology and Food in Campinas, acquisition of new areas for reforestation and increasing agricultural mechanization stations. The funds are to be alloted to the Secretariat of Agriculture next week.

6. Rains Delay Road Traffic

Very heavy rains during the first part of the week caused some delay to traffic entering São Paulo from Rio de Janeiro on the Dutra Highway. The



canalized Tiete river overflowed its banks in the vicinity of Campo de Marte (a military airfield in the northeastern suburbs) and the Casa Verde district (in the same general area), reaching a depth over the road of nearly four feet at some points.

While the flood waters caused no substantial damage to the road bed or bridges, urgently needed surface repairs were further delayed and a large number of modest dwellings in low lying areas near the river were seriously damaged or destroyed.

No significant damage to agricultural crops or livestock took place.

7. Highway Problems to be Discussed

According to a local press report, the Highway Association of Brazil and the Institute of Engineering--alarmed at the progressive deterioration of several sections of the important Dutra (São Paulo-Rio) and Anchieta (São Paulo-Santos) highways--is sponsoring a "Week of Debate on Paving", to take place March 14-19. It is expected that one of the principal subjects debated will be the necessity for speeding up repair work on these heavily traveled routes.

8. Railroad Workers Threaten Strike

In recent weeks trade union leaders representing railroad workers on the Santos-Jundiai line have been beating the drums for a strike in support of their demands for an increase of 45 per cent in wages. The proposed strike would involve an estimated 8,000 railroad workers employed on this important railroad which runs from Santos to Jundiai and moves a large amount of the country's economic goods.

Three members of the São Paulo Regional Labor Court, in an attempt at conciliation, suggested that the railroad workers be granted an increase of 35 per cent. However, the majority of the Court felt that the Santos-Jundiai was not financially able to bear such an increase and rejected the proposal. The Regional Delegate of Labor, Sr. Roberto Gusmão, has been holding round-table discussions between the officers of the railroad and union representatives in an attempt to head off the strike.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP Section D, item IV-A-5

314
DESP. NO.

March 7, 1960
DATE

AMERICAN CONSULATE GENERAL

MAR 8 - 1960

SÃO PAULO, BRAZIL

	ACTION	DEPT.	
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	REC'D 3-16-60	OTHER	CIA-10 COM-12 IR-3 FRB-3 XIM-14 TAR-6

SUBJECT: Industrial Activity Despite Inflation Discussed by Banco Comercial do Estado de São Paulo

The Banco Comercial do Estado de São Paulo is the second largest bank in the State of São Paulo, and its president, Mr. José Maria Whitaker, is an ex-minister of finance.

The bank's report to its shareholders on 1959 activities, just published, contains the following remarks on the Brazilian economy:

"Even though sacrificed by an obstinate inflation, paradoxically continued rapid development was evidence of Brazil's as yet unaffected vitality.

"Coffee cultivation is being renovated without outside help, in order to compensate by quality and quantity for the exchange confiscation; and industry, misunderstood and sometimes even hampered, expands surprisingly, diversifying and improving its production.

"The people, however, become leaner, afflicted as they are by a rising cost of living, that particularly affects the middle class, the class upon which social stability depends everywhere.

"Without forgetting the 'agios' (premiums paid at the foreign exchange auctions), which double the profits from exchange confiscation, our greatest evil, always looked at askance but never combated, continues to be inflation--fruit, without doubt, of administrative disorder, but due directly to jet emissions camouflaged by normal rediscount operations. Officially a large proportion is for the purchase of coffee; but if sometimes used directly for that purpose, basically the need is for repaying funds received and diverted from rightful uses. Coffee defense, whether justified or not, has in fact a fund of its own into which more money enters than is paid out, constituting the bulk of the profits in the

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'agio' account totaling Cr$629 billion in ten years--so large that it approaches total federal revenue estimated at Cr$645 billion during the same period.

"When it is considered that this extra-budgetary revenue, which illegally doubled federal revenue, was dissipated and no accounting was made of payments, one must admire the exceptional economic vitality that supports it, but at the same time feel repulsion and apprehension in respect to the imposition and uselessness of the sacrifice involved.

"The evils of inflation affect everyone; not, however, as is well known, with the same intensity. Many sectors even prosper, although mostly at the expense of a more or less imperceptible wasting away due to currency devaluation."

In commenting on this report the O Estado de São Paulo said that the coincidence of monetary maladjustment and intensified production activity has led some theorists to attribute to inflation the merit of raising national income. Actually, it said, the truth is quite different, progressive depreciation of the cruzeiro has not impeded economic development. It then said that industrial expansion was made possible largely by an increase in rural purchasing power, due to favorable prices for agricultural products. Furthermore industrial expansion was able to absorb rural labor, which was partly in excess due to a still incipient rationalization of agricultural activities. These thousands of migrants from the farm, it said, earned more money than they could ever have earned on the farm.

Comment: O Estado de São Paulo oversimplified the problem in its explanation. Higher rural purchasing power obviously had some bearing on the subject, but the main push to expansion in industrial activity came through substitution of domestic items in place of imports excluded by high customs tariffs (since 1957) and import restrictions, and by the greater purchasing power of skilled labor trained to produce the products that had formerly been imported. While it is true that migrants from the interior, consisting almost entirely of unskilled labor, earn a higher salary in the city than in the country, it is equally true that expenses are much greater in the city. These contribute to expansion of industrial activity mainly to the extent that they skimp on food and buy manufactures they needed less or had little desire for on the farm.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 24 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 7, 1960. DATE

REF : CERP- Section C 2.

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2	Conf 2		REP-1 IRC-8 ICA-11 E-7 ARA 4 D-4
	3-15		Cla-10 Tar 2 TR-3 FRC-3 Lab-6 Ag-8

SUBJECT: Economic Summary for February, 1960. fmb 4 USIA 10 INR-1 ARMY 6 HEW 2

General Economic Developments: Large scale tobacco financing has contributed to a considerable tightening in the local money market over the past month. About 60% of this year's tobacco crop has now been purchased from the growers and prospects are favorable for excellent mid crops for both cocoa and castor seed. Local banks have indicated that the payments of trade bills in the city and the interior have slowed down considerably over the past month and collection could now be described as "poor".

The recent creation of SUDENE (Superintendency of Development of the North-East) by the federal legislature may prove of great importance to the economy of the State of Bahia. One particularly significant part of the law decrees that 50% of the funds generated by regional export products on the official market in excess of the amount paid to the exporters (i.e. total of official rate plus premium) will be turned over to SUDENE to be used for the economic development of the North-East. Although some local circles are complaining that Bahia will thus be underwriting the development of all eight states of the North-East, since the vast majority of the funds will be generated by Bahian cocoa exports, this still seems to be a considerable improvement over the past when all of the funds went into the federal coffers.

Due to the continuous increase in the cost of living, the Bahia union leaders held a meeting recently at the local office of the Federação dos Trabalhadores nas Industrias (Federation of the Workers in the Industries). They requested the State Government to intervene. It is felt that the continued increase in living costs will soon result in further salary increases preceded by mild general strikes such as ~~impending~~ the strike of Federal Railway Leste Brasileiro recently, reported here under Labor.

Agricultural Development and Policy:

Commodity Review - Cocoa Beans. The total Bahia 1959-60 cocoa crop is now estimated at between 2,700,000 and 2,900,000 bags. Weather conditions continue favorable in most sections and the new mid-crop is expected to be large. Exporters still are permitted to sell only to CACEX. The mid-crop is expected to arrive at port of shipment during May/June.

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Although the legitimate cocoa market remains dull, the past month has been marked by almost daily articles in the local papers concerning contraband shipments proceeding from this port and the port of Ilheus. Individual shipments of this nature have ranged from 3,000 up to 18,000 bags. The usual method is to consign a shipment to Rio or Belem, pay all the required taxes for a domestic shipment, and then change the ship's course once under way with the result that the ship never arrives at the supposed port of destination but instead suddenly appears in the French or Dutch Guianas, where the cargo is sold at free market prices. This is an old story, of course, what is significant at the present time is the increasing number of such illegal sales and the apparent public acceptance of them.

Castorseed. The castorseed market remains paralyzed. There is no seed available for the local oil manufactures to crush or export, the latter still being prohibited by the government. The castorseed mid-crop should start coming to Salvador in March or April and the main crop in August. Local traders reportedly fear that if the heavy rainfalls of the past few weeks continue, it may prove excessive for the crop, although such a situation has never occured with the castor crop in this area before. The entire crop for this year is estimated at between 60/70,000 metric tons.

Tobacco Leaf. The Bahia 1959-60 tobacco crop is now estimated at between 270,000 and 300,000 bags at 75 kilograms each. It is believed that 55% to 65% of the crop has already been purchased from the growers. Reports from the interior indicate that it is a very mixed crop, the quality running from very good to bad, even within the same growing district. No explanation has as yet been forwarded for this phenomenon. In general the loose leaf grades are good, but the overall assortment is poor. It is worth noting that such mixed crops and the high price of choice leaves have reduced somewhat the traditional quality of Bahian tobacco products. If the trend continues, it is obvious that Bahian tobacco will lose in the prestige markets.

Health Plan for the Cocoa Zone. The Governor of the State of Bahia has requested the Minister of Health to appoint a coordinator to work out a health plan for the cocoa zone, initially including fifteen "municipios" of the cocoa region. The Federal government will reportedly participate in the plan through the Ministries of Health, Education, Agriculture, Labor, Transport and Public Works and other organizations. This is said to be a great plan having as it's main purpose the improvement of sanitary conditions of the cocoa zone; the building of hospitals; piped water and sewerage service to all main towns of the "municipios" included in the plan. There will also be a medical and dental assistance program. How or where the money will come from is not known as yet.

Japanese Farmers. 67 Japanese farmers arrived on the Japanese ship "America Maru" at Salvador on February 7, 1960. They are destined for the agricultural experimental station "Nucleo Colonial Presidente Juscelino Kubitscheck", in Mata de São João, Bahia. This is the result of an agreement between the Instituto Nacional de Colonisação e Imigração and the Secretariat



of Agriculture of Bahia. (See Economic Summaries for April, July and November, 1959). It is felt that the truck farming done by the Japanese will improve the vegetable situation in this area and they will be as succesful in the north as the Japanese colonies have been in São Paulo State.

Minerals:

Payment of Royalties to the Bahia State Government and Municipal Governments. According to the local newspaper A TARDE, the amount of Cr$81,557,996, will be paid within a few days to the Bahian State Government and to the "municipios" which produce petroleum in the oil and gas production region of the Reconcavo of Bahia. From this amount, State Government will received over 63,000,000 cruzeiros, the balance going to the municipios of Pojuca, Catu, Candeias, São Sebastião, Entre Rios and Alagoinhas, in accordance with their respective production. (See Economic Summary for September, 1959).

2. The President of PETROBRAS recently announced that a central purchasing office would soon be opened in Bahia, providing thereby a stimulus to the local economy. A plan has also been announced for construction of a 200,000,000 cruzeiros relay station at Catu to furnish electricity from Paulo Afonso to the entire Reconcavo area. The greatest monetary hope here centers around reports that President Kubitschek will soon send a message to the federal legislature recommending that the oil royalty paid to Bahia be increased from the present 5% to 8%.

3. The local newspaper A TARDE in it's issue of February 19th published an article entitled "Bom Começo" (Good Beginning) in which it is stated that the President of Petrobras has written to that newspaper, reporting that he has taken the first steps to attend the requests pointed out in an interview given by Dr. Luiz Viana Filho. The points of this interview were listed in the Consulate's Economic Summary for January 1960, under the sub-heading "Minerals".

Transportation and Communication:

1. Bids for the installation of a new telephone system in the city of Salvador (to be owned and operated by a new company named TEBASA-Telefones da Bahia S/A) were opened recently (See Economic Summary for January, 1960). The winning bid was submitted by SIEMENS do Brasil Companhia de Eletricidade. According to the local press the new telephone system will cost Cr$750,000,000 and it's installation will take over two years to complete at a conservative estimate. It was noticed recently, however, that the Mayor of Salvador has questioned the validity of the contract with TEBASA since, he stated, the City officials were not consulted regarding the matter. Whether this will become a serious stumbling block cannot be foreseen at this time but it could present a major problem.

2. An agreement was signed recently between the Ministry of Transportation and Public Works and the Secretariat of Trasportation of Bahia for building and paving a highway connecting Retiro, a suburb of Salvador, with the Port of

Salvador. The Ministry of Transportation and Public Works will grant Cr$300,000,000 to complete the plan. This road is the extension of the Salvador-Feira de Santana highway, BR. 28. (See Economic Summary for January, 1960) and will include the construction of a tunnel within the city.

3. According to newspaper reports, the Bahia State Government plans to spend during the year 1960 over one billion cruzeiros for building and paving roads within the State. For such purpose, revenue will come from the following sources: Fundo Rodoviario 650,000,000 cruzeiros; Fundo Nacional de Pavimentação Cr$150,000,000; Endowment of the State Cr$200,000,000; agreement with Petrobras Cr$260,000,000.

Labor:

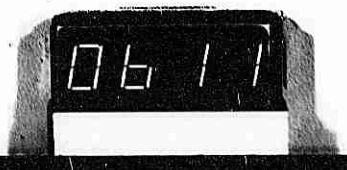
1. Over 1500 workers of the Federal Railway Leste Brasileiro (see Economic Summary for January, 1960) went on strike on February 19th demanding a salary increase. According to the local press the Leste Brasileiro suffered a loss of Cr$2,000,000 daily during the strike which ended on February 28th after an agreement was made between both sides, i.e., the Leste Brasileiro and their workers. By this agreement, the Leste Brasileiro assumes the obligation of paying their workers a temporary bonus of Cr$2,000 for those earning less than Cr$11,000 monthly and Cr$1,000 for all other employees. This will become effective March 1st.

2. Workers of the local steamship company named Navegação Bahiana also threaten to strike because of nonpayment of difference in their salary rates which has been accumulating for many years. The Secretariat of Transportation and Public Works managed to obtain an advance of 1,350,000 cruzeiros in order to avert the strike.

Industry:

1. The Agro Lacto Fabril S/A, Edifício Cidade de Ilheus, 8º andar, Salvador, an organization which has entered the milk pasteurizing field, expects to begin operations sometime in April. This enterprise has a capital of 10,000,000 cruzeiros in shares of 1,000 cruzeiros each. The Bahia State Government has purchased 40% of the shares. All shares will enjoy exemption of State and Municipal taxes for a period of 10 years. Within 60 days the capital will be increased to 20,000,000 cruzeiros. The Usina Central (head mill) is located on the Salvador-Feira de Santana highway in a locality named Campinas. The Company intends to begin with 5,000 liters of pasteurized milk daily. The pasteurizing machinery is Swedish and cost the equivalent of 2,500,000 cruzeiros. The cooling equipment will come from Switzerland and the cost will be approximately 1,500,000 cruzeiros. (See Economic Summary for October, 1959).

2. According to the A TARDE, the Metal Grafica da Bahia S/A, a factory for manufacturing empty cans for foodstuffs and petroleum products will be built near the Mataripe refinery. This factory will be in operation at the end of the



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year. One hundred and fifty million cruzeiros will be invested in the enterprise. It will have 150 workers. Technicians will reportedly come from São Paulo and it is understood that the investor is Mr. Francisco Matarazzo Sobrinho, of São Paulo.

Trade With Soviet Bloc Countries:

Exports to Soviet Bloc Countries during the month of February, 1960 were as follows, in metric tons: To Poland; 1,106 tons of sisal fiber and 307 tons of cocoa beans. To Hungary; 307 tons of cocoa beans.

Finance:

According to the State Internal Revenue Department, 228,331,207 cruzeiros were collected during the first two months of 1960 which constitutes andincrease of 61,410,813 cruzeiros over the same period in 1959.

Paul B. McCarty
American Vice Consul

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 863 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 8, 1960 DATE

REF : CERP C-3; Embassy Despatch 226, August 27, 1959 (Economic Assessment)

55 For Dept. Use Only | ACTION *COM-12 REC'D 3/14 | INFO DEPT. REP-1 *IRC-8 *ARA-4 E-5 *ICA 11 SCS-1 OTHER CIA-10 TAR-2 *TA-3 *EAB-3 XMB-4 *AE-8 In-7 *HAB-6 OSD 4 army-8 Navy-3 air-6 EL-4 USIA-10

SUBJECT: ECONOMIC ASSESSMENT

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I. SUMMARY - Economic Situation and Outlook

Brazil came through 1959 better in one important respect - balance of payments - than had been thought possible earlier in the year. Unexpectedly large coffee exports at stable prices were largely responsible for reducing an estimated deficit in the range of US$300 millions to more manageable proportions, i.e. in the neighborhood of US$110 millions. Coffee thus saved President Kubitschek's mid-year "defiance of the IMF" from looking like an empty gesture. The internal economy, however, deteriorated more than had been expected. The substantial increase in minimum wages effective January 1, 1959, and heavy deficit spending financed largely by the issuance of paper money were mainly responsible for a greatly accelerated rate of inflation. Supply of shortages of many things, including basic consumer items such as beef, played their part also in bringing about an increase in the cost of

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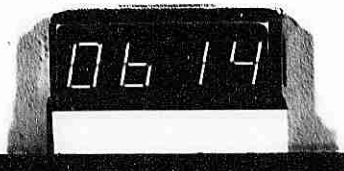
living (Dec. 1959 cf. Dec. 1958) of over 50%. Although the government has thus far resisted pressures for another increase in the minimum wage, many labor organizations have been able to obtain wage increases - averaging over 30%. In December the exchange value of the cruzeiro fell to over 200 to the dollar as compared with 140 a year earlier.

The outlook in regard to Brazil's international economic position is not encouraging. On the basis of information presently available, the country again faces the danger of a serious shortfall in foreign exchange in 1960 - perhaps more than US$350 millions. Without a substantial increase in the price of coffee, which no one seems to expect, it seems likely that the foreign exchange crisis expected in 1959 will materialize sometime during the course of this year. If it does, Brazil's need for balance-of-payments assistance may result in another approach to the International Monetary Fund and, if an agreement with the IMF is reached, to U. S. lending agencies.

On the internal front, the President and his Minister of Finance recently have made strong statements about the need for controlling inflation and, in that connection, have instituted an Economy Plan. The Finance Minister has declared firmly that there will be no 1960 increase in the salaries of government workers, except in the case of those working in Brasilia. These statements — if held to and implemented persistently may for a time, at least, slow down the rate of inflation but, particularly in view of the fact that this is a national election year, no great measure of success is generally expected. A relatively short coffee crop - which will mean a reduction in government spending for carrying out the government's coffee program - may be more effective than any other factor in holding down, if not reducing, government expenditures and deficit spending in 1960. Although the tempo of President Kubitschek's development program, carried out under the slogan "50 Years' Progress in 5", may slacken a bit during his last year in office, no major slow-down is expected. This forced-draft development continues to put a severe strain on the country's human and material resources and aggravates the disparity between favored industry and relatively neglected agriculture (other than coffee).

II. Social and Political Factors Affecting the Current Economic Situation and Outlook

During the past six months or so, especially during the earlier part of the period, the Brazilian people have gone through a



particularly trying experience of shortages, notably of foods and services, and rapidly mounting prices. Scarce and high-priced beef and beans, inferior and dangerous local and interurban transportation, frequent water shortages, and many other irritants strengthened the determination of labor groups to get at least temporary relief through higher wages. The fact that such irritants are long standing makes them all the harder to endure. Continuing revelations of lucrative contraband trade and of graft in more or less high places did not improve the temper of the people. When strikes and threatened strikes reached proportions alarming to the Government, cabinet-level meetings were called and it was announced that violence or the threat of violence would not be tolerated. Despite some abortive attempts to undercut this tough policy, notably on the part of the Vice President João Goulart and the Governor of Rio Grande do Sul, Leonel Brizzola, the authorities have been largely successful in preventing any serious situations from developing. Many wage settlements have been made, most of them providing for increases above 30%.

Tensions were relieved gradually not only by more or less acceptable wage adjustments but also by the advent of the Christmas holidays and the end of the between-harvest season, when beef, beans, rice, potatoes, etc. began to reappear in quantity. More recently, preparations for "Carnaval" and the visit of President Eisenhower helped to take people's minds off their troubles. President Kubitschek has made them feel more important and proud by reviewing in detail the achievements of his four years in office and relating how Brazil has shown its independence in its international relations. His promise that 1960 will be devoted to strengthening the purchasing power of the cruzeiro, without however slowing down economic development, may be difficult to keep but has without doubt sounded like music in may unsophisticated ears, of which there is no lack.

With social problems at least temporarily pushed a bit into the background and the causes of social unrest somewhat mitigated, the populace may have more time and inclination to turn to political matters. However, unless Jânio Quadros, leading opposition candidate, soon exhibits more vigorous leadership than he has in recent months, what earlier promised to be a rousing campaign on his part may turn out to be undramatic and uninspiring. Administration leaders are gaining confidence in the success of their candidate, Marshal Lott, as Quadros' prospects show signs of getting dimmer. If the Marshal begins to look more and more like a winner, the Administration may be more inclined than otherwise to use the varied and substantial resources, including money, at its command in support of his candidacy with a view to ensuring his victory by an impressive margin. In any event, the Administration will be under strong

pressure from many sources, in this election year, to expand government spending both overtly and covertly.

The foreign business community in Brazil and foreign investors in Brazil can derive little comfort from party platforms or the pronoucements of the leading Presidential candidates. Both Lott and Quadros are subject to the pressure of the wave of nationalism which continues to gain force in the country. Although neither can be classified as ultranationalist, both have spoken in favor, for example, of some control over the remittance of profits abroad. The fact that Communist leader Prestes has come out in support of Lott's candidacy is anything but reassuring to the foreign business community despite the Marshal's mild public repudiation of such support. With fingers tightly crossed, the American businessmen in Brazil and, no doubt, their colleagues from other free-enterprise countries, are waiting for the time, October 3, when the electoral winds have spent themselves and they can assess, with more assurance, the situation they will face during the coming five years.

III. Current Economic Situation and Outlook

A. General

The Brazilian economy continues to be strained and distorted by the Government's ambitious economic development policy. While publicly disclaiming any intention to slow down the rate of expansion in such government-favored sectors as industry and power, the Administration apparently became a bit worried by the steep rise in price levels in 1959, resultant popular discontent and demands for substantial wage increases, and by the December decline in the free market value of the cruzeiro. The decline to 200 and more to the dollar seems to have had a profound psychological effect on the country's policy makers. Steps were quickly taken to strengthen the cruzeiro, including sales of hard currency by the Bank of Brazil and the placing of additional exports on the free market. Currency requirements were reduced by paying contractors working on government projects in promissory notes (Treasury letters) instead of cash and exporters of products newly added to the free market likewise were given six-months notes covering the amounts represented by the difference between the free market rate and the arbitrarily selected rate of Cr$ 130 to the dollar. Massive emissions of paper currency were needed in 1959 (Cr$ 34.8 billion cf. Cr$ 23.2 billion in 1958) to cover government operations, including an accelerated program of 1959/60 coffee crop purchases by the Brazilian Coffee Institute (IBC). Currency emissions on such a scale may not be

needed in 1960. The principal basis for optimism on this score is the prospect that the coffee program will cost much less in 1960 because the government's outlays for the 1959/60 crop were practically completed by the end of December and because of the likelihood that the 1960/61 coffee crop will be smaller, perhaps by about 10 million bags, than the previous crop which, it now seems certain, surpassed 40 million bags. If the upcoming crop does not exceed, say, 30 million bags (earlier estimates have worked up over the months from a low of 15 million), IBC expenditures should be substantially less in 1960 than they were in 1959. Some sales out of the government's coffee stockpile have already occurred. The outlook is dimmed, however, by the current efforts of Brazilian coffee growers and exporters to obtain a larger share of the "coffee dollar", Cr$ 120 instead of the present Cr$ 76. It has been estimated that this request, if granted, would cost the Government about Cr$ 30 billion and, if extended to cacao, bring the cost up to about Cr$ 40 billion. It remains to be seen whether, in this election year, the pressure for a substantial increase above Cr$ 76 will be resisted. If it is not, the potential savings in government expenditures as a result of a reduced crop will be more than counterbalanced by the Government's loss as a result of a smaller share of the "coffee dollar".

Regardless of the course government expenditures may take, the private sector of the economy will continue to be plagued by the relative scarcity and high cost of money and the upward trend of costs for labor, materials and essential services. The prevailing difficulties in obtaining cruzeiro financing is illustrated by the experience of the "Light" (Brazilian Traction Light and Power Company) which has thus far been unable to obtain a cruzeiro loan from the National Economic Development Bank (BNDE) needed, in conjunction with a US$ 11.6 million dollar loan granted by the IBRD last June. Parent companies of Brazilian subsidiaries may expect further calls for help in providing working capital.

Despite financing and other difficulties facing established or new industrial and commercial enterprises, private investment may be expected to continue at a high rate. New plants or expansions currently under construction or planned include:

(see following page)

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Name	Nationality	Location	Product	Investment
Bendix Autovehicle Equipment Co.	American	Campinas, S.P.	Brake Systems	Cr$ 2 billion1/
General Electric	American	Campinas, S.P.	Heavy Electrical Equipment	US$ 8-10,000,000
Ishikawajima Shipyards	Japanese	Federal District	Ships	US$ 6,782,000
Verolme Shipyards	Dutch	Angra dos Reis R. J. State	Ships	US$ 5,771,000

The Government's recent effort to ensure the early establishment of a tractor industry (Embassy despatch 694, January 8, 1960) attracted bids from 20 foreign companies, including 4 U. S. firms. The automotive industry alone has created and continues to create demands for many ancillary industrial establishments. The Government's shipbuilding program, once it gets under way and develops, will have similar effects, on a smaller scale.

Brazil's agricultural situation, particularly in its international aspects, is not expected to improve markedly in 1960. There is much talk of the needs of agriculture - technical, financial and marketing - but relatively little positive action designed to increase production of foodstuffs needed for internal consumption or of exportable crops, or to raise significantly the income of the rural population. Of particular interest in respect of Brazil's precarious balance-of-payments position, it is estimated that, during the next three years at least, Brazil will need to import more than a million tons of wheat per annum. In the absence of P.L. 480 wheat, this would be a very serious drain on Brazil's foreign exchange earnings.

The minerals outlook is somewhat more promising than it was six months or so ago. There is now some hope that Brazil will, in the relatively near future, begin to derive more than nominal benefit from its vast reserves of high-grade iron ore (Embassy despatch 479, November 10, 1959). Manganese continues to move at a satisfactory rate but no significant expansion of exports is foreseen in the near future. Production of iron and steel is on the upgrade but is not keeping pace with internal demand. The same is true in

1/ About US$ 10,870,000 at current free rate of exchange of Cr$ 184 to the dollar

the case of petroleum.

In general, it may be expected that in 1960 as in 1959 the Brazilian economy will be strained and distorted, with continued emphasis on industrial expansion, and related public works, notably in the fields of power and transportation. The 1959 rate of inflation probably will not be matched, but the internal purchasing power of the cruzeiro may be expected to continue to decline still further.

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B. Production

1. Gross National Product

The National Accounts estimates prepared by the Getúlio Vargas Foundation are not completed for 1959. Nevertheless, the Embassy was able to obtain (not for publication) the preliminary 1959 estimates for Gross National Product at current prices and the related estimates for income remitted abroad, depreciation of fixed capital, and Gross National Income. These data, together with similar data for the previous three years, are set forth below:

National Accounts

(Billions of cruzeiros - current prices)

	1956	1957	1958	1959
Gross National Product	776.2§	924.7§	1,104.2§	1,567.3§
Income remitted abroad	- 6.9	- 6.6	- 10.0§	- 15.3§
Depreciation of fixed capital	-44.1§	-52.8§	- 64.5§	- 91.1§
Gross National Income	725.2§	865.3§	1,029.7§	1,460.9§

The rapid upswing in GNP at current prices reflects not only the sharp decline in the value of the cruzeiro during the year but also such factors as the unusually large coffee crop, increased petroleum production, etc. Unfortunately, the Foundation has not yet worked out its estimates of Real National Product and of the percentage of annual increase in real product per capita. When available, it is expected that they will show somewhat larger increases over 1958 than was the case for 1958 over 1957. For 1960, it is expected that the rates of increase will decline, largely because of the expectation of a relatively short crop of 1960/61

§Data for 1959 unpublished provisional; for earlier years, unpublished revised.

(OUO Continued)

coffee which may more than counterbalance production gains in the case of other items - agricultural, industrial or mineral.

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2. Industrial Production

The latest available index of the physical volume of industrial production (Getúlio Vargas Foundation index of industrial consumption of electrical energy) covers October 1959. For that month the provisional figure is 237 (1948 = 100), only 1 point above that for October 1958. Over the first 10 months, however, the provisional 1959 figures average about 10 points higher than those for the corresponding months of 1958. Using the provisional 1958 monthly average of 207 as a base, the provisional monthly average for 1959 of 233 suggests an increase of industrial production of more than 12% in 1959 over 1958.

Supplementing this admittedly faulty index of the trend of industrial production are data or estimates relating to a number of significant industries. While the 1958 data are reasonably firm, 1959 figures are in most instances estimates made by the most reliable governmental or private source known to the Embassy in the industrial field in question.

Industrial Production Trends

	Commodity	Unit	1958 (preliminary) data	1959 (estimates)
1.	Cement	M. Tons	3,769,158	3,715,774
2.	Automotive vehicles	Units	62,707	169,886
3.	Rubber tires	Units	2,140,582	2,693,784
4.	Rubber tubes	Units	1,547,360	1,746,396
5.	Petroleum	Barrels	18,922,738	23,589,872
6.	Electric power	KW (1000 KWH)	3,983,000 17,500,000	4,067,000 18,500,000
7.	Newsprint	M. Tons	63,433	70,000
	Other paper	"	353,038	488,000
8.	Cellulose	"	137,000	238,000
9.	Steel ingots	"	1,647,000	1,871,000
10.	Electric refrigerators	Units	170,000	180,000

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Cia. Siderúrgica Nacional (Volta Redonda) production in 1959 of steel ingots, 872,000 tons, exceeded that of 1958 by 60,000 tons or 7%. It has been explained that the figure would have been higher if one of the company's two blast furnaces had not been out of use for two months for repairs. Plans for 1960 call for production of over one million tons by Volta Redonda and a total of 2.3 million tons for all Brazil. Three new mills, USIMINAS, COSIPA and Aço Vitória should come into production within the next three years and total production of 3.5 million tons by 1965 may well be realized.

Production of refined petroleum products increased in 1959 over 1958 by 27%, from 48.6 to 61.5 million barrels. The trend remains upward and will rise significantly when new refinery capacity becomes available. By the end of 1960, it is planned to augment existing refining facilities by 40,000 barrels per day.

It may reasonably be expected that the automotive industry will continue to expand and that export of automotive vehicles, being carried out on a very minor scale, will increase. The agricultural tractor industry, about to be established in Brazil, will in time end the need for imports and while it is probable that a limited number of tractors will come off production lines during the latter part of 1960, full-scale production will not be achieved before 1961 or 1962. END UNCLASSIFIED

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3. Agricultural Production

There was no shortage of coffee in Brazil in 1959. The record 1959/60 crop, now officially estimated at more than 40 million bags, was the outstanding production achievement of Brazilian agriculture. This "achievement" will not, fortunately, be repeated in the case of the 1960/61 crop estimated most recently by the IBC at 20 million bags. The trade, however, expects it to run higher, perhaps in the neighborhood of 28 to 30 million bags.

The mild upward trend of cacao production, up about 4,000 metric tons in 1959 over 1958, is expected to continue. Increased production in 1960 over 1959 is expected by the Office of the Agricultural Attaché also in the case of the following products of international interest: cotton, sisal, tobacco. Sugar production is expected to drop a little as a result of enforced milling quotas and no significant change is expected in the case of wheat. This means that Brazil will continue to be dependent on imports for about 75% of its 1960 wheat requirements, i.e. imports in the neighborhood of 2 million metric tons. END OFFICIAL USE ONLY



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4. Mineral Production

Manganese production, measured by exports from Amapá, totalled nearly 753,000 metric tons in 1959 as compared with 614,000 in 1958. Whether this upward trend continues depends in part on possible future barter deals involving manganese such as the manganese-wheat exchange last year. Iron ore production and exports likewise exceeded 1958 figures. Cia. Vale do Rio Doce exported 3,210,000 metric tons in 1959 and expects production to rise to 4.5 million tons in 1960 and to 6 million in 1961.

Petrobrás production of crude petroleum rose markedly in 1959 to nearly 23.6 million barrels, representing a 25% increase over that of the previous year. Despite the lack of success thus far in finding new productive fields outside the Recôncavo, the upward trend is expected to continue in 1960. Although from time to time high officials have optimistically predicted self-sufficiency in crude petroleum production at various dates ranging from early 1961 to 1965, Petrobrás' official estimates call for production on an ascending scale from 96,000 barrels per day in 1960 to 150,000 barrels per day in 1963, i.e. less than half Brazil's estimated needs during the period 1960-63.

Growing domestic demand and the stimulation of exports from allowing sales on the free exchange market should tend to boost both production and exports in 1960. Official mineral production figures for 1958 became available only a few weeks ago and those for 1959 will not be available for at least a year. Meanwhile, export data must serve as indicators of production trends.
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C. Prices

Brazil's inflation picked up speed during the last quarter of 1959 and was proceeding at a fast trot before year's end. Even those, in and out of government circles, who subscribe to the theory that inflation is desirable as well as inevitable in underdeveloped countries wishing to develop their resources began to show signs of worry about the pace. The inevitable consequences of rapid deterioration of the internal purchasing power of the cruzeiro were becoming too evident to be ignored - soaring prices, discouragement of savings, scarcity of working capital even at high rates of interest, encouragement of investment in speculative, quick-return ventures rather than in productive investments of long-term benefit to the economy. END OFFICIAL USE ONLY



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Cost of living in the Federal District had risen in December 1959 by 52% over that during the corresponding month of 1958 (Getúlio Vargas Institute). The cost of food had climbed even more, by over 70%. Similar but generally less sharp upswings occurred in other principal urban centers.

The Foundation's index of wholesale prices (excluding coffee) stood at 480 (1948 = 100) in December 1958. Eleven months later it had risen by nearly 34% to 642.

The latest available export and import price indexes relate to September 1959. They indicate that in respect of dollar trade, Brazil's terms of trade improved somewhat during the course of the second and third quarters. The index of import prices in dollars (1948 = 100) declined from 66 in March to 61 in September afrer having risen as high as 79 in May. Meanwhile, the index of export prices in dollars rose from 97 in March to 102 in September after reaching 108 in May. Cruzeiro export prices, between March and September, showed a stronger tendency to rise than did cruzeiro import prices to fall. The Foundation's index of the terms of trade was 169 in September as compared with 147 in March (Apr. 131, May 137, June 163, July 165, August 174). No major improvement or worsening of the terms of trade is expected in 1960 provided the price of coffee holds fairly firm. END UNCLASSIFIED

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On the supply side, there are still many cases in which availabilities fall short of effective demand. Price levels, in other cases, are encountering consumer resistance. The latter case is illustrated by the experience of the meat packers. The purchases of first quality beef, freed of price control, fell off about 20% from normal as a result of consumer resistance to the free-market price. Government controls, programs, and regulations complicate the supply outlook, sometimes fostering increased production (e.g. automotive products) and sometimes discouraging production (e.g. beef cattle). Despite widespread dissatisfaction with many aspects of government policies and programs affecting agricultural and industrial production, and particularly with the Federal COFAP (Federal Supply and Price Commission) and its State [redacted], the near-term prospects are for more rather than less government intervention in the fields of production and supply.

It is certain that prices in general will continue to rise during 1960 despite the halt after the turn of the year. The only question is the rate of advance which will depend, in the main, on



the Government's policies and actions in this election year. If the 1960/61 coffee crop turns out to be substantially smaller than last season's crop, the need for huge additions to the money supply will be substantially reduced at least in so far as the coffee-purchase program is concerned. This potential "saving" may, however, be dissipated in whole or in part by accessions to pressures from other directions, e.g. the demands of the coffee growers and traders for a larger share of the "coffee dollar"; heavy costs of the Brasilia operation - moving of government personnel, double pay for workers transferred there, around-the-clock construction of buildings, etc.; and, perhaps, unscheduled payments into social security funds under present or revised system (present Government debt to institutes estimated in the press at Cr$ 58 billion as of the end of 1958). A continuing threat to monetary stability is the pressure of labor unions for higher wages. Even assuming that the Administration will hold to its decision to deny pay increases to its civil servants and resist demands for another boost in the minimum wage, the negotiated wage increases already realized in recent months and to be expected in the near future will tend to boost prices above 1959 levels. All things considered, however, it seems likely the rate of inflation in 1960 will be less than it was last year, perhaps considerably less.

D. Consumption

In terms of current prices, consumer expenditures in 1959 were considerably higher than in 1958 but in real terms may well have been below the 1958 level. Despite extraordinary sales efforts, including a special lottery designed to entice purchasers, wholesale and retail sales in the Federal District are estimated to have been only 21% above those in 1958. Meanwhile the general cost of living in the Federal District had advanced over 50%; the index of wholesale prices (excluding coffee) by 34% as of November 1959. No comparable index of retail prices is available but it can safely be assumed that the rate of increase was higher than in the case of wholesale prices.

Private investment expenditures are expected to continue their upward trend, in current prices, despite the relative tightness of credit at high cost in the private sector of the economy. In terms of constant prices, these expenditures may not greatly exceed those of last year, particularly in view of the prospect that considerably less coffee-money will be pumped into the economy later on this year as compared with 1959. The cash position of many enterprises remains tight not only as a result of tight credit but also because of rising costs of materials and services and increased wage payments. This situation is expected to continue and may put



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a damper on many plans for expansion of facilities. The Bank of Brazil's success in keeping a fairly tight rein on expansion in the private sector is indicated by the fact that the Bank of Brazil's loans (other than those to the Treasury and other government entities) as of January 31, 1960 were only Cr$ 3.4 billions or 2.6% higher than at the end of September 1959 and Cr$ 18.8 billions or 16.6 % higher than those at the end of January last year. Meanwhile, however, there was a sharper increase in commercial bank credit in 1959 as compared with 1958, attributable in large part to the massive currency issues in the latter year. Loans to the public increased 37.9% in 1959; 20.2% in 1958. Thus the restraint exercised by the Bank of Brazil was weakened.

Some industrial expansion plans have been mentioned in the foregoing section headed "Industrial Production". Another indication that private investment, particularly in government-favored branches of industry, may continue at a fairly high rate in 1960, despite higher costs of money, materials and labor, is the amount of new capital represented by the formation of new companies or the acquisition of new money by existing companies. The amount of such new capital for the first eleven months of 1959 was Cr$ 62.2 billion as compared with Cr$ 37.6 billion during the corresponding period in 1958, an increase of 65%. Data thus far available for 1960 support the view that the trend will remain upward.

Data concerning business failures indicate some strengthening of the business structure and greater caution on the part of both lender and borrower than prevailed before the banking crisis in the last quarter of 1958 and the imposition of credit restraints under the Economy Program sponsored by Lucas Lopes. Much larger coffee payments in the São Paulo area in 1959 as compared with the previous year also played a part. For São Paulo and the Rio (Federal District) areas combined, January-November 1958 and 1959, the summary data are as follows:

	January - November	
	1959	1958
Bankruptcies and Creditors Agreements	606	411
Liabilities Involved	Cr$ 13.7 billion	Cr$ 25.0 billion
Losses Incurred	Cr$ 4.8 billion	Cr$ 13.8 billion

Source: Pre-publication issue of Conjuntura Econômica for February 1960.



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In 1960 as in the past year government consumption (government expenditures other than for investment and transfers) plus public investment will continue to exert heavy pressure on the country's human and material resources. These expenditures in themselves help to accentuate the disparity between industry and agriculture by draining additional workers from rural areas. Government encouragement of new industries (e.g. tractors, oceangoing vessels) and expansions of others (e.g. steel, automotive, heavy industry) has a similar effect. It is unlikely, despite government "Economy Plans" or statements of intention to strengthen the value of the cruzeiro, that this Administration will slow down materially, if at all, the tempo of its own investments or of those in favored sectors of the economy.

The Federal Budget for 1960 emerged with a figure of Cr$ 194.3 billions, nearly Cr$ 30 billions over the figure submitted by the Administration (Embassy despatch 699, January 8, 1960). The comparable figure for 1959 was Cr$ 156.2 billion. The biggest boost voted by the Congress was an additional Cr$ 13 billions for the Ministry of Transport and Public Works. As compared with the pattern of expenditures proposed by the Administration, the Congress voted 29% (cf. 24%) of the total budgeted expenditures for capital (public works) expenditures, at the expense of operating expenditures. On January 19, 1960, President Kubitschek issued two decrees for the stated purposes of controlling and limiting Federal expenditures in 1960 (Embassy despatches 771 and 783, February 1 and 5, respectively). This latest of a series of ill-starred "Economy Plans" would cut total expenditures by slightly over Cr$ 30 billions and bring them slightly below the figure requested originally by the Administration. The biggest "saving", of Cr$ 12 billions, would be in the funds Congress authorized for the Ministry of Transport and Public Works. Some scepticism seems warranted not only because of the limited success of previous such economy plans but also because of the provision for considering releases of reserved funds after July 1 and the fact that this is a national election year.

An article on total public investment (Federal, State, Municipal and autarquias) in the Correio da Manhã of March 8, 1960, puts the grand total budgeted for 1960 at Cr$ 124 billions as compared with Cr$ 95 billions for 1959. The article also estimates that total public investment expenditures last year reached Cr$ 123 billions, Cr$ 28 billions over the budgeted total.

E. External Factors

Brazil's chronically difficult balance-of-payments situation has been the subject of many despatches and telegrams since the



(OUO Continued)

last Economic Assessment was prepared. Brazilian officials concerned with the problem were pleasantly surprised that the country was able to survive 1959 without balance-of-payments credits and without default. This was not accomplished without a lot of effort, in many directions, but coffee gets most of the credit. They have moved into 1960 feeling confident, at least publicly, that they can surmount the financial hurdles expected to arise in 1960. External payments of principal and interest falling due in 1960 are estimated by SUMOC at US$308.4 millions as compared with US$169.5 in 1959. This series of payments hurdles among others cannot be topped without an unusually favorable combination of factors affecting both foreign currency receipts and expenditures. On the receipts side, the experts directly concerned place a lot of faith in another relatively good year for coffee exports. This faith is subject to undermining not only by what may happen to coffee consumption and prices abroad but also by efforts on the part of Brazilian coffee growers and traders to get a larger portion of the "coffee dollar". Prospects for increased exports of other products are generally better than they were in 1959, because of increased availabilities in some cases and because of the stimulating effects of SUMOC Instruction 192. Nevertheless this outlook is clouded by the fact that domestic consumption tends to absorb more and more of domestic production and by the system under which domestic manufacturers are frequently able to obtain official export embargoes or the imposition of export quota limitations as a means of assuring "adequate supplies at reasonable prices". Cases in point are wool, hides and skins. In other cases, e.g. beef, exports are from time to time subject to quota limitations or embargo with a view to safeguarding the Brazilian consumer.

On the expenditures side, continued heavy pressure on limited foreign exchange resources may be expected. Apart from principal and interest payments referred to above, the process of industrialization, power development and transportation improvement will call for heavy expenditures for capital equipment and materials unavailable in Brazil or only in insufficient quantities. Some exchange savings can be expected. In the case of petroleum, representing one of the most insistent demands of foreign exchange resources, the net outlay of US$220 millions last year was US$30 millions less than in 1958. This trend is expected to continue. The outlook for steel, in this respect, is also fairly bright. In these and other cases, however, the strong tendency for domestic consumption to grow casts doubt on such predictions of foreign exchange savings. There may, on the other hand, be more cases like those of asphalt and cement. Domestic production of the former is about sufficient to meet the demand and in the case of cement, the recent inauguration of a large plant near Belo Horizonte should help to close the gap. Within the next five years, Brazil may be in a position to export cement. END OFFICIAL USE ONLY



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After July 1959 the cruzeiro continued to weaken in the free market and dipped below 200 to the dollar in December. Since then it has strengthened by about 15 cruzeiros to the dollar. The August 1959-January 1960 monthly averages in the free market, the general category auctions and the special category auctions are shown in the following table:

Rates for Dollars in Rio
(Monthly averages, Cr$ per US$)

1959	Free Market (check buying-cambios)	General Category Auction (agio + 18.92)	Special Category Auction
August	152.74	177.13	339.14
September	158.80	189.05	375.42
October	172.59	221.62	433.27
November	189.40	212.60	424.90
December	199.54	209.60	426.31
1960			
January	187.34	208.04	453.10

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The near-term outlook is for a continuation of the situation which has prevailed for more than half a year, i.e. a precarious foreign exchange position, with the till never very full and never quite empty. The weekly drain on hard currency resources represented by the weekly exchange auctions was increased from US$5 millions to US$6 millions on November 28, 1959. From February 16, 1960, an additional US$300,000 and from March 8 an additional $100,000 have been added (to accommodate imports from Japan and Sweden, respectively, on a multilateral basis), bringing the weekly total to US$6.4 millions. This lifts the annual rate (50 weekly auctions) to US$320 millions as compared with the pre-November 28, 1959 annual rate of US$250 millions, i.e. an additional amount, on an annual basis of US$70 millions. Whether it will be possible to maintain the present scale of offerings for an extended period remains to be seen.

The authorities will still have a variety of safeguards against foreign exchange bankruptcy short of the kind of measures (e.g. putting presently favored imports on the free market) which would insure eligibility for IMF and U.S. balance-of-payments assistance. They may be able to squeeze out more supplier credits.

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They may be able to tap more ready cash through approval of additional "swap" transactions. Some hard currency may be saved through barter or bilateral deals, although the scope for the latter seems to be less than many Brazilians thought possible before the relatively small results of the Moscow negotiations became known. To meet spot requirements, the Bank of Brazil can purchase dollars in the free market. Recourse to this is circumscribed [illegible] not only by the cruzeiro resources of the Bank but also by the effects of such operations on the free market rate.

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It seems likely on balance that President Kubitschek will be able for some months to come, perhaps until the October elections or even longer, to bask in the popular sun as the strong defender of Brazil's economic progress against the IMF or any other organization or country that allegedly would like to see the rate of development slow down. Meanwhile, lesser officials more directly concerned face additional months of anxious planning and action in an effort to avert a real foreign exchange crisis.

IV. Major Forces Influencing the Direction of the Economy

Barring any significant change in the coffee outlook, such as even a relatively small drop in the world market price, the major force affecting the economy during the coming months will be the government's economic development program. This program not only concerns itself with public works and mixed-economy developments, such as those aided by the BNDE, but also the favored sectors of private industry, national or foreign or mixed. Further investment in Brasilia will continue to drain off men and materials on a rather grand scale. No very significant improvement in the position of agriculture, over all, is foreseen.

Although the rate of inflation slowed nearly to a halt after the turn of the year and further currency emissions were avoided, the test will come later, particularly when the period of relatively plentiful supplies of food ends and between-harvest scarcities reappear, starting in the period just preceding the October elections. Meanwhile several major threats to monetary stability, apart from pre-election pressures for large-scale government spending, will be encountered. Mention has been made of the coffee interests' demand for a larger share of the "coffee dollar". Another is the project for "reclassification" of government workers' jobs. Despite the fact that the Minister of Finance has taken a strong



public stand against any increase in government salaries, there is quite a bit of steam behind the reclassification bill which will be considered again during the next regular session of the Congress scheduled to begin on March 15. The added cost of the proposed reclassification has been estimated variously, from Cr$ 10 or 12 billions to as high as Cr$ 40 billions. If such legislation is enacted, it would also encourage demands for further wage increases in the private sector and make it more difficult to resist demands for another increase in the minimum wage (last increased to Cr$ 6,000 per month as of January 1, 1959), particularly if the cost-of-living index resumes its upward movement in the between-harvest season beginning before the national elections. There is some talk of the possibility that an increase in the minimum wage (perhaps to Cr$ 10,000) will be discussed at the next National Syndical Conference. In the opinion of the Labor Attaché, it is unlikely that there will be any serious move in that direction until some time after the October elections. Lurking in the background is the workers' demand for improved social security legislation, which the labor party (PTB) is committed to support. Such legislation, if enacted this year, would place an additional burden on the strained financial resources of the government.

The potential saving in government expenditures for coffee as a result of a smaller 60/61 coffee crop is being whittled away by ever larger estimates of the new crop, as of now within about 10 million bags of the record 40 plus million bag 59/60 crop. The expenditures on coffee will be less than last year but not sufficiently so to afford a safe cushion against demands for increased government expenditures in other programs.

In the private sector, the present and potential market in Brazil continues to attract both local and foreign investment, particularly in the industries favored by the government. Even if the rate should slacken a bit from the recent past, this force for expansion of the economy will continue to exert a powerful influence.

If the Administration is able to resist normal plus election-year pressures for government spending far in excess of receipts calling for large currency emissions, the credit expansion of 1959 should not be repeated on the same scale in 1960. Last year commercial bank loans plus Bank of Brazil loans (other than to the Treasury) zoomed up in the amount of Cr$ 105,083 millions or 30.6%. The comparable figures for 1958 were Cr$ 64,874 millions and 23.2%. Most of the 1959 increase was attributable to the commercial banks. Further details and a comparison of "Economy Plan" goals with actual results have been provided in Embassy despatch No. 837, February 2, 1960.

The apparently improved outlook for the Administration-supported Presidential candidate, Marshal Lott, may have the effect of strengthening the pressures for extraordinary federal expenditures



during the campaign, with a view to insuring victory over Jânio Quadros. It may also have the effect, on the other hand, of making the Administration more cautious than otherwise about burdening the next Administration with unbearable external obligations or chaotic internal economic conditions. The strategy probably will be to hold federal expenditures for political purposes to the minimum considered necessary to assure the Marshal's victory, to endeavor in this way and others to control inflation to a greater extent than in 1959, and to avoid if at all possible any substantial increase in the external debt.

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William A. Fowler

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March 10, 1960
DATE

REF : 1957 CERP - Section requirements; Section C, Item 1

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55	Com 12	AID-1 ARA-4 FAO-4 E-3 FCH-11 SCS-1
	REC'D 3/22	INFO OTHER CEA-10 THR-2 FAS-3 FAB-3 XMB-4 AE-8

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - February 1960

IN-7 HAB-4 OSD-4 Army-4 Navy-3
CIA-4 USIA-10 FAH-5 CAB-4 FEC-1

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade Developments
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance
7. Labor

832.00/3-1060

SUMMARY

Bumper rice crop is expected due to favorable weather. Rice growers are concerned about rising prices of agricultural machinery. Exportable rice surplus expected. Rio Grande do Sul's last wheat crop now officially estimated at 286,600 metric tons. Wheat growers expect price support from Federal Government. Woolgrowers were refused permission to export until textile mills' requirements and stocks available are known. Top quality wool price is higher than last season's. Wool exporters are concerned about competition from Argentina and Uruguay under Common Market Agreement. Official quota for cattle slaughter is 10 percent lower than last year's due to considerable decrease in cattle population. Cattle contraband to Uruguay has increased. Seven silos are under construction in the interior and are expected to be ready for handling next wheat crop. There has been a seasonal drop in State sales. Collections of trade bills are reported slightly better than in the previous month. East German Trade Mission visited the State to initiate trade relations. Plans for manufacturing Polish tractors in this State are reported. State has been authorized to issue more "Brizoletas". The cruzeiro weakened slightly during the month. Exchange surcharges for commercial imports have increased. Local banks report a generally tight money situation.

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1. Agricultural Developments:

Rice - Prices in northern domestic markets for Rio Grande do Sul rice weakened further under pressure from increased shipments of lower grade Maranhão rice, which may cause a carry-over of 350,000 bags against 278,000 bags for the previous year. Estimates for the new crop have been increased to 18,500,000 fifty-kilo bags (925,000 metric tons), representing about 27 percent of the national rice production. Some 2,000,000 bags are expected to be available for shipment to foreign markets. While the new prices have not been set, they are now predicted in the neighborhood of Cr$600-650 per 50-kilo bag, with harvesting due to begin in March. Rice growers are apprehensive with rising prices of agricultural machinery, which not only stifles, but also increases the cost of, production. Shipments of rice from Rio Grande do Sul to northern domestic markets are subject to price ceilings established by the Federal price and supply control agency (COFAP) on an unrealistic low basis as compared with São Paulo rice, according to the local Rice Institute (IRGA).

Wheat - Latest official estimates place the country's total wheat harvest recently completed at 363,600 metric tons, including 286,600 metric tons for Rio Grande do Sul, 52,000 tons for Santa Catarina, and 25,000 tons for Paraná. Because of the low current production wheat growers are now expecting a minimum price to be set by the Federal Government at Cr$870.00 per 60-kilo bag, of which Cr$500.00 will be paid by millers and Cr$350.00 by the Federal Government. The price guaranteed by the Federal Government will come from a national wheat fund, so the prices of flour used for bread will not be increased.

Latest press reports indicate that some 500 tons of wheat have been released for local grinding, which would be sufficient to avert a local flour shortage.

Wool - The Federal Government recently refused local wool growers permission to export until the country's textile industry's needs and stocks available are known. It is now estimated that the recent wool clip may total less than 23,000 metrict tons, against domestic consumption of 21,500 metric tons. Prices are firm, with top quality wool being quoted at Cr$3,600.00 per arroba (15 kilos) compared with Cr$2,100.00 for the previous clip.

Beef Supply - From an estimated 9,000,000 head of cattle in Rio Grande do Sul, 1,000,000 head used to be slaughtered annually. Local consumption takes 75 percent of the yearly slaughter, the remainder being shipped principally to northern domestic markets, with some amount for export. Although cold storage facilities are not adequate to insure a balanced year-round supply of beef, indications are that even present capacities will not be fully

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utilized, as packers do not wish to risk losses, squeezed between rising costs and government controlled price ceilings. Cattlemen do not consider winter fattening of cattle profitable because of high grain prices, and the overall outlook is for the usual late winter shortage of beef. Beef retail prices have been increased somewhat recently. Cattle numbers are contradictory at present, estimates going as low as 7,000,000 head. The State Department of Statistics is now undertaking an agricultural census and figures will be released in the near future.

This year's official cattle slaughter quotas for Rio Grande do Sul have been reduced to 209,915 head for jerked and frozen and canned beef, or 10 percent less than last year's. Out of this total, 94,410 head were set aside for jerked beef, and 115,505 for frozen and canned beef. These quotas may be altered by the authorities during the season, depending on the number of cattle available. Attached (Enclosure No. 1) is a translation of the State Portaria No. 9 of February 26, 1960, establishing slaughter quotas for the different producers.

According to a recent statement by the head of the Brazilian Trade Bureau in Montevideo, indications are that about 20,000 head of cattle entered Uruguay illegally in about three months. It is expected that this contraband may cease as the recent Montevideo South American Common Market agreement abolishing import duties comes into effect.

Wine Grapes - Minimum prices for wine grapes recently established by the State Government range from Cr$3.90 to Cr$12.00 per kilo, as compared with Cr$3.30 to Cr$7.10 for last year's harvest. Rising cost of materials, coupled with inflation, are said to be responsible for this increase in prices.

Silos and Warehouses Plan - According to press reports, seven silos are under construction located in Cachoeira do Sul, Cruz Alta, Júlio de Castilhos, Bagé, Erechim, São Gabriel, and Pôrto Alegre, respectively, with a combined capacity of 360,000 metric tons of grain per year. It is expected that these silos will be ready for handling the next wheat crop at the end of the year. Funds amounting to Cr$258,300,000.00 will be made available by the State for this plan which is also financed by the National Economic Development Bank.

2. Domestic Trade and Commercial Activity:

An improvement in volume of sales over the like period of last year, ranging from 20-40 percent, is reported by retailers and wholesalers. Collections of trade bills in general are said to be

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slightly better, but a reliable source reports that there has been no change over last month's small improvement.

The value of State sales for January 1960 (latest figure available), based on the number of tax stamps sold, showed a seasonal drop. Comparative figures, in thousands of cruzeiros, for December 1959 and January 1960, and January 1959 are as follows:

December 1959	January 1960	January 1959
19,050,468	15,453,835	13,303,839

3. Foreign Trade Developments:

Business circles in this State continue to be apprehensive over the results of the Montevideo Common Market for South America. Wool exporters fear competition from Argentine and Uruguayan producers, whose prices are lower. Governor Brizola also approached the Federal authorities expressing concern over the effect of this agreement on the State's economy.

4. Industry and Investment Developments:

Early in February a Mr. Kurt Ullrich, head of the East German Trade Mission in Rio de Janeiro, visited this State, following up the recent visit of a Trade Mission from East German, (ref.item 4 of despatch No. 28, Feb. 8,1960) to discuss matters in relation to an initiation of commercial relations. Mr. Ullrich invited Governor Brizola to attend the Leipzig Fair to be inaugurated February 28; the Governor accepted. A group of State government technicians will also attend the fair to become acquainted with technical and scientific developments on display there. The Brazilian Coffee Institute (IBC) apparently has outstanding credit in East Germany amounting to 45 million dollars, of which 5 million dollars has reportedly been alloted to this State. East German items of interest to this area include generators, equipment for fluorization of water, cement plant, oil pressing,and paper plant using rice for pulp. The Consulate will report further developments.

A well-known local firm recently submitted an application to GEIA (Automotive Industry Executive Group) in Rio de Janeiro for manufacturing tractors in this State. This plan includes the manufacture of Polish tractor "MAZUR" under an agreement with the Polish firm. About 500 tractors would be assembled initially per year, with a gradually increasing local manufacture of components. The Consulate will report further developments.

A powerful economic domestic group is erecting a glass factory near Porto Alegre, with an estimated monthly capacity of



220,000 sq.meters of glass. The total cost of the plant, which is scheduled to go into operation in 1961, is estimated at 300 million cruzeiros.

5. Transportation and Communications:

Telephone Company - Apparently no answer has yet been received by the local Cia. Telefônica Nacional from the State about the telephone problem. In the meanwhile, telephone employees demanded an increase in salary, which has been met by employers by an adjustment in telephone rates.

Cia. Energia Elétrica Rio Grandense - There is nothing to report on the litigation between the State Government and the American & Foreign Power over the local light and power company. The status continues to be the same as reported in item 4 of Consulate's despatch No. 19, January 11, 1960. With the summer recess of the State court now coming to an end, further steps may take place in March. The Consulate will report developments.

Aviation Developments - Varig continues to expect its two Boeing 707's for operation in June. They will operate three round trips a week, nonstop between Rio de Janeiro and New York.

6. Finance:

"Brizoletas" -

As authorized by the State Assembly (ref. item 6, despatch No. 28) the Governor signed a decree for the issuance of a second series of RGS State Treasury Letters ("Brizoletas") in the amount of Cr$667,500,000. These Letters were originally authorized by Law No. 3785 of July 30, 1959 (Enclosure No. 2). The text of the Governor's decree, as published in the local press February 17, gives the quantity and value of each denomination (Enclosure No.3).

The terms of the legislative authorization establish that the total value of these letters should not exceed 10% of the State's estimated tax receipts for the 1960 fiscal year, or approximately 1.800 million cruzeiros. Newspaper clippings are enclosed which include facsimile of a 50 cruzeiro "Brizoleta" (Enclosure No. 4).

Exchange - The cruzeiro in the free exchange market weakened slightly during the month under review. The low was Cr$189.00 to the dollar (check buying) on February 16, and the high was Cr$186.50 on February 3.

The exchange surcharges (agios) for commercial imports increased somewhat at auctions held during the month. The dollar agio averaged Cr$186.05 in the special category, and Cr$199.25 in the general category, as compared to Cr$104.00 and Cr$199.00, respectively, in January.

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Money Conditions - Reliable sources indicate that the easing in the money market in the closing days of January proved only temporary in nature. Early in February the trend abruptly reversed and most local banks have experienced a generally tight situation.

7. Labor:

Telephone employees threatened to go on strike if the telephone company did not meet their demands for an increase in salary ranging from 30 to 60 percent on a sliding scale. This threatened strike was averted through an agreement with the employees approved by the State Commission of Energy which provided for a 38 percent average increase in salary. At the same time the telephone company was allowed to adjust its rates to cover this increase.

The Bank of Brazil is discussing with local banks the possibility of rediscounting the promissory notes, amounting to 84 billion cruzeiros, given by Swift of Rio Grande to its employees as separation compensation. If the banks delay in reaching agreement, it is feared that these notes may become subject to abusive usorious practices.

Percy Warner
American Consul

Enclosures: No. 1,2,3,and 4

cc. Rio, with enclosures.

Page ____ of
Desp. No. ____
From ____

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 31
From PORTO ALEGRE

TRANSLATION

Pôrto Alegre, February 26,1960

PORTARIA No. 9

The Secretary of Economy of Rio Grande do Sul using the powers invested upon him by the Minister of Agriculture by Portaria No.209 of February 18, 1960

RESOLVES:

1 - To establish and allot quotas for the 1960 official cattle slaughter season to jerked beef processors and packing houses in this State, as follows:

JERKED BEEF

Processors	Head of Cattle
Cooperative Bageense de Carnes Ltda.	9,000
Cooperative Industrial de Carnes e Derivados	18,720
Industria de Carnes Sto. Antonio S.A.	5,040
Rodolpho Moglia,Industria,Comercio e Pecuaria Ltda.	9,000
Cooperativa Pedritense de Carnes Ltda.	7,650
Cooperativa de Carnes e Derivados da Zona Sul Ltda.	4,500
Cooperativa Castilhense de Carnes e Derivados Ltda.	8,550
Cooperativa Santanense de Carnes e Derivados Ltda.	8,550
Cooperativa Sudeste de Carnes Ltda.	4,500
Frigorifico Anselmi S.A.	1,800
Cooperativa Rural Gabrielense Ltda.	7,200
Cooperative Rural Serrana Ltda.	2,250
Cooperativa da Fronteira-Oeste de Carnes e Derivados Ltda.	7,650
Total	94,410

FROZEN AND CANNED BEEF

Processors	Head of Cattle
Cooperativa Industrial de Carnes e Derivados	720
Industria de Carnes Santo Antonio S.A.	2,700
Cooperativa Castilhense de Carnes e Derivados Ltda.	720
Frigorifico Armour do Rio Grande do Sul S.A.	26,100
S.A. Frigorifico Anglo	18,000
Frigorifico Sul-Rio Grandense S;A.	3,600
Companhia Swift do Brasil S.A.,Rosário do Sul	44,100

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FROZEN AND CANNED BEEF (Cont'd)

Processors	Head of Cattle
Frigorifico Anselmi S.A.	1,368
Frigorifico Fazendeiros Reunidos S.A.	4,877
Cooperativa Rural Gabrielense Ltda.	1,080
Cooperativa Rural Serrana Ltda.	12,240
Total	115,505

2 - The above-mentioned quotas will be increased or decreased proportionately, as the case may be. This will depend on the results of the present official counting showing that numbers are more, or less, than 7 million head.

3 - If feasible, the numbers of head remaining from any individual quotas not completed will be distributed to other processors.

4 - Distribution preference will be given to processors who are actually engaged in supplying beef for consumption within the State; the individual slaughter capaticy of processors and the domestic market possibilities will be taken into consideration.

5 - Distribution will not be made to other processors; However, they may require that any cattle for jerked beef be used for frozen beef, and vice-versa.

6 - Processors will be liable to a fine of 15 percent of the average cost of each head killed in excess of established quota, or a minimum of Cr$2,000.00 per head, in addition to a penalty which is imposed by the Federal Inspection Service.

7 - The Rio Grande do Sul Meat Institute will be responsible for enforcing this ordinance which will be effective on the day of its publication.

Deputy Adalmiro Moura
Secretary of Economy



AUTORIZADA A EMISSÃO DE 667 MILHÕES DE CRUZEIROS

Art. 1º - É a Secretaria de Estado dos Negócios da Fazenda, de acrodo com o disposto na Lei nº 3785, de 30 de julho de 1959, autorizada a emitir, contra suprimento de numerário, a 2a. série de Letras do Tesouro, no valor de Cr$667.500.000,00 (seiscentos e sessenta e sete milhões e quinhentos mil cruzeiros) e assim constituida:

Números de títulos: 50.000, no valor nominal do título de Cr$50, no total de Cr$2.500.000; 50.000 de Cr$100, no de Cr$5.000.000; 50.000 de Cr$200, no de Cr$10.000.000; 200.000 de Cr$500, no de Cr$100.000.000; 200.000 de Cr$1.000, no de Cr$200.000.000; 10.000 de Cr$5.000 no de Cr$50.000.000; 10.000 de Cr$10.000, no de Cr$100.000.000; 2.000 de Cr$50.000, no de Cr$100.000.000; 1.000 de Cr$100.000, no de Cr$100.000.000.

Art. 2º - Os títulos de que trata o artigo anterior serão resgatados em prazos variáveis entre 15 (quinze) e 360 (trezentos e sessenta) dias, contados da data da emissão.

Art. 3º - Revogam-se as disposições em contrário.



AIR POUCH
PRIORITY

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832.00/3-1160

FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil

21
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 11, 1960
DATE

REF : CERP Requirement Section C, Item 2.

	ACTION	DEPT.
For Dept. Use Only	COM-12	AED-1 *EAP-4 *AGR-4 E-3 *ECAM ARA-2
	RECD 3/17	INFO OTHER CIA-10 TAR-2 *TR-3 FRB-3 XMD-4 AG-8 EB-4 USIA-10 IN-7 HAR-2 OSD-4 Army-6 Navy-3 FAA-5 CAB-2

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - FEBRUARY, 1960

SUMMARY

During February 1960 domestic trade was normal, with merchants reporting a satisfactory volume of sales. Large amounts of assorted staples have been received from southern, eastern and northeastern ports, thus improving the food supply situation, although prices continue high. The only exception was that of beans, whose prices came down on account of a sizable shipment of American beans received from COFAP in Rio de Janeiro. Fresh meat supply in Belém is more abundant, with prices at the same level. Two fishing companies operating in this region are providing plenty of fish at reasonable prices. The credit situation continues unchanged with better prospects for the coming month. A contract signed between Ocrim do Brasil S. A. and the Port Administration Company (SNAPP) will double the storage capacity of the Belém silos, the present one being 5,400 tons.

Continuing through February, the campaign "Seu Talão Vale Um Milhão" is steadily increasing the State revenue; the Mayor of Belém is also interested in adopting measures that will boost the municipal revenue. Local private banks have finished their annual reports showing substantial profits; it is expected that these banks and the ones directed by the Federal and State administrations will make credit easier for business and industry in the coming months. Local Customs authorities announced the seizure of smuggled merchandise valued at 45,600,000 cruzeiros for the period June 1959 to January 1960; 16 million cruzeiros of customs duties were collected during the same period; in 1959 there was an increase of 349 million cruzeiros in consumption taxes collected over the amount for 1958. During February the cruzeiro maintained steady in the exchange free market, closing the month at Cr$181,80 for purchase and Cr$186,30 for sale to one US dollar. Steady demand for US dollars was also reported.

The local office of the Directoria de Aeronautica Civil (DAC) has compiled statistics showing a high level of activity for the Belem airport (Val-de-Cães) during the year of 1959. The Lloyd Brasileiro, P. N. has received the first vessel of an order of 14 placed with the Stettin ship yards in Poland; the vessel named "Cabo Santa Marta" arrived in Belem on February 22, becoming here a Brazilian flag vessel, then proceeded to Rio de Janeiro.

Imports during February/

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Imports during February continued weak. Exports active as always. Interstate shipments normal and within the scheduled time.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Domestic trade in this region has been reported normal during February. Merchants report a satisfactory volume of sales during that period, with an almost complete exhaustion of their stocks of food stuffs, particularly basic foods. With the arrival at Belém of 45,000 bags of American beans sent by COFAP (Supply and Prices Federal Committee) in Rio de Janeiro to the COAP (Supply and Prices State Committee), price of beans in the local market has came down to 60/65 cruzeiros a kilogram, after having reached 90 crugeiros a kilogram for beans from southern Brazil. During February, private and government owned vessels brought in from southern, eastern and northeastern ports, considerable volume of cargo, consisting of assorted merchandise together with large amounts of sugar, onions and potatoes.

The start of the rainy season in the interior of Pará has eased somewhat the supply of fresh meat in Belém. Prices, however, continue the same (60 to 100 cruzeiros a kilo). Two fishing companies operating in this area (Pesca Amazonica Ltda. and Empresa de Pesca do Pará) continue to supply both ocean and river fish in large amounts and accessible prices (25 to 65 cruzeiros a kilo).

During February 1960 the credit situation continued unaltered. There are hopes that the credit establishments in this State will promote broader credit facilities starting March.

On February 23, an agreement was made between the Ocrim do Brasil S. A., owner of the wheat mill of Belém "Moinho Paraense", and the Serviços de Navegação da Amazonia e Administração do Porto do Pará - SNAPP, the port administration company, to increase the capacity of the silos of Belém owned by SNAPP and operated by Ocrim do Brasil S. A.. The present capacity of Belém silos, i.e. 5,400 tons, will be doubled thus minimizing the risk of flour shortages because of delayed shipments. The contract was signed by Medrado Castello Branco, Commercial Superintendent, for the SNAPP and Gilberto Azevedo, president of Ocrim do Brasil S. A., for this company. The new construction is expected to be completed by the end of 1960.

F I N A N C E

The Finance Secretary of the Pará State Government reports a continuous increase in the collection of the sales and consignment taxes after the launching of the campaign "Seu Talão Vale Um Milhão". These steady collections are bringing the total state revenue to a level which enables the State treasury to meet its obligations on time.

The Belém mayor is also tightening up tax collecting operations so that the Municipal Administration may carry out the so-called "Operation 1960".

The operation/



The operation involves a much needed and extensive "face-lifting" of the city, especially with regard to repairs of streets and other thorough fares, as well as to adequate garbage collection and disposal.

Most of the local banks have by now completed their annual reports. It is interesting to note that all the private credit establishments of Belém have shown substantial profits and have distributed satisfactory dividends among their shareholders, for 1959. It is expected that these banks as well as the ones controlled by the State and Federal governments will start financing business and industry on better terms very soon. The Caixa Economica Federal do Pará, a credit establishment controlled by the Federal government has started to help civil servants through loans up to 15,000 cruzeiros for each employee, for reimbursement within 18 months.

During February 1960, the exchange free market went as follows: at the beginning of the month, Cr$181 for purchase and Cr$185.50 for sale; at the end of the month, Cr$181.80 for purchase and Cr$186.30 for sale, to one US dollar. The fluctuation in this period was Cr$181 the lowest and Cr$186.80 the highest, to one US dollar. Banks with exchange service inform there was a steady demand for US dollars during February. Domestic and foreign bank collections were considered normal during this period.

The local Customs published in the local newspapers a brief statement showing that from June 1959 to January 1960 Customs officials seized smuggled merchandise valued at 45,600,000 cruzeiros consisting of 32 automobiles, 2,037 cases of Scotch whiskey, watches, sewing machines, perfumes, nails, beverages, steel cable, nylon articles and outboard motors. In the same period, 16 million cruzeiros of customs duties were collected. During 1959 there was an increase of 349 million cruzeiros in the collection of the consumption tax, over the total collected in 1958.

TRANSPORTATION & COMMUNICATIONS

According to statistical figures compiled for 1959 by the local office of the Diretoria de Aeronautica Civil-DAC (Civil Aeronautics Department) traffic at the Belém airport (Val-de-Cães) was as follows: 6,863 landings and 6,836 takeoffs; there were 72,495 outgoing and 68,718 incoming passengers; there were transported 77,464 kilograms of outgoing and 100,559 kilograms of incoming mail bags; there were shipped 8,402,405 kilos and unloaded 12,148,561 kilos of cargo.

On February 22, there arrived in this port the M/V "Cabo Santa Marta" in its first trip to Brazil from the ship yards at Stettin, Poland. This vessel belongs to the Brazilian government shipping line "Lloyd Brasileiro" and is the first of an order of 14 ships contracted for this company. The captain of the "Cabo Santa Marta" stated that although facing several storms during the voyage the ship proved to be fully seaworthy as required by the merchant marine. The characteristics of this vessel are the following: displacement 3,147 tons gross, 1,745 tons net; 117 meters of overall length, speed 17 knots p/hour; cargo capacity for 5,490 tons; powered by a German diesel engine of 6,000 HP.



IMPORTS AND EXPORTS

Imports during February 1960 continued in the same as reported for the previous period, Export business continued active with shipments through the port of Belém of Brazil nuts, balata and massaranduba gums, wild hides and skins, alligator leather, black and white pepper, and mahogany logs, destined to Europe, U.S. and Argentine ports. Interstate incoming and outgoing shipments during February were also active with private and government owned vessels arriving in Belém within the scheduled times.

A. José DeSeabra
American Consul

c.c.: American Embassy, Rio de Janeiro, Brazil.



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PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro

882

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 11, 1960

DATE

MAR 14 1960

REF : CERP C-2

	ACTION	DEPT.
For Dept. Use Only	REC'D 3/14	INFO OTHERS

SUBJECT: MONTHLY ECONOMIC SUMMARY - FEBRUARY 1960

ITEMS

1. Domestic Trade and Commercial Activity
2. Foreign Trade and Commercial Policy
3. Finance
4. Industry
5. Coffee and Agricultural Developments
6. Labor
7. Minerals and Petroleum Developments
8. Transportation and Communications

FILED

MAR 31 1960

832.00/3-1160

SUMMARY

Domestic retail and wholesale trade was considered satisfactory in February, considering the fact that the Carnival holidays began the latter part of the month. The money market was somewhat easier in the three largest cities than in January, although credit was expected to tighten in March. The rate of increase in cost of living in the Federal District slowed down, at least temporarily.

Brazil agreed to exchange coffee for US$ 8.7 million worth of East German tractors and other equipment. Spanish firms proposed to barter fishing vessels for coffee. A commercial mission from Poland arrived. The National Confederation of Commerce announced plans to hold discussions with groups from countries signing the Montevideo Free Trade Area Treaty.

President Kubitschek gave a long television speech highlighting the Administration's achievements. In another speech, the Finance Minister cited measures being taken which he said would place the country in a sounder economic position. There was little change in the free market value of the cruzeiro or in the total currency in circulation during the month.

Volta Redonda got a new president and GEIA released the names of the firms submitting bids to establish a tractary industry in

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Brazil. Optimism was expressed over the outlook in the steel and electric power industries. Several new manufacturing plants were established in the São Paulo area. A large meat-packing plant and a cement plant were inaugurated near Belo Horizonte.

Coffee exports totalled 1,460,000 bags. The 1959/60 wheat crop was officially estimated to be 3 52,000 tons. Eight Brazilians involved in the "bean scandal" were to have their case tried before the Attorney General. Rains were reported in the drought areas of the Northeast.

Few strikes were reported. Many groups and labor unions were petitioning for higher wages; some petitions were granted but a large number of them were pending at month's end. The retail prices of petroleum products were raised about 5%.

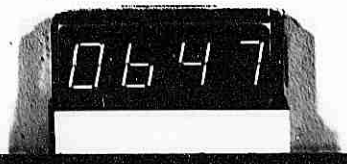
Petrobrás announced net costs for petroleum imports were US$31 million lower in 1959 than in 1958. The press reported that a possible U.S. loan to Petrobrás did not come up during President Eisenhower's visit to Brazil.

In the field of transportation and communications, the month's highlights were the supersession of the Executive Group for the Shipbuilding Industry (GEICON) by the Coordinating Council for the Shipbuilding Industry, a change which appeared to be essentially administrative in nature; announcement by the Government of plans to construct and open by December 1960 a road from the Territory of Acre to Brasilia; the mid-air collision, with 61 deaths, of a US Navy DC-6, carrying members of the Navy Band, and a Real DC-3, and new outbreaks of violence and destruction, triggered by delays in service, at suburban stations of the Central do Brasil.

1. Domestic Trade and Commercial Activity

In general, domestic retail and wholesale trade was termed satisfactory in February, somewhat better than anticipated during a Carnival month when sales slacken immediately before the holidays and when business and commercial activities come to a virtual standstill for the two and a half day holiday period. In Rio, pre-Carnival sales were good, aided by unseasonably cool weather. In São Paulo, manufacturers reported excellent sales and inventory build-ups both for replacement and in anticipation of future price increases.

In the three largest cities, São Paulo, Rio and Recife, the money market was easier than during the previous month, a normal condition preceeding Carnival. In at least two other large cities, Porto Alegre and Salvador, credit was reported to be tight and bank collections only fair. Elsewhere, collections were normal,



except in some interior areas, where payment delays were experienced.

As exports were stimulated under SUMOC Instruction 192, some price increases in the same product in the domestic market were noted (e.g., sugar and leather).

The rate of increase in the cost-of-living slowed down. According to figures released during the month by the Getulio Vargas Foundation, the cost-of-living in the Federal District rose by only 0.8% in January, compared to 1.2% in December and 5.2% in November. Information informally obtained from the Foundation early in March showed that the rise in the cost-of-living during February was 0.7%.

Some observers, however, predicted a new wave of price increases in March as a result of increased wages granted in February. (See Section 7 - Labor). Credit was also expected to be tighter next month as seasonal borrowers, such as the distributors of petroleum products, came into the market for funds.

2. Foreign Trade and Commercial Policy

The Brazilian Coffee Institute (IBC) signed a contract with representatives of the "East German" Government to exchange coffee for about 600 tractors and other equipment. They will be delivered to the Brazilian Municipal Association for distribution to municipal districts throughout Brazil. The contract (equivalent to US$8.7 million) was reportedly the largest ever concluded between the two parties.

Under a resolution issued in April 1958, a specified quantity of natural or synthetic rubber could be imported duty-free until December 31st, 1959. The Customs Policy Council announced that the resolution had been extended for a period of 90 days.

The Brazilian Government through one of its industrial groups (GEIA) recently opened the door to foreign industrial firms to manufacture agricultural tractors in Brazil (See Section 4). At the present time, the country is dependent on imports. Moreover, the Brazilian Government entered into numerous bilateral trade and payment agreements in the past year, including barter, for the acquisition of large quantities of tractors of various kinds including agricultural tractors and farm machinery from the Soviet Bloc, and American suppliers of farm machinery and tractors have been especially hard hit by competition from Soviet Bloc countries. Manufacture of this type of equipment in Brazil will affect imports from all sources.



It was reported that several Spanish trading firms applied to the Brazilian Trade Office in Madrid, with proposals to barter Spanish products for coffee. These proposals included an offer of Spanish fishing vessels which could probably be used to advantage to improve Brazil's fishing fleet.

A Commercial Mission from Poland, headed by the Vice-Minister of Commerce, arrived in Brazil during the Carnival holiday period, reportedly to study ways of increasing commerce between the two countries. According to press reports the Mission was suggesting the exchange of Polish machinery for Brazilian coffee and may discuss other aspects of the commercial agreement in force since 1954 between the two countries.

It was reported that the National Confederation of Commerce was planning to invite groups interested in the Free Trade Area Treaty, of which Brazil was one of the signatories this month, to meet in Brasilia this coming September to "discuss the treaty's objectives and scope". This meeting would follow a preliminary meeting to which the Commercial Attachés of the countries concerned would be invited. In general, press comment concerning the Treaty continued to be favorable.

3. Finance

On February 5 President Kubitschek continued his campaign of publicizing the Administration's achievements with a 2-1/2 hour, extemporaneous television speech. Press articles stated that the President criticized the International Monetary Fund as attempting to impose policies not suited to Brazil and emphasized that Brazil was not behind in any payments to anyone. With respect to inflation the President reportedly said that this was a world-wide phenomenon and cited figures designed to show that Brazil's 50% cost of living increase in 1959 was relatively reasonable.

Somewhat the same theme characterized a speech by Finance Minister Paes de Almeida on February 20. Avoiding the use of the word inflation, he said that monetary instability and currency devaluation were inherent in developing countries seeking to improve their situation which could only be overcome by the type of effort Brazil is making. He noted, however, that imbalances in government expenses and the balance of payments were contributing factors and cited SUMOC Instruction 192 of December 1959 (which placed additional exports on the free market), the plan to withhold up to Cr$30 billion of budgetary appropriations, the allotment of funds for service of the Government debt, increased suppression of smuggling and larger offerings in the dollar auctions as the Government means of correcting these imbalances.



The increased offerings referred to in the Minister's speech occurred in the exchange auctions of February 16 and amounted to $300,000 throughout the country, making total dollars auctioned $6,300,000 per week. This increase was made to compensate for the cancellation of the special auctions for Japanese dollars and had the effect of transferring purchases of exchange for imports from Japan to the dollar auctions. Apparently as a result of the different treatment in exchange for imports from Japan, the average for the general category dollar auction in Rio rose by Cr$11.00 to Cr$199.50 to the dollar on February 9 and then fell Cr$7.00 to Cr$192.63 on February 16 when the $300,000 increase was made. On February 23, the last auction of the month, the dollar average in the general category was Cr$200.10. In the special category the averages varied from a low of Cr$456.00 on February 2 to a high of Cr$506.00 on February 23.

Total currency issued remained approximately the same as at the end of January, i.e., Cr$154.6 billion. The Bank of Brazil balance sheet for January, published on February 22, showed a large increase in cash held. This totalled Cr$8.9 billion, which is approximately twice the level maintained during most of the year 1959. Press commentators stated that this occurred because of the failure to withdraw currency during the first part of the year and indicated a policy of building up cash now to avoid the unfavorable publicity accompanying currency issues later in the year.

In the financial field the principal appointment made during the month was that of Carlos Cardoso as Director of the Carteira de Redescontos of the Bank of Brazil. Sr. Cardoso, a career employee of the Bank, had held a variety of positions in the banking field. He replaced Francisco Rodrigues de Oliveira.

At the meeting of the Board of Governors of the newly established Inter-American Development Bank in El Salvador, Cleantho de Paiva Leite was elected an Executive Director of the Bank. Sr. Leite is currently a Director of the National Bank for Economic Development. The U.S. Executive Director of the Bank, Brigadier General Robert Cutler, visited Brazil as a member of President Eisenhower's party and had some opportunity, particularly in São Paulo, to discuss the general organization of the Bank and to visit again with Sr. Leite.

During the month the Bank of Brazil was reported by the press to have intervened heavily to purchase dollars in the free exchange market. As a result it was considered the major factor in this market and a principal reason for the steadiness of the cruzeiro in the free market. The check buying rate of the exchange dealers during the month varied only Cr$4.00 from a low of Cr$181.50 on February 3 and 4 to a high of Cr$186.50 on February 18. The average quotation for the month was Cr$184.51.

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The results of the special session of Congress held during February were negative in the economic field. The Congress failed to complete action on the "reclassification" of Federal employees, a readjustment of positions and salary levels which, if approved, will add substantially to the Government's payroll, estimates of this ranging from Cr$9 to Cr$40 billion. The Congress also took no action on bills to restrict the activities of foreign banks. In this area the National Economy Council issued an opinion to the Chamber Committee on the Economy recommending against any limitation of the right of foreign banks to accept deposits because the decline in their position showed they were not a threat to national banks while at the same time their ability to obtain funds from abroad was an advantage to Brazil. The Council suggested, however, that foreign banks, since most of their business was in foreign exchange, might be required to maintain a part of their reserves in foreign currency.

4. Industry

In a special English edition of the weekly magazine, Manchete, dealing with the Administration's program of economic goals, President Kubitschek was quoted as saying he believed he had made possible "fifty years of progress in five" in "some fields" and more than fifty in the fields of electric power, highways, the automobile industry and steel production. The issuance of the publication coincided with President Eisenhower's visit to Brazil.

Engineer João Kubitschek de Figueiredo, Acting President of Volta Redonda steel mill since the resignation of General Macedo Soares six months ago and cousin of the President of Brazil, in assuming the presidency of the mill on February 25, expressed optimism over Brazil's steel outlook over the next five years. He predicted that Brazil would be self-sufficient in steel next year and that by 1965 steel capacity would have surpassed the three-million ton production called for in the Iron and Steel Goal by perhaps a million tons.

GEIA released the names of the twenty firms submitting bids for establishing an agricultural tractor industry in Brazil. Among the competing firms were 4 American (Oliver, Ford, Case and Sheppard), 7 German, 2 British, 2 Italian and one bid each from Finnish, Czech, Polish, French and Japanese firms. GEIA will select "a limited number" of firms (perhaps three or four) at the end of March, which will be expected to go into production at the earliest possible date.

In other steel news, it was reported that: (1) construction work on the new mill, Companhia Ferro e Aço de Vitoria, located in the port city of Vitoria, Espirito Santo, would get underway

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soon, (2) the majority leader in the Chamber of Deputies had stated that priority would be given to legislation exempting USIMINAS and COSIPA, two large steel mills now under construction, from taxes on the importation of necessary materials and (3) a contract was signed between Volta Redonda and the Federal Railway System calling for the rail shipment by the steel mill of 1.1 million tons of raw materials and 200,000 tons of rolled products during the first half of 1960, involving an estimated Cr$700 million in freight revenues.

On the electric power front, President Kubitschek signed a decree authorizing the use of Cr$1.6 billion from the Federal Electrification Fund for the Santo-Funil power project on the Paraiba River. Rio Light received a Cr$40 million loan from the Federal District municipal government to pay back salary increases of streetcar employees. In newspaper articles the Light continued to warn of a power shortage for Rio next year if its Ponte Coberta power project were not completed. The Light said that work on the project had to be suspended for two reasons: (1) lack of sufficient cruzeiro funds and (2) the BNDE had so far failed to comply with a technicality, thus tying up IBRD loan funds needed for the importation of equipment. In Vitoria, Espirito Santo, it was noted that customers of the American & Foreign Power subsidiary were refusing to pay their electric bills in protest against high rates. The press reported sporadic picketing of the power company's office and the refusal of a local bank to accept payment of light bills.

A movement got underway in the rump session of the Chamber to collect signatures of one-third of the Deputies needed to establish a committee to investigate the "excessive profits" being made in the automobile industry. According to the press, 48 signatures were lacking, 60 having been obtained. In other automobile news, the Fábrica Nacional de Motores announced that in April it would commence manufacturing the "JK", a small (95 h.p. and 4 cylinders) passenger car at the rate of 100 per month. This is the Alfa Romeo 2000, which will be produced initially with 65% Brazilian materials, to be stepped up to 80% by the end of the year, according to plans. According to reports from Belo Horizonte, SIMCA still has not indicated whether it plans to establish its automobile plant in Belo or in the state of São Paulo. Early in the month Firestone announced the production of its nine millionth Brazilian-manufactured tire on January 29.

Financial actions taken by the National Economic Development Bank during the month included the guarantee of a US$4.5 million EXIMBANK loan to SENAI (the Federal agency in charge of industrial apprenticeship training) and a Cr$650 million loan to Ishikawajima do Brasil Estaleiros S.A. to assist in building a shipyard in Rio de Janeiro state.



The Brazilian subsidiary (Fuller do Brasil) of the Fuller Manufacturing Company of Kalamazoo, Michigan, inaugurated a transmission and gear plant at Santo Andre, São Paulo. Aço Villares, an important manufacturer of special steels in São Paulo, inaugurated a heavy steel forge shop, the principal feature of which was a high-speed hydraulic press, reportedly the only one of its kind in Latin America. Also in São Paulo state, the Lapis Johann Faber Ltda. expanded its range of activities to include the manufacture of fountain pens at the rate of 1000 per day with possible exports in view for later in the year.

5. Coffee and Agricultural Developments

Coffee exports for the month of February were 1,460,026 bags. On February 27 the port of Paranaguá established a new record for one shipload by putting 70,000 sacks aboard the Loide Paraguai bound for the Brazilian Coffee Institute depot in Trieste. Coffee exports for the 9-months period from July 1, 1959 to March 1, 1960 totalled 12,456,357 bags as compared to 10,2000,000 bags for the period July 1, 1958 to March 1, 1959. To make contrabanding more difficult, the IBC revealed plans to use iron trioxide to color coffee (for domestic use) red.

The Ministry of Agriculture announced that the price of national wheat had been raised from Cr$750 per 60-kg bag to Cr$870. The Wheat Expansion Service of the Ministry announced that the commercial wheat crop for the 1959/60 harvest had been determined to be 352,000 metric tons (Parana, 23,000; Santa Catarina, 53,000 and Rio Grande do Sul, 276,000), some 50,000 tons higher than other predictions heard.

The report of the Governmental commission looking into the "bean scandal" indicated there were eight people involved on the Brazilian side, including Dr. Tosta Filho, head of CACEX, and Colonel Mindello, former head of COFAP. Following the transmittal of the report to the President of the Republic the latter part of January, considerable publicity appeared in local newspapers. Dr. Tosta Filho gave a full page rebuttal in several. The President authorized the Minister of Justice to proceed with the legal process. At present, all of the accused are working up their defense and the case is before the Attorney General of Brazil. A humorous touch was added to the situation by one of the floats in the Carnival parade, which consisted of "Uncle Sam" astride a huge bean about ten feet long, captioned THIS BEAN IS WORTH A MILLION, alluding to signs seen all over Rio exhorting retail customers to save their purchase receipts for the Municipal Government's lottery with the slogan YOUR RECEIPT IS WORTH A MILLION.



With the inauguration of the Cr$800 million FRIMISA, the large state controlled meat-packing plant near Belo-Horizonte, observers noted that meat shortages such as experienced in Brazil several months ago would be minimized in the future. Already servicing Belo Horizonte and Rio de Janeiro, FRIMISA (with a daily slaughtering capacity of 2,000 head of cattle and pigs and a cold storage capacity of 15,000 tons) is expected to make deliveries to the new capital of Brazil, Brasilia, in the near future.

Reports from the Northeast indicated that the areas frequently suject to droughts were generally receiving normal rainfall for this time of the year.

6. Labor

Annual wage negotiations were conducted during February by unions and employer federations in various industries. By and large the unions put forward claims for larger wage increases than were requested during the first several months of the current collective bargaining season. (Most collective wage agreements expire during the six-months period from October through March) In spite of the fact that wage claims tended to be higher, they were still for smaller percentage increases than the percentage rise in the cost of living since the last wage increase.

As the Government seeks to control the ppices of a number of essential products, quite a few of the pay increases granted by employers during February were made contingent upon authorization from the price control authorities to raise prices by amounts considered to be adequate to cover the increased labor costs. In quite a few instances such increases were approved.

Workers in Rio's sugar refining industry negotiated a 40% wage increase, and COFAP, the price control agency, authorized the industry to raise the retail price of sugar. Dairy industry workers negotiated a 25% increase but it will not commence until COFAP grants the industry a price increase in dairy products. Independent transporters of petroleum products won an increase of approximately one-third; higher prices for gasoline and some other oil products have already been authorized. Rio Brewery's workers negotiated a 25% increase. Chemical industry workers and retail clerks were both seeking 50% increases, and the demand of the employees of the large distributors of petroleum products (Esso, Texaco, Atlantic, Shall and Ipiranga) for a one-third increase was being arbitrated by the Labor Court. Bakery employees in the Federal District won a 25% increase in a wage dispute arbitrated by the Labor Court and the bakery companies were seeking an increase in the retail price of bread as a consequence.

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In São Paulo state 100,000 employees of the metallurgical industry were reported to have gained a 37.5% increase over February 1959 wages plus other benefits.

Not many strikes were reported during February. The one most publicized in the Rio press occurred in the State of Rio, where bakers left their jobs for several days. Although the bakers returned to work, the dispute was still not definitely settled because of bakery companies claims that a satisfactory settlement must include a more liberal price increase than had been offered by the price control authorities.

For many months employees of the Federal Government had been hoping that the Senate would pass a long-pending bill to reorganize the Civil Service, with one of the main results of the reorganization to the higher salaries for most employees. The Senate rejected the bill during February on the ground that the Federal budget could not stand the strain of general salary increases at this time. It was quite possible, however, that the bill would be revived during the regular session starting March 15, as most members of the strong Brazilian Labor Party were reported to have expressed their support for it.

7. Mineral and Petroleum Developments

Portland cement capacity was increased 200,000 tons per year by the inauguration of a new plant at Matosinhos, Minas Geriais (Emb. Desp. 213, August 26, 1958). The arrival of machinery at Belém (Pará) for another portland cement plant to be built at Capanema in the Amazon Valley was also reported.

News reports relative to proposals to increase the railway capacity for iron-ore traffic from Minas Gerais to the coast appeared to reflect the pressures for such increases rather than the realities of any definite action.

In the field of petroleum a number of noteworthy developments took place during the month. The retail price of petroleum products was raised an average of about 5% to permit pay increases workers engaged in transporting gasoline and other products. This was the first significant price increase in petroleum products in more than a year. The National Petroleum Council announced that Brazil's net cost for crude petroleum and petroleum products was $31 million less in 1959 ($221 million) than in 1958 ($252 million). The press reported that the heads of the state petroleum entities of six Latin American countries, including Brazil, would meet in Mexico City in March; the purpose of the meeting was not indicated although one Rio daily suggested that Colonel Sardenberg,



Petrobrás president, planned to discuss the possibility of stimulating trade between Brazil and Mexico involving petroleum products.

It was announced that a well near Manaus, Amazonas was the first commercial producer in nearly 50 holes drilled by Petrobrás in the Amazon area.. The Petrobrás press statement pointed out that the well's anticipated 40-barrel per day production justified commercial development per se and also for its "morale effect". Petrobrás was reported to be pushing forward plans to construct a refinery with a capacity of 25,000 barrels per day in the Belo Horizonte area to be connected with Rio de Janeiro, via Juiz de Fora, Minas Gerais, by a 12-inch pipeline.

Insistent rumors, current early in the month, that a U.S. loan to Petrobrás would be discussed by Presidents Eisenhower and Kubitschek during the former's Brazilian visit proved unfounded as press reports during and after the visit indicated the subject had not come up.

8. Transportation and Communications:

On February 25 President Kubitschek signed a decree extinguishing The Executive Group for the Shipbuilding Industry (GEICON) and replacing it by The Coordinating Council for the Shipbuilding Industry. The principal effect of the decree, whose text is not yet definitive because of errors in drafting, is to place the new organ under the Ministry of Transport instead of the Council of Development (and indirectly The Economic Development Bank) which was the present agency of GEICON. Public assurances have been given by high officials of the Transport Ministry that the administrative change will not result in any interruption in the tasks begun by GEICON, of establishing in Brazil a shipbuilding capacity of nearly 150,000 DWT per year. Meanwhile, the Torres, the first of the ten 5,000 DWT Polish-built freighters intended for the Brazilian coastwise service, was delivered to the Costeira, the Brazilian Government autarquia engaged in coastal trade. It will be recalled that three of the four larger 6,000 DWT vessels included in the eighteen ships-for-coffee deal with Poland are already in service with Lloyd Brasileiro.

In aviation, the principal event was the tragic February 25 collision over Guanabara Bay of a Real DC-2 and a US Navy R6D (DC-6) carrying members of the US Navy Band coming from Buenos Aires to play at the reception to be given by President Eisenhower that evening. A total of 61 persons lost their lives: 26 Real passengers and crew members and 35 Navy personnel on the DC-6. Three Navy passengers miraculously survived. Investigations of the cause of the collision are being made by the Brazilian Air Force and a US Navy aircraft accident board. In the commercial field, the Eximbank announced a loan of 6.9 million dollars to VARIG to

assist in the purchase of two Boeing 707-420's (intercontinental types, equipped with Rolls-Royce Conway engines). The aircraft are scheduled for delivery in April-May of this year and are scheduled to go into service in July. Panair do Brasil hopes to have the first of its three DC-8's delivered in November of this year, and Real estimates that the first of its three Convair 600's should be available in April of 1961. Each of the three types of aircraft will have a different engine, a fact which illustrates how far the Brazilian international carriers have moved away from the goal of standardization on one type of plane with one type of engine which financial and some aviation authorities have tried to establish in the past.

Following the success of the "Caravan of National Integration" as a result of which four groups of nationally-built vehicles, coming from Belem, Rio de Janeiro, Porto Alegre and Cuiabá were received on February 2 in Brasilia by President Kubitschek amid a great deal of nation-wide publicity, the President announced plans for the construction of a road from Acre Territory in to Brasilia along the route Rio Branco-Abuna-Porto Velho (for the time being Abuna and Porto Velho will not be linked by road but by the Madeira-Mamoré railroad)-Vilhena-Cuiaba-Brasilia. The road, which is supposed to be open for traffic in December, will cover approximately 2400 kilometers and will traverse jungle areas said to be denser than those encountered in the building of the Belem-Brasilia highway. Several stretches of the projected route, particularly the Cuiabá-Brasilia segment, are already in existence.

At the end of the month, stations and rolling stock of the Central do Brasil suburban lines suffered severe damage when commuters, enraged by delays caused by equipment failures, went on a rampage. Central officials attributed the destructive attacks to incitement by agitators interested in disturbing public order, an allegation which is currently under investigation. These outbreaks represent the first serious assault on the Central this year; in 1959 several such instances occurred.

For the Ambassador,
LeRoy E. Colby,
Economic Officer

Approved:
William A. Fowler,
Counselor of Embassy
for Economic Affairs.

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(Security Classification)

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

323
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 11, 1960
DATE

REF : CERP C - General Interest

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ACTION: Com-12
RECD: 3-14-60
DEPT. IN: REA I IAC 15 ICA 11 E-6 ARA-5 EUR-5
OTHER OUSIA-10 OSD-2 Army 35 Navy 20 AF 30 CIA 16 OCB-2 AEC-2 AG-8 LAB 6 TR 3 TRE-3

SUBJECT: Weekly Economic Review (March 4 - 10, 1960)

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1. Paulistas Protest Preference Accorded Farm Coops in Shipping Coffee

On February 12 the Brazilian Coffee Institute issued a resolution that exempted shipments of coffee sold for export by farm cooperatives from the port stock limitations. This in effect gave them the prerogative of free transit, while coffee traders temporarily were unable to move shipments to Santos because the stocks at that port were at the maximum permissible under the shipping regulations. The juridical department of the Santos Commercial Association considered the preferential treatment unconstitutional and suggested that traders seek relief through the courts. Two exporters, Vidigal Prado S/A and Cunha Bueno S/A, have now petitioned the courts for writs of mandamus against the preferential treatment accorded the cooperatives, and it is reported that other firms will follow suit.

2. Polish Trade Delegation Visits São Paulo

On February 9 the Polish Vice-Minister for Trade and a few members of the Polish Trade Delegation that came to Brazil to discuss a renewal of the

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commercial agreement between the two countries arrived in São Paulo. They were accompanied by Ambassador Edmundo Barbosa da Silva of the Brazilian Foreign Office, and visited the São Paulo Commercial Association and the Federation of Industries. The Polish Vice-Minister said he was impressed by the tempo of economic development in Brazil, which was greater than in his own country (see despatch 320 of March 10). On March 10 the Polish delegation went to Campinas to visit a coffee plantation.

3. French Economic Mission in São Paulo

On March 9 the French Mission for Foreign Economic Studies arrived in São Paulo from Rio de Janeiro. The delegation consists of 28 persons and the chief of the mission is Mr. Raymond Boisde (an ex-minister of commerce who is presently a member of the finance committee in the French Parliament).

According to local press reports, the mission's primary purpose is to survey mutual foreign trade possibilities and establish personal contacts in local business and industrial circles. Although not interested in transacting business during the present visit they indicated France is interested in purchasing cotton textiles, coffee, cocoa, cotton, wood, and some alloy steel and desires to export to Brazil metal manufactures, chemical products, and electronic equipment.

The French mission demonstrated a special interest in the textile field, as indicated by the existence within the mission of a special group to treat exclusively of matters pertaining to the textile industry.

4. Government Studies Living Conditions in São Paulo Coastal Regions

The Secretariat of Labor presented to the Governor the results of a study on living conditions in the coastal regions of the State of São Paulo (Santos excepted). The survey indicates that living conditions in the coastal regions are very inadequate in comparison with the rest of the state, and makes a number of suggestions to improve the lot of the people residing there. Short term measures suggested include improvements in transportation facilities, both road and coastwise shipping; industrialization of bananas and shrimp and production of tannin; development of handicrafts; agricultural assistance; promotion of tourism; and the creation of better financing facilities. For the long-term hydroelectric power development, sanitary and health measures, and development of inland waterways are recommended.

Comment: An official of the Secretariat of Labor said the survey would be made public only after the Governor had a chance to study it. Many of the suggestions made in the survey have already been under consideration for some time, but no steps were taken to press action in the manner now recommended.



5. Railroad Equipment Manufacturing Plant Inaugurated in São Paulo

The railroad airbrakes manufacturing plant of Freios e Sinais do Brasil S.A. (Fresinbra) in São Paulo was inaugurated on March 8. The ceremony was attended by Admiral Lucio Meira, president of the National Economic Development Bank (BNDE), and by directors of the Westinghouse Air Brake Co. of Pittsburgh, Pennsylvania.

Fresinbra was organized in November 1956 through the association of the Westinghouse Air Brake Co. (which holds controlling interest) and the Brazilian company, Fonseca Almeida Comercio e Industria S.A. of Rio de Janeiro.

The plant is producing railroad airbrakes of type AB to the standards specified by the American Association of Railroads, as well as railroad signals. (See despatch 321 of March 10.)

6. Importation of Vegetable Oils Under Consideration

A 60 per cent increase in prices of cooking oils since December has resulted in COAP, the State Food and Price Control Agency, considering importations of vegetable oils. One firm has submitted to COAP an offer to barter Italian olive oil for coffee on the basis of one case of 40 cans of oil for each bag of coffee, CIF Santos. The possibility of importing up to 10,000 tons of U.S. cottonseed oil under PL-480 or by direct government purchase for dollars has also been mentioned.

Comment: The mere threat of vegetable oil importation by COAP may serve to stabilize local prices of cooking oil.

7. Industrial Users Hope to Import Tallow

Currently short supplies and increased prices of tallow have caused São Paulo industrial consumers to petition the Federal Government for a reclassification of tallow from the special import category to the general import category. The lower cost of exchange in the general import category would render importation of tallow economical at current domestic prices. One industry spokesman stated there is an immediate import need for 20,000 tons of industrial tallow.

8. São Paulo Raw Wool Market Established

The State's first auction of raw wool was held on March 10th when lots of the 1959 clip went on the block. The 1959 wool crop was also the first to be officially classified. In addition a State Association of Sheep Growers was founded on the occasion. Although São Paulo is a minor wool producing State, the improved marketing procedure is expected to encourage future production.



9. Governor Calls for Increase in Minimum Price for Corn

The Governor of the State of São Paulo has directed an official request to the President of the Republic asking that the federally guaranteed minimum price for corn, now Cr$192 per 60 kg. bag at interior points, be increased to around Cr$300. He stated that whereas corn prices increased from Cr$320 in May to Cr$505 during the planting season in October and stimulated a substantial increase in production, the current low price of corn threatens to cause hardship to the producers who rallied to meet the country's need for corn in 1959. Furthermore, he said, if the price paid to producers of corn is allowed to fall to the low of Cr$192, production for next year's crop will be discouraged and corn may be again in short supply. He also reasoned that, since the rate of exchange applicable to corn exports has been raised to the free market rate, a higher minimum price for corn is justified. An increase to Cr$300 in the minimum price is not expected to prejudice exportation of the product, which authorities hope will materialize.

10. Railroad Strikes

Railroad traffic in the State of São Paulo is partially tied up as a result of a strike of 23,000 railroad workers employed by two important railroads, the Santos-Jundiai and the Paulista. The strike started at 11 o'clock sharp on March 10 when an estimated 8,000 railroad workers on the Santos-Jundiai walked off the job en-masse all along the line which runs from Santos through the capital city, São Paulo, to the interior city of Jundiai. The Santos-Jundiai workers are demanding a wage increase of 45% over existing wages, and an improvement in a number of fringe benefits. They allege that they have not had their wages increased since 1956. The railroad, which moves a considerable amount of the country's economic goods, has not yet made a counterproposal, and argues that it cannot financially bear an increase without a sizable subsidy from the Federal Government.

At midnight some 15,000 railroad workers employed by the privately owned Paulista railroad abandoned their jobs in a companion strike. The Paulista workers who received an increase in wages in 1959 after a short strike are demanding a 20% increase, and also improved fringe benefits.

Both railroad lines are being heavily policed but up to now the strikes have been peaceful, and no clashes between police and workers have been reported.

11. Wage Developments

Some 25 wage agreements providing wage increases ranging from 35% to 37% have been negotiated since the first of the year in the interior of the State of São Paulo without resort to strikes. These agreements were reached in a score of diversified industries and affect an estimated 180,000 workers. The most important settlement occurred in the past week when some 100,000 metalworkers organized in 18 local unions throughout the interior of the State of

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São Paulo ratified a wage agreement providing an increase of 37%. Agreements providing similar increases for workers in the interior of the State had been previously negotiated for chemical workers, building trades and ceramic workers, cabinet makers, foodworkers, brewery workers, wheat millers, and glass and porcelain workers.

12. Luís Menossi Elected President of the São Paulo State Trade Union Council

Luís Menossi, president of the São Paulo State Federation of Building Trades Workers, was elected president of the São Paulo State Trade Union Council (CST) at an executive board meeting held on March 7, 1960. Sr. Menossi succeeded Olavo Previatti, president of the São Paulo State Federation of Paper Workers, who held the presidency since November 8. The constitution of the CST provides that the office of presidency shall rotate on a three month basis among the presidents of the federations operating in the State of São Paulo. However, the executive board postponed the election on a number of occasions. As a result Sr. Menossi takes office more than a month after the date stipulated in the constitution.

Comment: The CST was created in September 1959. Theoretically some 20 federations and 250 local unions who bargain for an estimated 1,500,000 workers are affiliated of the organization. The CST has issued a convention call for the first statewide convention of São Paulo trade unions which is scheduled for April 27-May 1.

Ralph J. Burton

Ralph J. Burton
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate, Curitiba

NO
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 1, 1960
DATE

REF : CERP Section C 2

For Dept. Use Only	ACTION	DEPT.
	CAN-12	INFO REPT ARA-4 RAH 4 E-3 ECH-11
	RECD 3/12	OTHER CSH-11 TAR-2 TIP-3 FRP-3 RNR 4 AG-1
	~~ARA-10~~	INT 4 LAC-6 CSO-7 WSA-6
		Navy-3 CG 4 USIH-10 FCC 4

SUBJECT: SUMMARY FOR FEBRUARY 1960.

1 Coffee exports increased to about 800,000 bags during the month, compared with 630,000 in January. Unit value well below that of tea or U.S. President Quadros costa Rica trip did nothing to publicly ease tension of coffee growers and exporters.

While Parana is loaded with coffee, Sao Jai in a new bonanza is loaded with cocoa. There are no indications that the wood will be shipped any sooner than the coffee.

The Curitiba tele phone company, a subsidiary of I.T.&T., requested a 400% increase in rates, which, if received, would permit it to install 20,000 phones in 5 years. The request was not well received.

The local electric company, a subsidiary of American and Foreign Power, also asked for a slight increase in rates.

A number of municipalities in Parana have been hit by power shortages resulting from lack of rain and poor equipment.

Prices remained fairly stable during the month. Credit is relatively easy but is expected to tighten in April and May when federal income tax payments come due.

832.00/3-1560

II AGRICULTURE

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George L. Scanlan:bb
REPORTER

UNCLASSIFIED

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II AGRICULTURE

1. Coffee:

Coffee exports were, as usual, the subject of predictions, promises and pleas. Costa Lima was quoted as speaking of a 500,000 bag month, others guessed at between 300 and 500,000 bags. In fact, exports amounted to about 200,000 bags, 70,000 of which were shipped to the IBC "entrepostos" in Trieste. Shipments out of Paranaguá have the effect of liberating an equal quantity of the owners' coffee in Santos i.e., a company shipping 10,000 sacs out of Paranaguá will have 10,000 sacs of its coffee in Santos liberated for shipment. There were predictions during the month that the coffee harvest in Paraná for 1960/61 will amount to about 8 million bags. This is about equal to the amount currently in warehouses in Paranaguá. Source: Personal conversations, all papers.

2. Cotton:

The cotton harvest amounted to 50,000 tons in Paraná. Only São Paulo had a larger harvest, with 210,000 tons. Foreign trade and exchange supervisory institutions (CACEX) have been urged to permit the export of 60,000 metric tons to Europe and Japan before the Mexican and U.S. harvests (in June and July respectively) come in. Source: O Estado do Paraná, Feb. 20,1960.

3. Lumber:

The Port of Itajaí in Santa Catarina is overburdened with wood, the result of Argentina's virtual suspension of imports and the quotas imposed by the Commission to Coordinate the Export of Wood (CCEM). Paraná wood exporters support the current quota policy.

Paraná pine is now being shipped to Norway. The kiln-dried lumber is used for interior finishings. The sellers are INCOMEX and Nielsen, Smith & Co. (PARANEX). Source: Personal observation and Estado do Paraná, Curitiba, Feb. 3,6,7,11,12,21,26. Gazeta, Florianópolis, Feb. 24,1960.

4. Maté:

During the past year Paraná was the biggest exporter of mate in Brazil (35,094 tons), the value of exports being Cr$359.000,000,00. However, Uruguay, the biggest importer, has adopted an exchange reform the result of which has been a drastic increase in the consumer price of mate and a decrease in the amount of mate imported. (1.3 million kilos in January vs. 2.2 million in December). The President of the

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The President of the Syndicate of the Mate Industry, Ivo Leão, has suggested that SUNOC study the possibility that mate sales to Uruguay be made for cruzeiros. Source: Gazeta do Povo, Feb. 4, 12, 13, 26, 27.

5. Wheat:

The 1959/60 wheat census, referred to in last month's report, showed a production of 53 million kilos in Santa Catarina (number 2 in production in Brazil, after Rio Grande do Sul) and 25 million in Parana. Source: O Estado do Parana, Feb. 5, 10, 17, 21, 23, 25. Gazeta, Florianopolis, Feb. 10, 1960.

6. Corn:

The Paraná corn crop may hit an all-time record of 24 million bags this year, but prices are falling because of the big production. In the last few weeks prices dropped from 700 to 410 cruzeiros per 60 kilo bag. Planters are proposing increased exports at 500 cruzeiros a bag. Source: Gazeta do Povo, Curitiba, Feb. 25, 1960.

III LABOR

Retired railway workers, who have not received their pensions since January 1950, planned a public rally during March. The rally was held with student groups participating. During the month the workers again received the promise that payments on what is due them would be made very soon. Appeals in behalf of the workers were addressed to Lott, Goulart, and earlier, Quadros. Sources: "O Dia, Feb. 23, 60; O Estado do Parana, Feb. 6 and 10.

IV TRANSPORTATION AND COMMUNICATION

1. Companhia Telephonica Nacional, a subsidiary of I.T.T., submitted a proposal for the installation of 11,000 new lines in Curitiba and at the same time asked for a 400% increase in rates (from Cr$100 to Cr$ 650 for a phone at home and from Cr$ 300 to Cr$ 975 for an office phone). The company claims it is losing 4 million cruzeiros a month and that the installation of 11,000 new lines over the next 6 years will cost 712 million cruzeiros. The city is studying the proposal. "O Dia", in a banner headline, described the request as an "assault" on the public's purse, identifying CTN as "a subsidiary of the International Telephone and Telegraph Company of New York".

COMMENT: It's doubtful whether any increase at all will be granted for the time being. It's definite that nothing approaching 400% will be received.

2. Companhia Força e Luz do Paraná



2. Companhia Forca e Luz do Paraná in Curitiba, a subsidiary of American and Foreign Power, has asked for a rate increase in the rates for electricity (Cr$0.43 per kilo watt) and a surcharge of 10%, both of which are unlikely to be granted. During the month the company received a new generator with a capacity of 7500 KW, boosting total capacity to 49,500 KW.

In Ponta Grossa the local electric company "Companhia Ponta Grossa de Electricidade" is having trouble supplying power because of a drought and poor equipment. The company asked for permission to import diesel-electric generators at a special exchange rate but hasn't received permission. The mayor and nationalist state deputies are asking for government expropriation. Fergana municipalities of Londrina, Arapoti, Ibaiti and Piraquara also have water problems.

Note:

1. A federal appropriation of 1.5 billion cruzeiros for the construction of a rail line between Ponta Grossa and Foz do Iguaçu is being favorably considered in the federal parliament.

2. All 110 km. of the Curitiba-Paranaguá railway line are supposed to be electrified by the end of 1960. At present, 43 km. are electrified.

2. Three officers in the office of the director of Port administration in Paranaguá have been indicted for stealing 16 billion cruzeiros of the Port's funds. The director of the Port and his substitute were not the three. Sources: O Dia, Feb. 13, 18, 23, 26, 1960. Gazeta do Povo, Feb. 3,7,10,12,13,17,27,1960.

V - AGRICULTURE AND COMMERCIAL POLICY

1. Prices - The price of eggs was up by 20% during the month, butter was up 5%. Fruit prices increased slightly. Vegetable oils, which were selling at 53 cruzeiros per litre in September were up to 130 per litre in February. The Parana Commercial Association objected to the liberation of oil seed for export and claims the liberation (by SUMOC instruction 192) is prejudicial to the internal market and will (as it has) cause an elevation in prices. Sources: O Estado do Parana, Feb. 17, 1960, Diario do Parana Feb. 24, 26, 1960.

2. Economic Development

2. Economic Devel pment: The Paraná state government has ordered its Economic Development Planning Office to elaborate a plan for the application of federal funds granted under the federal program for the economic valorization of Brazil's southwestern frontier district. Federal support, however, amounts to only 1oo million cruzeiros a year for Paraná and 8o million for Santa Catarina, and may not materialize at all during 196o.

VI - FOREIGN TRADE AND COMMERCIAL POLICY

1. P.S.D. state deputy João Mansur informed the Paraná legislative Assembly that the Polish Consul here would like the Polish Parliamentary mission, which is soon to visit Brazil, to come to Paraná and Santa Catarina. Mansur asked the Assembly to invite the missio..

During his visit to Curitiba in January, Zygmunt Starsinki, Polish Commercial Attaché in Rio, expressed Poland's interest in building a transformer factory in this city. In recent months the Polish Consulate and Polish visitors have been conducting a vigorous propaganda campaign stressing the importance of Poland to Paraná and implying that Brazil, and especially Para á should "buy Polish" in greater quantities. The Polish population of the consular district is estimated at about 5oo,ooo. Source: Gazeta do Povo, Feb. 2o, 196o.

VII FINANCE

Miscellaneous

1. Santa Catarina's "Banco Industria e Comércio" increased its authorized capital to 3oo million cruzeiros. The Parana State Bank is raising its authorized capital to 25o million (from 1oo million).

2. Curitiba plans to issue 5oo million cruzeiros of 7% bonds to help pay the city's debts.

3. Santa Catarina claims the 2o% offederal and state income due the municipalities was paid promptly. In Parana the municipalities have not been so successful in getting the money from the state. Sources: "Estado do Paraná", 2/1o/6o, 2/17/6o: "Diário do Parana" 2/2o and 2/25/6o.

VIII MISCELLANEOUS:



VIII MISCELLANEOUS:

1. The incidence of brucellosis in milk cattle in this area is alarming. A study revealed that 29.1% of the cattle have the disease. Only one other municipality, Campina Grande, has a higher rate (44%). Newspaper articles have resulted in a campaign against the consumption of non-pasteurized milk. Sources: "O Estado do Parana", Feb. 3,1960, "Gazeta do Povo", Feb. 4,1960.

Edward M. Rowell
American Consul

cc: Supervising Consul General
Amembassy, Rio

AIR PRIORITY
PRIORITY

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832.00/3-1860

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 906
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 18, 1960

REF : CERP C-1 MAR 18 1960
DATE

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ACTION REC'D 3/21
DEPT. INFO OTHER
REP-1 IRC-15 ICA-11 E-6 HRH-5 L-2
USIA-11 OSD-2 Army-35 Navy-20 Air-30
CIA-16 OCB-2 TR-3 FRB-3 XMB-4 AG-8
IA-7 INDEX LAB-6 TAR-2 FAA-5 CHB-6

SUBJECT: WEEKLY ECONOMIC REVIEW No. 12 (March 11-17, inc.)

832.00/3-1860

1. Soviet Oil Shale Engineers
2. New Brazilian-Polish Trade Agreement Nearing Signature
3. Working Group to Study Furnas Area.
4. Alfa Romeo Passenger Cars: "JK" and "Spider"
5. President Refuses Tosta Filho's Resignation
6. Financial Problems of the Federal District
7. Annual Presidential Message to Congress
8. Statements by the President of the Bank of Brazil
9. Free Exchange Market
10. Two Billion Cruzeiros for National Wheat Growers
11. Rains and Floods
12. Coffee Exports
13. 1960/61 Coffee Crop in Parana Estimated 12 Million Bags
14. New Program to Promote Brazilian Exports of Finished Luxury Goods
15. Settlement of Rail Strikes in São Paulo
16. Formation of Ore-Carrier Fleet Under Consideration
17. Possibility of General Aviation Strike.

1. Soviet Oil Shale Engineers:

The Rio press took note of the visit to the National Petroleum Council on March 14 of the three Soviet engineers and their interpreter, who since January 18 have been studying the possibility of producing bituminous gas on a commercial scale from the oil shale deposits in the Paraíba Valley in São Paulo State (WER No. 5). The trip to Rio was made "with the special permission of Itamarati" for the purpose of informing the Petroleum Council of the progress being made in their studies of the oil shale deposits. Presiding over the two-hour "private" meeting was Sr. Manuel Albino Regalo de Souza, Director of the Council's Technical Division and President of the Companhia Industrial de Rochas Betuminosas, the São Paulo company responsible for bringing the Soviet engineers to Brazil.

LWS

LEColby/jw
REPORTER

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Two days later Sr. Regalo de Souza held a press conference during the course of which he told reporters that 200 tons of Brazilian oil shale would be sent to the Soviet Union for examination, that the report of the three Soviet engineers would be presented to the National Petroleum Council within a few days, that the engineers would return to Russia within ten days, that Russia would provide 20% of the materials to be used in constructing the gas plant in São Paulo state and that he himself, "acting in the name" of the Petroleum Council's President, had "ironed out the details" of the Soviet engineers' coming to Brazil when he was in Moscow last December with the Brazilian Trade Mission. (UNCLASSIFIED)

Comment: Although press accounts in late January announcing the arrival of the Soviet engineers stated that the Russians were the lowest bidders on the oil shale development project held by the Companhia Industrial de Rochas Betuminosas, in which other foreign firms participated (WER No. 5), it is possible that the Soviets came to Brazil by invitation and that there was no competitive bidding (Embdes 890, March 14).

The initial secrecy surrounding the purpose of the visit to the Petroleum Council was broken by Sr. Regalo de Souza's press interview. The day of the visit Council President Brigadier Fleiuss had confined his quoted remarks to the following: "The three Soviet engineers are paying a courtesy call on the CNP with the special permission of Itamarati. That is all I can say. Nothing more".

The Correio da Manhã editorially took a dig at the Nationalists the next day by remarking, "and the Council, discussing petroleum secretly with the engineers from the Soviet Union probably has not irritated the 'nationalists', nor provoked the label of 'entreguista'. If, instead of Russians, suppose they had been Americans -- would the Council still be free from suspicion of being 'entreguista'?" (OFFICIAL USE ONLY)

2. New Brazilian-Polish Trade Agreement Nearing Signature:

The press reported that a new trade agreement between Brazil and Poland, allowing an interchange of goods equivalent to US$ 70 million in both directions would be signed soon. Although the lists of products had not yet been released, it was believed that Brazilian exports would include coffee, cocoa, fibers and iron ore while Poland's exports would consist primarily of machinery, equipment and other capital goods. (UNCLASSIFIED)

Comment: Two points said to be holding up the bilateral agreement were the Polish Trade Mission's insistence on a



five-year agreement rather than a shorter period of time as reportedly desired by the Brazilians and resolution of the problem of the adjustment of payments. Press accounts intimated, however, that these two problems would be resolved and the treaty signed within a few days. The trade mission, accompanied by Minister Edmundo Barbosa da Silva, Chief of Itamarati's Economic and Commercial Department, and Sr. João Paulo Arruda, a member of the Executive Commission for Trade with Russia, also visited São Paulo (São Paulo Despatch 320, March 10) where discussions were held with mayor of city, the governor of the state and various trade and industrial groups. (OFFICIAL USE ONLY)

3. Working Group to Study Furnas Area:

A Presidential decree established a Working Group to initiate studies on the economic situation of the "reservoir zone" of the Furnas dam and electric power project on the Rio Grande River on the border of the states of São Paulo and Minas Gerais. The decree states that the function of the group, which includes one representative each from the Furnas power company itself (Central Eletrica de Furnas S.A.) and from the Federal Ministries of Transportation, Agriculture, Health and Education & Culture, is to "undertake studies to accelerate the economic development of the municipalities in the state of Minas Gerais adjacent to the reservoir of Furnas." In so doing, it will draw up a plan recommending specific measures "for the progressive development of the region", suggesting financial, legislative and administrative measures necessary to carry out the plan. (UNCLASSIFIED)

Comment: The Furnas reservoir will be a V-shaped lake, one arm to be 170 kilometers in length and the other, 240, covering an area of 1,350 square kilometers touching 29 municipalities in Minas Gerais. A sixth of the region to be inundated is reported to be cultivated and the remainder, pasture, uncultivated land and forests.

President Kubitschek signed another decree last week during the ceremonies inaugurating Furnas' diversion tunnels (WER No. 11), which authorized the establishment of the "Industrial City of Furnas" to utilize for industrial purposes the electric power to be supplied later by the Furnas project. (UNCLASSIFIED)

4. Alfa Romeo Passenger Cars: "JK" and "Spider":

The Fábrica Nacional de Motores, located just outside Rio de Janeiro, announced plans to manufacture a second passenger car, the Alfa Romeo "Spider", some time after it inaugurates the "JK", a small Alfa Romeo-type passenger car in April. The "Spider" is



described as being a "classy, highspeed, streamlined" two-door sports car, capable of doing 220 kilometers per hour and having 131 HP and four cylinders. (UNCLASSIFIED)

Comment: The Government-controlled Fábrica Nacional de Motores, which manufactures at present only buses and trucks, revealed plans last month to produce the "JK". According to press reports, the "JK" will be launched on April 21 in Brasília, a caravan of "JK"s", carrying President Kubitschek and other dignitaries, having traveled from Rio to inaugurate the new capital. Thus, the "JK" may serve to call attention to the Kubitschek Administration's program of thirty economic goals, of which the establishment of an automobile industry in Brazil is generally considered "successfully accomplished". (OFFICIAL USE ONLY)

5. President Refuses Tosta Filho's Resignation:

Apparently because the report of the special commission established to inquire into irregularities in COFAP's purchase of US beans (WER No. 7), had been forwarded to the equivalent of the District Attorney's Office of the Federal District, Ignacio Tosta Filho submitted to the President his resignation as Director of CACEX. This was refused by the President with the statement that Tosta Filho has "always merited his entire confidence" and that consideration of the reported inquiry by the District Attorney's Office implied no prejudgment of Tosta Filho's administration of CACEX. He went on to state that no facts have been yet shown which would justify the departure of so capable a public servant and one of "well-known honesty". (UNCLASSIFIED)

Comment: The President's refusal of the resignation and his accompanying statement are the least that he could do in support of Tosta Filho who, in fact, is well-known for his honesty and appears to be one of the most valuable of the government's officers. Many observers are surprised that the President has let the actions against Tosta Filho go so far and because of this they are uncertain of the outcome of this case. (OFFICIAL USE ONLY)

6. Financial Problems of the Federal District:

During the first four days of this week almost all public construction and repair work in the Federal District was halted by contractors because of failure to receive payments from the Prefeitura, the District Government, and SURSAN, the semi-independent public works agency. On March 17 the press reported that a Bank of Brazil loan had been arranged to cover at least part of SURSAN's debts but the Prefeitura's obligations apparently remain unresolved. Even so, there were indications that work was being



resumed in most parts of the city. (UNCLASSIFIED)

Comment: Part of the difficulty arises from a dispute over funds alleged by SURSAN to be due it from the Prefeitura, which is often short of cash, having had a deficit of Cr$2.4 billion in 1959 and of almost Cr$3 billion in 1958. It is expected that the Federal Government will somehow rescue the Prefeitura also, at least temporarily. However, this crisis is a reminder to Cariocas of some of the problems that Rio will face when the capital is moved to Brasília. (OFFICIAL USE ONLY)

7. Annual Presidential Message to Congress:

At the opening of Congress on March 15 the President delivered his annual message through the Chief of his Civil Household, José Sette Camara. The text is not yet generally available but press reports indicated that in the economic sphere it was similar to those of recent years, emphasizing Brazil's progress and particularly the contribution of the Administration's Program of Goals and expressing optimism over Brazil's economic future. (UNCLASSIFIED)

Comment: O Estado de São Paulo questioned the optimism contained in the message. It agreed that there has been progress, but pointed out that inflationary methods have worked great and unequally shared hardships which could have been avoided. (UNCLASSIFIED)

8. Statements by the President of the Bank of Brazil:

In a press interview on March 12, Mauricio Chagas Bicalho, President of the Bank of Brazil, stated that the government was not thinking of raising the offerings in the dollar auctions at least until June when the year's prospects could be better evaluated. He explained that the recent increases were made to accommodate the inclusion in those auctions of exchange for imports from Japan and Sweden and asserted that the rise in the agios (in Rio from Cr$199 on February 20 to Cr$214 on March 12 in the general category) merely reflected the interruption of auctions during Carnival.

Sr. Bicalho also noted that the Government had issued no currency so far this year and intended to make great efforts to avoid issues in the future. He added that the Bank of Brazil was following a policy of selective lending and was not planning a general restriction of credit. (UNCLASSIFIED)



Comment: In implying that the exchange situation by June might permit an increase in the dollar offerings, Sr. Bicalho, whose public statements are infrequent, was reflecting the optimism consistently expressed by the Minister of Finance. With respect to the issuance of paper money Bicalho neglected to point out that the Bank of Brazil has built up a heavy cash reserve instead of following the traditional policy of withdrawing currency from circulation at this time of the year. (OFFICIAL USE ONLY)

9. Free Exchange Market:

The cruzeiro continued to weaken gradually in the free market going from Cr$186.50 to the dollar (check buying) on March 10 to Cr$189.00 to the dollar on March 17. (UNCLASSIFIED)

10. Two Billion Cruzeiros For National Wheat Growers:

The Ministry of Agriculture issued a decree, placing Cr$2,000,000,000 at the disposal of the national wheat growers. The fixed price for national wheat 1959/60 crop was originally set at Cr$500 plus a bonus of Cr$250, giving a total of Cr$750 per 60-kilo bag. This was recently raised to Cr$500 plus a bonus of Cr$370, giving Cr$870 per 60-kilo bag. The bonus is to be used for the purchase of machinery, fertilizer, seed, and other items to improve wheat production. The two billion cruzeiros mantioned here are from the Cr$370 bonus and will be administered by the Bank of Brazil. This money will be distributed to the wheat producing states in accordance with revised production estimates. The latest estimate (March 4) by the Ministry of Agriculture of the commercial national wheat crop for 1959/60 was 370,000 metric tons (Paraná 23,000; Santa Catarina, 53,000 and Rio Grande do Sul, 294,000).
(UNCLASSIFIED)

Comment: The Ministry's wheat crop estimate was upped by 22,000 tons, all for Rio Grande do Sul, from the last estimate. Trade sources are doubtful whether that much wheat will be available to the mills. (OFFICIAL USE ONLY)

11. Rains and Floods:

The National Department of Works Against the Drought announced that excellent rains were still falling in the drought areas in the states of Alagôas, Bahia, Ceará, Paraíba and Rio Grande do Norte. In other areas floods were continuing to cause heavy loss of life and property at weeks' end.

The Ministry of Health announced its intention to request the

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Government for Cr$50 million in emergency funds for medicine and necessary supplies to assist the "thousands of flood refugees" in certain areas of the states of Paraná, Santa Catarina, Minas Gerais, Rio de Janeiro, Mato Grosso, Bahia, Maranhão, Alagoas, Espirito Santo, Piauí and Pernambuco. (UNCLASSIFIED)

Comment: It is too early to assess the possible crop damage in the regions affected by the floods. (UNCLASSIFIED)

12. Coffee Exports:

As of March 12, IBC reported coffee exports to be slightly above 492,000 bags for the month. Accumulated coffee registrations for the 1959-60 crop, July through January, were reported at 39.9 million bags. IBC expects registrations to reach 42 million bags for the year. (UNCLASSIFIED)

13. 1960/61 Coffee Crop in Paraná Estimated at 12 Million Bags:

A small news item appearing in the Rio press stated that recent storms had done severe damage to coffee trees in Paraná. A special check made through a private trade source revealed that this item was in error. Coffee in Paraná was reported to be excellent and the source indicated that the state's crop has recovered from the 1959 drought and would, in his opinion, amount to 12 million bags in 1960. He also said that weather conditions in Paraná since October 15 had been better than for the past three years. (OFFICIAL USE ONLY)

Comment: IBC officials continue to refer to the 1960-61 crop as a "small" crop. Production is placed at 20-22 million bags in official estimates. (OFFICIAL USE ONLY)

14. New Program to Promote Brazilian Exports of Finished Luxury Goods:

Mr. William Graham, well-known international financier (Private Enterprise Inc.), reportedly has entered into an arrangement with International House, New Orleans, to try and promote a substantial market in the US for finished goods (luxury-type) produced in Latin America. Mr. Graham, accompanied by an official of International House, is now in Latin America and, following visits to Guatemala, Panama, Colombia, Ecuador, Peru, Chile and Argentina, is scheduled to visit São Paulo and Rio (April 2-5). International House plans to help market the goods in the US, and Graham proposes to assist and finance such a



buying and marketing enterprise. The visitors plan to hold discussions with trade association executives and interested producers and exporters. (UNCLASSIFIED)

Comment: The exportation of this type of goods, even on a small scale, has proved difficult in the past, due to export restrictions, excessive paperwork, bureaucratic delays and relatively limited Brazilian production of luxury items. In an effort to promote exports, the Brazilian Government published a six-volume study last year, which covered marginal and luxury goods. However, little concrete action to stimulate the export of such goods has been noted.

If the Graham group could, perhaps by drawing up a feasible export plan, interest the Brazilian Government sufficiently to bring about a relaxation of the present restrictive export laws and to take other appropriate steps, the interest of Brazilian firms in exporting luxury goods might be aroused. Present restrictions, however, do not encourage this type of trade.
(OFFICIAL USE ONLY)

15. Settlement of Rail Strikes in São Paulo:

Two rail strikes - one on the federally-owned Santos-Jundiaí Railroad and the other on the privately-owned Paulistana Railroad - which paralyzed 40 percent of the train service in the State of São Paulo, ended during the week. The settlement of the Santos-Jundiaí strike, which began on March 10 and lasted 50 hours, called for sliding-scale increases averaging about 17 percent to be effective as of March 1 but not payable until 90 days thereafter. As a result there will be a general increase in the road's tariffs. The Paulista strike began on March 11 (it was called suddenly to take advantage of the walkout on the S-J, which connects with the Paulista at Jundiaí) and was resolved on March 16. The terms of settlement called for a 10% increase in salary as of May 1 and some fringe benefits. The Company was authorized by the state government to raise its tariffs 6 percent to compensate for the wage rise. The settlement of the Paulista strike was delayed for about a day by the unwillingness of the strikers to accept a clause in the ruling of the Regional Labor Tribunal which permitted the Company to punish workers who had not conducted themselves "pacifically". After considerable effort by state authorities, including Governor Carvalho Pinto, the Company agreed to the return of all strikers without reprisal. When the Santos-Jundiaí accord was reached, the leader of the Paulista strikers reportedly accused his S-J colleague of betraying an understanding that neither union would settle without the consent of the other. (UNCLASSIFIED)



16. Formation of Ore-Carrier Fleet Under Consideration:

In a March 10 meeting called and chaired by the Ministry of Transport, representatives of 18 Brazilian entities -- government enterprise, government agencies and private companies -- interested in the export of iron and manganese ore and the import of coal, discussed the possibility of creating a national ore-carrying fleet along the lines of the National Tanker Fleet (FRONAPE). According to press accounts, the Minister stressed the necessity of creating such a fleet which, he said, would save considerable amounts of foreign exchange.

Comments by representatives of the Companhia Siderurgica Nacional (CSN), the Companhia do Vale do Rio Doce (CVRD) and the Economic Development Bank were reported as being generally favorable, while the representatives of ICOMI, the Bethlehem Steel manganese exporting subsidiary, said that the question was an economic one, and that his company would give preference to national carriers so long as its freight rates were competitive. As a result of the meeting, a working group was established to study the matter in detail. (UNCLASSIFIED)

Comment: The prospect of such a fleet may have a negative effect on plans for the large-scale development of iron ore since a requirement to ship by national carrier would deprive the developers of the possibility of using their own vessels for the export of iron ore and the back-haul of coal. Both the Verolme (Dutch) and Ishikawajima (Japanese) shipyards under construction in Brazil have claimed the eventual ability to build 35,000-ton ore-carriers. (OFFICIAL USE ONLY)

17. Possibility of General Aviation Strike:

The continuing strike of the Cruzeiro do Sul flight crews which began on March 5 may become general. The strikers originally sought a wage increase but dropped that claim and concentrated their case on the failure of the Cruzeiro to abide by the terms of Air Ministry-Labor Ministry portaria of last November, establishing the conditions of work for flight crews. The union claims that the company's lack of respect for provisions regarding such matters as limitations on total numbers of hours flown per month and minimum hours of rest between fights is jeopardizing air safety. The company acknowledges that it is not acting in accordance with the interministerial portaria but argues that the document is illegal, unrealistic and unworkable, a point with which the other Brazilian airlines are in agreement. Cruzeiro has sought an injunction against the application of the portaria. In light of the refusal of the company to make any concessions and the lack of success of the labor authorities and the Civil Aeronautics Directorate in



obtaining an agreement, the union has threatened to extend the strike to other lines and has sought the adherence of the ground-crew union, which, according to the press, is giving favorable consideration to the request for support. (UNCLASSIFIED)

Comment: The Labor and Air Ministries are in an awkward position since Cruzeiro and the other carriers state that they simply cannot abide by the regulations issued by the ministries. While the air safety argument used by the union can be effective with public opinion, which is already alert to such considerations as a result of the recent air accidents and near-misses. (OFFICIAL USE ONLY)

For the Ambassador,

LeRoy E. Colby
Economic Officer

Approved:
Douglas S. Egan
Commercial Attaché

Contributions:
Items 1,2,3,4,11 - LEColby
Items 5,6,7,8,9, - RGWalker
Item 10 - FMMilam
Items 12,13 - DSEgan
Item 14 - DSEgan
Items 15,17 - JHCrimmins
Item 16 - EIBrown/JHCrimmins

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO — DESP. NO. 330

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE March 18, 1960

REF : CERP C - General Interest

MAR 19 1960 MAR 1 9 1960

	ACTION	DEPT.
For Dept. Use Only	REC'D 3/29	INFO OTHER

DEPT: *Rep/T *Econ 11 E-1 *FAA-5
ACTION: *Com-12
OTHER: USIA-10 650.2 Army-35 Navy-30

SUBJECT: Weekly Economic Review (March 11 - 17, 1960)

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1. São Paulo Buys Italian Tractors
2. São Paulo Power Supply Increased
3. Contract Signed to Build Bariri Hydroelectric Plant
4. Asfalto California S/A Sells Asphalt Blending Plant to Petrobras
5. Governor Establishes Financing Base for Corn
6. Railroad Strike Settled
7. Airline Strike
8. Wage Settlements
9. PTTI Seminar

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1. São Paulo Buys Italian Tractors

The São Paulo state government signed a contract on March 16 for the importation of 122 Fiat crawler tractors from Italy, valued at US$1,103,200. The tractors will be turned over to the agricultural mechanization posts of the state Secretariat of Agriculture, for rent, with appropriate equipment, to farmers. The state already has 69 tractors at 9 agricultural mechanization posts, and intends to establish 15 more such posts and acquire an additional 129 tractors through public bids during the next three years. Delivery of the 122 tractors now bought is to start within 60 to 90 days.

2. São Paulo Power Supply Increased

Two additional generators, one each at the Piratininga thermo-electric and Cubatão hydroelectric plants, were turned on by the São Paulo Light & Power Company and are now drying out. These will add 125,000 KW and 65,000 KW, respectively, to São Paulo's power supply.

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3. Contract Signed to Build Bariri Hydroelectric Plant

A contract in the amount of 750 million cruzeiros (about US$4 million) for civil construction work at the Bariri hydro-electric plant on the Tietê river (see despatch 112 of September 18,

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1959) was signed on March 14 by the government of the State of São Paulo with the local firms Camargo Correa S/A and Teneo Construtora de Usinas Hidroeletricas Ltda. Construction is to be completed by November 30, 1961, and to be sufficiently far advanced by the end of June 1961 to permit installation of the power equipment purchased from Czechoslovakia (see despatch 189 of November 30, 1959).

4. Asfalto California S/A Sells Asphalt Blending Plant to Petrobras

Asfalto California S/A (CALOL), a wholly owned subsidiary of the Standard Oil Company of California, has sold its asphalt blending plant at Cubatão, near Santos, to Petroleo Brasileiro S/A (PETROBRAS). This transaction is still subject to the approval of the National Petroleum Council (CNP). CALOL's plant, inaugurated in 1955, produced different types of cut-backs from asphalt purchased from Petrobras. For the past three years, since completion of an asphalt blending plant by Petrobras at its Presidente Bernardes refinery in Cubatão, CALOL's blending activities duplicated those of Petrobras. CALOL will retain its distribution facilities and will now act as one of the authorized distributors of Petrobras asphalt.

5. Governor Establishes Financing Base for Corn

After appealing to President Kubitschek to increase the federally guaranteed minimum price for corn to Cr$300 per 60 kilo bag (see item 9 of despatch 323 of March 31), the Governor of the State of São Paulo suggested, and the Bank of the State of São Paulo established, 80 percent of that price of Cr$300 as a maximum for financing the producer of corn. This in effect assures São Paulo farmers financing at the rate of Cr$240 per 60 kilo bag.

6. Railroad Strike Settled

Rail traffic in the State of São Paulo returned to normal during the past week when strikes involving 25,000 railroad workers on two important lines were settled. On March 12 some 8,000 railroad workers employed on the government owned Santos-Jundiai line accepted estimated increase in wages which ranged from as low as 10% to 32% after a strike of two days which completely paralysed rail traffic all along the line.

A companion strike involving some 15,000 railroad workers employed on the privately owned Paulista line dragged on until March 16, and was finally settled when the workers agreed to accept a wage award of 10% effective May 1 handed down by the



Regional Labor Court. The strikes were in the most part peaceful. Both railroad lines were heavily policed. Some minor incidents of violence occurred but no major incidents of clashes between police and workers were reported.

The strike of the Paulista railroad workers was complicated by the inclusion of a clause in the Labor Court's award which stated that strikers who engaged in acts of violence during the strike would be subject to disciplinary action by the Company, i. e. dismissal. The workers and union absolutely refused to accept this clause and two more days of bitter discussion followed. Finally through the direct efforts of Governor Carvalho Pinto who acted as a mediator the railroad agreed to amend the clause and simply stated that the striking railroad workers would not be punished. The union accepted this and the workers returned to work.

In both settlements fringe benefits were improved. The workers on the Santos-Jundiai alleged that they had not received an increase in wages since 1956. However, they were granted a monthly bonus of 30% in January of 1959 which has been paid regularly in the form of a monthly bonus and is not subject to social security deductions. The increased wages which settled the strike are also in the form of a monthly bonus, and not subject to social security deductions.

The management of the Paulista took a much more adamant stand than the Santos-Jundiai, and the final labor tribunal wage offer of 10% was the same amount the company offered throughout the negotiations.

Comment: The Santos-Jundiai is part of the Federal National Railroad network and has received government subsidies from time to time. The Paulista is privately owned. It has recently installed a number of new automatic labor saving devices and is attempting to pare down its payroll. Hence its insistence throughout the strike to the clause which would subject the returning strikers to disciplinary action i.e. dismissal.

7. Airline Strike

A nationwide strike of flight crews employed by the Brazilian domestic airline Cruzeiro do Sul has partially tied up air traffic at the city of São Paulo's large airport, Congonhas. The strike which is going into its third week is over a demand by the flight crews for a reduction of flying time in the interest of safety. Negotiations between the airline, and



the union representing the flight crew up to now have been fruitless. The strike has been peaceful, and no incidents of violence have been reported.

8. Wage Settlements

Two major wage agreements were reached during the past week in the State of São Paulo. On March 12 the Regional Labor Court handed down a decision awarding oil refinery and filling station employees an increase in wages of 35% over existing wages. The labor tribunal's award ended months of fruitless and at times bitter negotiations between the São Paulo State Local Union of Oil Refining Employees and the oil companies. On the same day the São Paulo State Federation of Commercial Employees reached an agreement with employers in some twenty-five cities in the interior of the State. This agreement provides for an increase in wages of 30% over existing wages. Both agreements were ratified by the union membership and affect an estimated 50,000 workers.

9. PTTI Seminar

William C. Doherty, Jr., Inter-American Representative of the Postal Telegraph and Telephone International (PTTI); Ray Hackney, Vice-President of the Communications Workers of America (CWA), AFL-CIO; and Jules Pagano, CWA education director, arrived in São Paulo during the past week to complete preparations for a Brazilian Trade Union Seminar on Collective Bargaining scheduled to be held at the new headquarters of the local union of telephone workers March 21-April 2. The Seminar is being organized and sponsored by the PTTI Inter-American Office. Approximately 25 Brazilian trade union leaders from communication workers unions plan to participate in the seminar, which will be directed by Mr. Pagano and co-directed by Josue Antonio Simas, director of education of the São Paulo State local union of telephone workers.

Messrs. Doherty, Hackney and Pagano were joined in São Paulo by Angel Bucci, General Secretary of the Postal and Telecommunications Workers Federation of Argentina who will participate in the seminar along with Emio A. Felloni, General Secretary of the Employees and Workers Telecommunications Federation of Uruguay, and Felix Loli, President of the National Federation of Telecommunications Workers of Perú.

In addition to the seminar Mr. Doherty called a meeting of the Executive Board of the PTTI which will also be held in São Paulo March 21 to March 26.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO

336
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 21, 1960
DATE

REF : CERP Section D, Item IV-A-5

MAR 22 1960

	ACTION	DEPT.
For Dept. Use Only	AMB 4	AMB-2 REPL EMB 3 E-7 ECM-4
	REC'D 3/22	INFO OTHER CIA-10 USIA-12 MAA 2 FAS 2 FAB-2

SUBJECT: São Paulo Bank Reports Discuss Brazilian Economy in 1959

XMD-4 AG-4 EM-7 AMC 2 USIA 10 Army-4 Navy-3

The annual report of the Banco Comercial do Estado de São Paulo was discussed in despatch No. 314, March 7. This despatch discusses the annual reports of the following banks which gave emphasis to different aspects of the economy:

Banco da America
Banco Sul Americano do Brasil S.A.
Banco Mercantil de São Paulo S.A.
Banco do Estado de São Paulo

The Banco da America stressed inadequate transportation facilities. It pointed out that years ago the Companhia de Navegação Costeira, when under private management, rendered satisfactory coastwise steamship service, whereas the government-operated Lloyd Brasileiro was operating at a deficit and providing inadequate service. It regrets that subsequently the Costeira was also taken over by the government. It indicated that the service now is very bad and in this respect said that the ports are not properly equipped, there is no firm shipping schedule and port handling charges are excessive. It added that it would do little good to buy new ships without improving port conditions.

The Banco Sul Americano do Brasil S.A. devoted most of its analysis to inflation which it attributes mainly to the issues of paper currency for deficit financing. Despite this, it said, the country has been developing. With a stable currency it believed the government could have attained all of its goals and even surpassed some of them. It then said:

> "Without a stable currency progress cannot be consolidated and one cannot think of economic independence. So long as we do not convince ourselves of the importance of monetary stability in the economy and we do not take steps to strengthen the cruzeiro we will not pass the barrier of underdevelopment."

The Banco Mercantil de São Paulo S.A. also discusses inflation. It said that high domestic prices which increased on an average of 50 per cent over that of a year ago indicate that the depreciation of the cruzeiro in the free exchange market was not due exclusively to a shortage of foreign exchange. Because of this inflation, it said, the people could not appreciate the

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industrial advances made in Brazil. As one of the indexes of industrial expansion the report mentions that out of a total of 117 billion cruzeiros of increased capitalization in industrial enterprises, 65 billion was investment of new capital.

The Banco do Estado de São Paulo goes into a long detailed analysis of the economy in which it discusses many aspects already covered previously in other reports. It particularly emphasizes, however, that agricultural production of subsistence goods practically diminished, if one considers the growth of population. The industrial sector, it said, although showing an overall growth, showed weakness and even a decline in the production of durable consumer goods. These disadjustments of production were in part responsible for the increase in the cost of living. The principal cause of the resurgement of inflation in 1959 was the Federal budgetary deficit estimated at over 30 billion cruzeiros.

The report then mentions that the food supply did not keep up with demand. It pointed out that between 1948 and 1959 agricultural production of subsistence goods increased by 3.5 per cent a year as against a growth of population of 2.3 per cent a year. It indicated that while this seemingly was adequate, in fact it was not, because an increase in earning capacity resulted in improved eating habits and migration from the farm to urban centers resulted in increased food demand and a change in eating habits. The report pointed out that the cost of food went up more rapidly than the price of industrial goods. From an index of 100 in 1948 the food index stood at 806 in November and that of industrial products at 621 in the same month. The report then states that the State of São Paulo is alive to the need to increase food supplies. In this respect it mentioned the policy of the bank itself to loan funds to farmers for the production of rice, beans and corn at 4 per cent a year. It also mentioned the State government's Plan of Action which includes a fund for agricultural expansion.

In respect to coffee the report says that the outstanding development was the international coffee agreement, which it considered good even though it placed upon Brazil the onus of holding 75 per cent of the coffee withheld from the market. On cotton the report said that the placing of export proceeds from this commodity in the free market permitted Brazil to sell its cotton abroad before the United States intensified its policy of "selling at any cost".

On labor the report said that the expansion in the automotive industry intensified the shortage of skilled labor and distorted wages. It added, however, that in the long run the automotive industry would be the principal contributor to a development of skilled labor.

On inflation the report said that the Federal budgetary deficit, estimated at over 30 billion cruzeiros for 1959, was the primary contributing factor, principally because the deficit was covered by the issues of paper currency.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

338
DESP. NO.

March 24, 1960
DATE

FROM : Amcongen SÃO PAULO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Wire Reid

ARMY-MAR 2 1960

	ACTION	DEPT.
20 For Dept. Use Only	ARA 4	AMB 2 REF 1 IRC 8 E-3 ICA-11 XMB-4 USIA 10
	REC'D 3-28-60	OTHER CIA 10 COM 12 AG 8 IN 7 TRA 2 LAB-6 TR 2 TAB-3

SUBJECT: Annual Message of the Governor of São Paulo to the State Legislature

There are enclosed five copies of the message delivered by Governor Carvalho Pinto to the State Legislature on March 14, 1960, in which he outlined the activities of the State Government during 1959. The message, according to official statements, was written in a manner so that it could be easily read and understood by the layman. It therefore does not go into too much detail. Some of the highlights of the message are given below.

GOVERNMENT PLAN OF ACTION

Special credits opened for projects included in the Plan of Action totaled Cr$5.5 billion from November 18, 1959 through February 29, 1960. Page 18 of the report contains a table listing types of activities undertaken in 1959 within the Plan of Action and the program scheduled for 1960.

TRAINING LABOR

The report states on page 120 that a shortage of skilled labor has contributed to slow down industrial expansion in the State. On page 26 it discusses industrial training. It says that enrollment for industrial training in an official institution increased from 13,838 in 1955 to 20,331 in 1959. This it considers a very small number in face of the total industrial labor force in São Paulo in 1959 of 945,068, of which 750,000 were skilled and semi-skilled workers. It mentioned, however, that a Federal labor training service in São Paulo and training within industry was taking up some of the slack.

POLICE ORGANIZATION

Figures given in the report show that there are 6,165 policemen and 1,003 military police in service in the City of São Paulo, which had at their service an average of 45 patrol vehicles. In the interior there are 4,864 State police, 819 civil guards and 226 motorized vehicles.

HEALTH MEASURES

Under this heading information is given on the number of persons vaccinated. Three hundred sixty-seven thousand, seven hundred ninety-nine received first

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BUREAU OF INTER-AMERICAN AFFAIRS
APR 0 1960

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vaccinations against smallpox and 1,064,630 were revaccinated. Besides this 58,916 Salk vaccines, 52,294 diphtheria vaccines and 8,681 typhoid vaccines were given.

ELECTRIC POWER

The following information is given in the report on the electric power programs.

Tieté Valley

The Barra Bonita Power Plant is in an advanced stage of construction. It will have an installed capacity of 132,000 KW and will be able to produce 450 million KWH annually. Excavations and 65% of the concrete work was completed in 1959. Equipment for this plant is to be delivered in 1960 and operation is scheduled for 1961. The Bariri Power Plant was started in 1959 and is also to have an installed capacity of 132,000 KW. Part of the heavy equipment valued at US$6 million was ordered from Czechoslovakia for payment in cruzeiros to the Brazilian Coffee Institute and the sale of coffee by that institute to the supplier. Additional equipment is being ordered from Brazilian firms. Plans for the Ibitinga Power Plant (121,000 KW) were finished and sent to the Division of Waters for approval. The plans for the Promissão Power Plant should be ready by the middle of 1960.

Paranapanema Valley

In 1959 a second and third generator of 17,000 KW each went into operation at the Lucas Nogueira Garcez Power Plant. Power distributed during that year totaled 127,790,805 KWH. A fourth generator is to be installed in 1960. Fifty per cent of the concrete work has already been completed on the Jurumirim Power Plant, which is to have a total installed capacity of 98,000 KW. The equipment has already been ordered and the first generator should be in operation in 1961. The Chavantes Power Plant also was included in the Governor's Plan of Action. It is to have an installed capacity of 300,000 KW but only preliminary work has been started and financing arrangements still have to be made.

Rio Pardo Valley

The Limoeiro Power Plant, with an installed capacity of 14,000 KW, already is in operation and in 1959 distributed a total of 28,444,497 KWH. A second generator of 14,000 KW is to be installed in 1961. Excavation work on the Euclides da Cunha Power Plant was completed in 1959 and work on the power house is well advanced. Equipment to produce 49,000 KW is scheduled to be installed during the third quarter of 1960. A second generator of 49,000 KW already has been ordered. Work also was started on the Graminha Dam on the Rio Pardo River which will permit duplication of installed power at the Limoeiro and Euclides da Cunha plants. The dam itself should be completed in 1961.

Thermoelectric Plants

Equipment is to be installed in the Flórida Paulista Plant by the end of 1960. This plant will have a total installed capacity of 20,000 KW and will be connected with the USELPA Hydroelectric system at Presidente Prudente. During the year 1959 the thermoelectric plants at Votuporanga and Juquiá, each of 10,000 KW, went into operation.

RAILROADS

The report says that the Sorocabana Railway operated at a deficit of 190 million cruzeiros during 1959, and that the deficit of the Araraquara Railway was 94 million cruzeiros and that of the Mogiana 330 million cruzeiros. Improvements made on the Sorocabana include construction of 60 kilometers of new line on the Dourados branch; substitution of 93 kilometers of rails; completion of the electrification of the Iperó-Itapetininga stretch, a distance of 49 kilometers, and improvement of the roadbed over a stretch of 76 kilometers. During 1959 the railroad ordered traffic control equipment valued at US$1.9 million and Cr$680 million. The railroad also received the final lot of 1,874 cars bought and the 1,018 brake sets financed by the National Economic Development Bank.

The Araraquara Railway built in its own shops six metal passenger cars and ordered 23 new cars. It also ordered an additional 20 diesel electric locomotives, which will permit the total elimination of steam traction. The Mogiana Railway also built seven metallic cars in its own shops.

ROAD WORK

Paved roads in the State of São Paulo totaled 3,655 kilometers of which 619 kilometers were paved during 1959. Besides this contracts were closed for paving an additional 345 kilometers.

AIRPORTS

On this subject special reference is made to the São Paulo international airport of Viracopos, near Campinas, which when completed will permit the operation of jet airplanes. A landing strip of 1,800 meters, 54 meters wide, was finished in 1959, contracts have already been let to increase the landing strip to 3,240 meters, and this work is expected to be completed by July 1960.

FINANCES

The State budget was reported as having been concluded with a surplus of close to Cr$74 million during the year 1959. Internal funded debt was given as totaling Cr$16.5 billion. The internal floating debt was reported as amounting to Cr$25.9 billion. The foreign debt at the end of 1959 was £432,500. The dollar debt of US$2,841,000 was liquidated during the year in an accounting procedure with the Federal Government.

Ralph J. Burton
Ralph J. Burton
American Consul

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5 copies of Enclosures Marked UNCLASSIFIED
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they will be distributed



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FOREIGN SERVICE DESPATCH

FROM : Amconsgen SÃO PAULO — 338 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 24, 1960 (DATE)

REF :

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ACTION	DEPT.					
ARA-4						
REC'D 3-28-60	INFO	CIA-10	COM-12	AG-8	IN-7	TAR-2 LAB-6 TR-3 FAB-3

Where Reid — ARMY-4 NAVY-3 — IRA-11 — XMB-4 USIA-10

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Ralph J. Burton

Enclosures:
5 copies of Annual Message.

Ralph J. Burton
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 342 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 25, 1960 DATE

REF : CERP C - General Interest

For Dept. Use Only	ACTION	INFO	DEPT. / OTHER
55	COM-12		DEP-4 ECON-5 ICH-11 E-2 AAA-5
	REC'D 3/24		USIA-10 OSD-2 Army-25 Navy-26 CNO-30 CIA-16 CCD-2 TRS FMS-3 NIC-4 AEC-2 INR-7 IAD-6 TAR-2

SUBJECT: Weekly Economic Review (March 18 - 24, 1960)

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2. SUMOC Tightens Import Screening
3. Grain Storage Facilities
4. Krupp Makes Truck Crankshaft
5. Goodrich Tire and Tube Plant Inaugurated
6. Carvalho Pinto Stresses Importance of Urubupunga Power Project

1. Royal Bank of Canada to Close Santos Branch (OFFICIAL USE ONLY)

The Consulate at Santos reported that the Royal Bank of Canada intends to close its Santos branch within six months. The reason given was that it was concentrating its resources in an expansion in Canada, and the Santos branch had been losing ground to other banks.

2. SUMOC Tightens Import Screening (OFFICIAL USE ONLY)

It has been reported locally that the Superintendency of Money and Credit (SUMOC) has tightened its screening of import requests involving special foreign exchange treatment or the approval of medium term financing arrangements offered from abroad. A specific case mentioned was that of the COSIPA steel mill that is being constructed in the State of São Paulo near Santos. COSIPA wanted to import conveyor equipment valued at between two and three million dollars, under credit terms exceeding five years. SUMOC is reported to have turned down the request because Brazil was short of foreign exchange and the equipment could be made in Brazil, and to have told COSIPA to buy it locally even though the cost in cruzeiros might be "double or triple" the cost of imports.

3. Grain Storage Facilities (UNCLASSIFIED)

The State of São Paulo, through the government controlled Companhia de Armazens Gerais do Estado de São Paulo (CAGESP), is moving ahead on developing

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additional grain storage facilities. Within about 10 days tenders are to be called for the construction of a 20,000 ton grain elevator in the City of São Paulo. Tenders for two more grain elevators to be built in the State of São Paulo are to be called towards the end of April, and tenders for three more are to be called at the end of May. The individual capacities of the other five were not mentioned, but the total capacity of the six under consideration will be 60,000 tons.

Comment: While foreign firms with local affiliations are not excluded from bidding, in the past the civil construction work was given to Brazilian firms. On five grain elevators contracted some time ago the São Paulo branch (Montana Engenharia e Comercio) of a Swiss firm, working in conjunction with local constructors, closed the business on the mechanical and electrical equipment. Actually an appreciable portion of the equipment is to be produced in Brazil under Swiss specifications. It is understood that the principal parts that have to be imported are the humidity and anti-fermentation controls.

It is reported that Polish suppliers offered six years' credit on grain elevator equipment, but that offer does not yet appear to have been included in an official bid.

4. Krupp Makes Truck Crankshaft (UNCLASSIFIED)

The first truck crankshaft manufactured in Brazil was made at the forge shop of Krupp do Brasil - Industria Nacional de Locomotivas Ltda., located at Campo Limpo, near the City of Campinas, and is now undergoing a series of quality and resistance tests.

The local Krupp company, a subsidiary of Friedrich Krupp of Essen, Germany, completed construction of its forge shop and auto parts manufacturing plant in October 1959. The forge is reported to be the only reinforced concrete construction of its kind, and is said to be equipped with the latest types of machinery, even more modern than the equipment of Krupp, Essen. Krupp is putting out a number of cast and forged parts for the motor vehicle industry, of which the crankshaft is the heaviest item.

Comment: Sifco do Brasil S.A. and another São Paulo firm are also preparing to produce rough crankshaft forgings. At present these are being imported and machined by the automotive industry. Within the next six months it is expected that the imports will cease.

5. Goodrich Tire and Tube Plant Inaugurated (UNCLASSIFIED)

The tire and tube plant of B. F. Goodrich do Brasil S.A. near Campinas was officially inaugurated on March 22. The local company is a subsidiary of the International B. F. Goodrich Company of Akron, Ohio.

Construction of the plant was started in January 1959 and completed in December 1959, when production of tires and tubes was started. Most of the



machinery and equipment was imported from the United States. Total value of the investment is 1.2 billion cruzeiros. Employing 420 persons, the plant will initially produce 700 tires and tubes daily. Output will be raised early in 1961 to 1,000 tires and tubes daily. Goodrich will manufacture all types of tires, except airplane tires.

6. Carvalho Pinto Stresses Importance of Urubupunga Power Project (UNCLASSIFIED)

At the closing session of the VIII Conference of Governors of the Parana-Uruguay Basins, Carvalho Pinto, Governor of the State of São Paulo, pointed out the importance of the Urubupunga power project on the Parana River. One of the resolutions approved at the conference was the formation of a company (Centrais Electricas do Urubupunga) which could supervise construction and then operate the hydroelectric facilities. He said two plants, to produce a total of 2,900,000 KW, are under consideration and the studies on both practically are completed. He then urged the Federal Government to make available the Cr$50 million allocated in its 1960 budget for preliminary work on this project, and to include an additional Cr$200 million for that purpose in the Federal budget for 1961.

Comment: Although all seven states comprising the Parana-Uruguay Basin Interstate Commission are to participate in the financing, the funds that will be needed to carry out this project are so large that Federal Government financial participation will be required. Until substantial Federal assistance is obtained Urubupunga probably will move along slowly.

Ralph J. Burton

Ralph J. Burton
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

936
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 25, 1960
DATE
MAR 28 1960

REF : CERP C-1

L:2 CIR-5 FE:4

For Dept. Use Only	ACTION	DEPT.	REC-1 ARA-5 IRI-2 E C ICA-1
	REC'D 3/28	INFO OTHER	ARMY 35 NAVY 20 AIR-30 OCD-2 CG-2

SUBJECT: WEEKLY ECONOMIC REVIEW No. 13 (March 18-24, incl.)

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11. Soviet Oil Shale Engineers.
12. Commercial Workers Win Pay Increases
13. Prospect of Suspension of Airline Strike.

1. Proposed Bank for the Development of the West:

At the Inter-state Conference on the Paraná-Uruguay Basin, concluded this week, President Kubitschek approved the submission of a bill for the establishment of a new official bank to be called the Bank for the Development of the West. As proposed, the bank will have an initial capital of Cr$1 billion, 40% subscribed by the Federal Government, 40% by the States, 10% by the National Bank for Economic Development and 10% by the public. The bank may operate as a commercial bank up to the limit of its stated capital and as a development bank giving medium and long-term credit up to 60% of the value of approved projects included in a development plan for the area. The plan is to be drawn up by the bank in collaboration with the Inter-State Commission for the Paraná-Uruguay Basin, which includes the States of Mato Grosso, Goiás, Minas Gerais, São Paulo, Santa Catarina, Paraná and Rio Grande do Sul. (UNCLASSIFIED)

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Comment: Politically the establishment of this bank would be a counterbalance to such special programs for other regions as

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that for the Development of the Northeast. It is also a logical extension of the concept of regional banks exemplified by the Amazon Credit Bank and the Bank of the Northeast. Presumably, if established, the bank will direct most of its efforts to Mato Grosso, Goias and the western areas of the States south of them.

2. Increase in Dollar Agios:

At the dollar exchange auctions in Rio on March 22 the average agio was Cr$234 to the dollar, an increase of Cr$7.00. This continues the trend of the past three weekly auctions; the total increase in Rio since March 8 has been Cr$20 to the dollar. The increase in dollar auctions at other cities has been slightly higher.

UNCLASSIFIED

Comment: Last week the President of the Bank of Brazil attributed this trend to the failure to hold an auction during Carnival week. Correio da Manhã attributes it to a fear that the heavy expenditures for the transfer of the capital to Brasilia will bring a new surge of inflation. More probably it reflects a variety of factors, prominent among which is the inclusion of exchange for imports from Japan and Sweden which, when auctioned separately, had received a relatively higher rate than had prevailed in the dollar auctions.

UNCLASSIFIED

3. Free Exchange Market:

The cruzeiro was fairly stable on the free market from March 18 through March 24, opening the period at Cr$189 to the dollar (check buying) and ending it at Cr$190.00.

UNCLASSIFIED

4. Automobile Developments:

(1) Export to US of Brazilian Volkswagens

Rio press stories datelined New York reporting that Brazilian-made Volkswagen stationwagons would be exported to the United States (São Paulo despatch 281, Feb. 11) were followed by news articles explaining how the stationwagons, which cost Brazilian purchasers about Cr$500,000 (US$2650 at current free market rate of exchange of Cr$192 to the dollar), could become competitive with their counterparts exported from Germany to the United States. It was pointed out that Volkswagen do Brasil would be exempt from Brazilian Federal consumption taxes (about 40% of the cost of the vehicle) with the right of a "drawback", or exemption of duties and taxes paid on imported materials.

UNCLASSIFIED

Comment: Several Rio newspapers reacted unfavorably to the news.



The Correio da Manhã, in particular, published a vigorous editorial, taking the Administration to task for permitting cars which are sold to Brazilians "for their weight in gold" to be exported cheaper than they can be bought here. Noting that there were waiting-periods of 3-4 months for Brazilian-manufactured cars, the editorial observed that "Volkswagen" in German means "car of the people" but for the Brazilian it means "car of the people of other countries."

One Senator was reported as saying he planned to have the Ministry of Finance "investigate this irregularity" (i.e., cars being sold cheaper abroad than in Brazil) and take "remedial steps."

UNCLASSIFIED

(2) Aero-Willys to be Launched Today

From São Paulo came word that Willys Overland do Brasil would inaugurate its Aero-Willys, a 90-HP, 4-door, 6-passenger sedan on March 25. The press noted that 30,000 units would be produced annually.

UNCLASSIFIED

Comment: Although the retail price of the car is not yet known, the Aero-Willys may compete with the highest priced Brazilian-made passenger car, the SIMCA Chambord, which retails for more than Cr$900,000. Willys also produces the Dauphine, the Jeep and the Rural Willys. National Economic Development Bank President Lúcio Meira, who is scheduled to participate in the inauguration ceremonies, reportedly told Adlai Stevenson in São Paulo several days ago that Brazil would produce 140,000 automotive vehicles in 1960.

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5. Coffee Exports:

As of March 19, Brazil's 4 1/3 million-bag, January/March coffee export quota lacked 1,062 thousand bags of being fulfilled. March exports to that date reached 757 thousand bags.

UNCLASSIFIED

Comment: It will be interesting to watch IBC's efforts to step up exports during the remaining 12 days of the month in an attempt to reach the export goal.

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6. Flood Damage:

Although heavy rains were still reported in widely scattered areas of the country, threats to life and property damage appeared to be lessening, except in Ceara where a large dam was in danger of bursting. Rains in the Northeast were reported to be washing out farm pond fills, and in Espirito Santo 60% of the state's rice crop was said to be in danger of destruction.

UNCLASSIFIED



Comment: Since rice production in Espírito Santo constitutes less than one percent of Brazil's crop, flood damage will not materially affect the total crop. UNCLASSIFIED

7. Wheat Developments:

(1) National Wheat

Last week it was reported that the producer price of the national wheat from the 1959/60 crop had been raised from Cr$750 per 60-kilo bag to Cr$870. The Wheat Expansion Service informed the Agricultural Attaché that the final producer price had been set at Cr$840, effective March 23.

Comment: The national wheat growers are still not satisfied and are trying to get the price back up to Cr$870.
UNCLASSIFIED

(2) Russian Wheat

The Agricultural Attaché was informed that the 150,000 tons of Russian wheat for calendar year 1960 had been programmed to be shipped as follows:

In July	- 30,000 tons
In August	- 70,000 tons
In September	- 50,000 tons

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(3) US Wheat for Brazilian Sugar:

Apparently the millers and the bakers were joining hands with the sugar producers in an effort to exchange Brazilian sugar -- through private trade channels -- for US wheat. The Confederação Nacional da Indústria in Rio called a meeting of millers, bakers and sugar producers for March 24 and 25 to discuss this matter. Any wheat obtained under this method would be over and above the wheat under a new P.L. 480 Agreement. The São Jorge mill in São Paulo reported an offer of 450,000 tons of US wheat by a US supplier for Brazilian sugar, provided the formalities could be worked out. This mill declared itself ready to sign a four-year contract with a US wheat supplier to exchange 1g million bags of sugar annually at world prices for whatever US wheat this would purchase at US market prices.

The amount of wheat being talked by the trade for the future was about 4 million tons per year, considerably above the amount which has been talked about in connection with a possible new P.L. 480 Agreement. This group was said to be ready to send a delegation to the US to discuss the matter with wheat growers and



the trade. They said if arrangements could be made in accordance with the Sugar Act and the Wheat Agreement - they would "take care of" all the problems with the GOB. There was reason to believe that the millers and bakers would use every possible approach to obtain larger quantities of wheat for Brazil. The trade noted that the national wheat producers were not providing the wheat, and therefore was questioning the producers' right to set the policy.

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(4) Usual Marketings

It seemed fairly certain that Brazil was going to barter high-grade manganese ore for the 80,000 tons of US usual marketings. One US grain company has been working on this for over six months and will probably get the business.

Canada reportedly was trying to get the 50,000-ton global market - probably through some type of barter.

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8. Brazilian Commercial Mission Leaves for Venezuela:

A delegation composed of representatives of Brazilian government, industry, agriculture and commerce was scheduled to leave for Caracas on Thursday, March 24, on a trip to promote the export of of Brazilian products to Venezuela. "Operaçao Venezuela," so called, is designed to narrow the tremendous gap between Brazil's imports from Venezuela, mostly consisting of oil and amounting to $138 million in 1958, and the country's exports to Venezuela, which amounted to only $2 million in the same year. The mission will be present at the opening of the new University City in Caracas on April 5, where Brazilian products will be displayed.

According to local press accounts, Ambassador Barbosa da Silva, head of the Economic Department of Itamaraty, had hinted very broadly to the Venezuelans that Brazil would be forced to review its present policy toward purchases in Venezuela if means for lessening Brazil's trade deficit with that country were not discovered.

End UNCLASSIFIED

Comment: In the opinion of some local observers, it is unlikely that Brazil will be able to sell substantially larger quantities of merchandise in the Venezuelan market. It is felt that Brazil will be able to offer few products at a competitive advantage over traditional Venezuelan suppliers, including the United States.

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9. Japanese Products Displayed in Rio de Janeiro:

An exhibition of Japanese industrial products was inaugurated in the Maracana Municipal Stadium this week. Japanese Ambassador Yoshiro Ando participated in the opening ceremony at the exhibition, sponsored by the Foreign Trade Promotion Organization of Japan. A wide range of products is represented, from precision electronic equipment to heavy machinery. UNCLASSIFIED

Comment: The products now on display at Maracana were brought to Brazil originally for display at the often-scheduled-but-never-opened International Exposition of Industry and Commerce in Rio de Janeiro. A similar collection of Japanese industrial products brought here for the proposed international fair was rendered unfit for display by rust and mold after many months of storage and was replaced by the present collection. Japanese trade promotion authorities have apparently decided to display this collection while it is still in good condition, in the expectation of further lengthy delays or cancellation of the fair.

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10. New Polish Trade Agreement Signed:

A new five-year trade agreement between Brazil and Poland, replacing the 1954 agreement in effect until now, was signed on March 19 in Rio de Janeiro. Negotiations on the agreement continued for two weeks prior to the signing date. Ambassador Barbosa da Silva, chief of the Economic Department of Itamaraty, headed the Brazilian negotiating team and Franciszek Modrzewski, Polish Vice-Minister for Foreign Trade, was chief of the Polish delegation.

The agreement just signed was reported to provide for trade to the annual value of $70 million in both directions (more than twice the $33 million level established by the superseded agreement), as well as the formation of a mixed Brazilian-Polish commission to supervise trade operations between the two countries.

UNCLASSIFIED

Comment: If, as reported in WER No. 12, final signing of the new agreement was then being delayed by Polish insistence on a five-year agreement, the Brazilians yielded on this point. Payments arrangements, according to the press will continue as under the old agreement. It is interesting

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to note that trade under this agreement during the next three years is scheduled to be approximately equal to Brazilian trade with Russia during that period under the agreement signed in Moscow in December.

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11. Soviet Oil Shale Engineers:

Last week it was erroneously reported that Sr. Manuel Albino Regalo de Souza, Director of the National Petroleum Council's Technical Division, was also President of the Companhia Industrial de Rochas Betuminosas (CIRB), the São Paulo company responsible for bringing the Soviet engineers to Brazil. The president of CIRB is Archimedes Pucci (São Paulo desp. 294, Feb. 25 and Embassy Desp. 890, Mar. 14).

UNCLASSIFIED

12. Commercial Workers Win Pay Increase:

The Commercial Workers Union of Rio de Janeiro settled for a wage increase of 32% over existing pay scales, with a minimum increase of Cr$1,500 and a maximum of Cr$7,000 per month for every worker. Approximately 200,000 workers will benefit from this increase, which is retroactive to March 1. Federal Government employees are now the last major group in Rio which has not obtained some sort of increase during the past six months, but the Senate is again promising to give "accelerated consideration" to the long-pending "Reclassification Plan".

UNCLASSIFIED

Comment: The Commercial Workers reportedly are not satisfied with a wage increase which amounts to only 60% of the increase in Rio's cost of living during 1959. However, many owners of small-retail shops stated that they could not afford to pay the 50% increase originally demanded by the union (WER No. 10). Apparently the Government and the union decided that 32% was the best offer the employers would make and so accepted it.

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13. Prospect of Suspension of Airline Strike:

The courts have granted to Cruzeiro do Sul, whose flight personnel have been on strike since March 5 (WER No. 12) an injunction suspending the operation of the interministerial (Labor-Air) document regulating the conditions of work of the personnel in question. Since Cruzeiro's admitted refusal to abide by the terms of the document has been the motive for the strike, a meeting of the union to discuss the situation created by the injunction is scheduled for this afternoon (Friday). The tone of the comments by union leaders suggests that they will recommend that the strikers return to work, at least temporarily.

UNCLASSIFIED

Comment: Since the injunction is subject to review by higher courts, the cessation of the strike which is in prospect may be only short-lived. If the injunction is upheld upon appeal, the interministerial regulations would presumably become a dead letter, thus creating a situation probably even more difficult than the present one. During the past week there have been indications of some friction between the Labor and Air Ministries, with the former appearing to support the striking union and the latter, Cruzeiro do Sul.

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For the Ambassador:

Approved:

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

LeRoy E. Colby

LeRoy E. Colby
Economic Officer



Contributers:

Items 1, 2 and 3	RGWalker
Items 4 and 11	LECelby
Items 5 and 6	REAdcock
Item 7	FMMilam
Items 8, 9 and 10	GSPierce
Item 12	DPMann
Item 13	JHCrimmins

ERRATUM: Items 12 and 13 of WER No. 12 were contributed by REAdcock rather than DSEgan as indicated in the list of contributers last week.

Distribution:

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 937 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. March 25, 1960 DATE

REF : CERP D-IV, 5

MAR 25 1960

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	REC'D	OTHER	

SUBJECT: Brazil's Economic Development - Special Issue of "Manchete"

Those interested in the subject of Brazil's economic development may be interested in the enclosed (six) copies of a recent special issue, in English, of the weekly pictorial magazine "Manchete". The origin of the idea for the special issue, in both Portuguese and English, is explained in the note headed "Separata" on the first page.

For the Ambassador:

William A. Fowler
Counselor of Embassy
for Economic Affairs

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAR 29 1960

Enclosures:

6 copies of "Manchete"

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 958
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. April 1, 1960
DATE

REF : CERP C-1 APR -1 1960

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	INFO REF-1 IRC-15 ICA-11 E-6 ARA-5 S/AE-9 AGR IN-9
	REC'D 4/4/60	OTHER USIA-10 USIA-22 Army-35 NAVY-20 AIR-20 CIA-16 OCB-2

SUBJECT: WEEKLY ECONOMIC REVIEW No. 14 (March 25-31, incl.) LAB-6 TR-3 FRB-3 XMB-4 AEC-9

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1. Modification of the Exchange Auction System:

By Instruction 193 issued on March 25, the SUMOC Council authorized the Bank of Brazil to sell at the rate of Cr$225 to the dollar up to three times the dollar amount offered for auction in the general category in any week when the full dollar offering in that category is sold. Since weekly nationwide offerings of dollars in the general category are now $5,691,000 (out of a total weekly offering of $6,400,000) this permits a total possible weekly sale of US dollars in the general category of $22,764,000. At the same time the Council required that payment of the sales be made within three days instead of the five previously permitted and

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extended the period for delivery of the exchange purchased from 120 to 150 days.

In the first auctions under this system the general category average in Rio was Cr$224 to the dollar as compared to Cr$234 the previous week. In São Paulo the Bank of Brazil sold $300,000 beyond the amount offered at the auction and in Rio $35,000. (UNCLASSIFIED)

Comment: Instruction 193 is intended to halt the steady increase in the agios of the last three weeks and presumably is considered part of the goal of monetary "stabilization" in 1960. The principal reaction has been one of confusion mingled with doubt that the Bank of Brazil can support the plan. Many observers believe that importers will rush to purchase the extra exchange in order to get all they can before the Bank runs out of dollars. Others believe the agios will fall in part because of difficulties in financing the additional 30-day period and in part because importers may delay purchases in the hope that the fixed Cr$225 price will be lowered.

More auctions are required before the actual effect of the Instruction can be determined. Meanwhile it is interesting to recall that two weeks ago the President of the Bank of Brazil stated there would be no increase in the dollar offerings before June (WER No. 12). (OFFICIAL USE ONLY)

2. Brazil Pays Increased IMF Quota:

According to the press and confirmed by the Ministry of Finance, Brazil has authorized the transfer of $32.5 million in gold to the IMF from its reserves held with the Federal Reserve Bank of New York. This meets the hard currency portion called for under its increased quota with the IMF. (UNCLASSIFIED)

Comment: Despite this move Brazilian officials have so far given no indication that they intend to approach the IMF to take advantage of their increased drawing rights. (OFFICIAL USE ONLY)

3. Decline in Bank of Brazil Cash Balance:

According to the Bank of Brazil balance sheet for the end of February 1960, currency held by the Bank declined by Cr$4.4 billion during that month. In December when approximately Cr$11 billion of paper money was issued and in January when, contrary to custom, no currency was withdrawn, the Bank's cash had increased by Cr$4.7 billion. Thus, the Bank's expenditures in February

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removed almost all the previous accumulation placing the Bank's cash holding at approximately the average maintained during 1959. (UNCLASSIFIED)

Comment: As reported in previous WER's the President and the Minister of Finance have pointed with pride to the fact that no paper money has been issued during 1960. The February decline in the Bank of Brazil's cash position was more than twice a similar decline during February 1959 and had the effect of placing an additional Cr$4.4 billion of currency in the hands of commercial banks and the public. (OFFICIAL USE ONLY)

4. Free Exchange Market:

The cruzeiro weakened from Cr$190 to Cr$191 to the dollar (check buying) on March 25. It strengthened to Cr$189 on the two following days but returned to Cr$191 on March 31. (UNCLASSIFIED)

5. GEIA Selects 10 Tractor Projects:

The Executive Group of the Automotive Industry (GEIA) announced that ten projects had been selected to establish an agricultural tractor industry in Brazil in response to bids submitted almost two months ago (WER No. 6). Plans call for the manufacture of 3,000 units, consisting of 70% Brazilian materials by weight, by the end of 1960 and 31,000 units within two years. Three types of wheeled tractors will be manufactured: light, up to 26 h.p.; medium, 26-45 h.p.; heavy, over 45 h.p. and one type of crawler "Caterpillar". The following makes will be manufactured: German 3 (Fendt, Hanomag and Deutz), U.S. 2 (Ford and Case), French 1 (Renault by Willys), English-Canadian-U.S. 1 (Massey-Fergusson), Finnish 1 (Valmet), Czech 1 (Zetor) and Italian 1 (Fiat). (UNCLASSIFIED)

Comment: The selection of such a large number of proposals came as a surprise, for previous indications had been that perhaps four projects would be approved. Week-before-last GEIA was bitterly criticized in the Rio press by the president of the National Association of Machines, Vehicles, Accessories and Parts, who predicted a collapse of the Brazilian food industry because of GEIA's delay in promoting the establishment of a Brazilian tractor industry while refusing to support the extension of the June 30, 1960 deadline for the importation of tractors from abroad. Whether Brazilian tractors can be produced by the end of the year is highly problematical. At the present time the Customs Policy Council is reported to be studying GEIA's bill proposing to exempt from customs duties until December 31, 1961 the importation

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of equipment and parts necessary for the national tractor industry
(OFFICIAL USE ONLY)

6. President Kubitschek on Brazil's Petroleum Policy:

The most recent issue of Petrobrás, the weekly publication of Brazil's state petroleum entity, PETROBRAS, had the following headlines:

President Kubitschek Declares:
FOREIGN CAPITAL WILL NOT
EXPLORE OUR PETROLEUM.

A brief paragraph, in bold type, beside a photograph of President Kubitschek, stated that during the visit of President Eisenhower to Brasília, reporters asked President Kubitschek whether the problem of petroleum was on the agenda for discussion between the two presidents. President Kubitschek was quoted as replying:

> "I shall not talk with President Eisenhower about petroleum. I can say, however, that those rumors to the effect that the Government of Brazil will permit foreign capital to participate in the exploration of our petroleum lack foundation."

(UNCLASSIFIED)

Comment: Rumors had been persistent early in February that the two presidents would discuss petroleum (WER No. 6). PETROBRAS' propaganda office loses few opportunities to strengthen the position of the national petroleum monopoly by frequently publicizing such quotable statements by prominent Brazilians.
(OFFICIAL USE ONLY)

7. Volta Redonda Becomes Stockholder in Three More Companies:

Stockholders of Volta Redonda, Brazil's large Government-controlled steel mill, ratified the decisions of the directors to invest Cr$318 million in three newly-formed Brazilian companies, bringing its total investment in other companies to more than Cr$1 billion, according to press accounts. Investments were reported to be as follows:

1. Cr$60 million in the Companhia Ferro e Aço da Vitoria, a new steel mill being built in Espirito Santo (Despatch 448, October 26, 1959), which gives Volta Redonda 10% of the stock.

2. Cr$256 million over the next five years in Companhia Hidroelétrica do Vale do Paraíba (Salto do Funil), a 100,000 KW

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hydroelectric plant being planned in Rio de Janeiro state for completion in 1964 (Despatch 896, March 15, 1960), which will supply electric power to Volta Redonda.

3. Cr$2 billion in VATU, a subsidiary of the Companhia Vale do Rio Doce, which will produce sponge iron. (UNCLASSIFIED)

Comment: Volta Redonda had a good year in 1959. Besides increasing steel ingot production from 811,000 tons in 1958 to 872,000, its capital was raised from Cr$2.25 billion to Cr$3.6 billion and its net profits amounted to almost Cr$3.7 billion. It is reported to have minority stock holdings in about a dozen Brazilian companies, including SIMCA (automobiles), USIMINAS and COSIPA (steel mills), and CEMIG (electric power). (OFFICIAL USE ONLY)

8. Danish/Brazilian Group to Construct USIMINAS Rolling Mill

From Belo Horizonte came word that representatives of USIMINAS, the new steel mill being built in Minas Gerais, had signed a Cr$431 million contract jointly with a Danish firm, Cristiani-Nielsen, and a Brazilian company, Companhia Construtora Nacional S/A, to construct USIMINAS' rolling mill, which, it was stated, would have an annual rolling capacity of 500,000 tons of steel within two years. (UNCLASSIFIED)

Comment: It was not reported whether the contract was let as a result of public bids or whether USIMINAS extended invitations to bid to firms known to it -- a common practice in Brazil. Construtora Nacional is a large, privately-owned Brazilian firm, which, among other projects, is building the Museum of Modern Art in downtown Rio and jointly with a British firm is doing construction work on the FURNAS dam project (WER No. 11). The Danish construction company has been established in Brazil for more than forty years. (OFFICIAL USE ONLY)

9. Goodrich Inaugurates Tire Factory:

The B.F. Goodrich Company officially opened a tire factory in the São Paulo municipality of Sumaré which is manufacturing at the present time 700 tires daily (all types except for planes); it is anticipated that the daily production will be 1000 by the end of 1960. Goodrich's investment in the factory through its Brazilian subsidiary, Goodrich do Brasil, was reported to be Cr$1.2 billion. (UNCLASSIFIED)



Com Comment: Thus Goodrich joins three other US Firms (Firestone, Goodyear and General Tire) in the manufacture of tires for the rapidly expanding Brazilian automotive market. (UNCLASSIFIED)

10. Floods in the Northeast:

Widespread damage was reported in the Northeast as a result of continued heavy rains during the week. Hardest hit area was in Jaguaribe Valley in Ceará below the large incomplete Orós Dam, part of which had to be blasted to relieve pressure on it (WER 13) in order to prevent its bursting. In emergency action the President released from the Economy Plan appropriations for "works of general interest such as reservoirs, roads, bridges and others" in the flooded zones. The press also reported that special credits were opened for the assistance of victims in the devastated areas. (UNCLASSIFIED)

Comment: In the end the floods in the Northeast may disrupt the Federal budget as much as the droughts did in 1958 when approximately Cr$10 billion more was spent in this region than originally planned. In the meantime the Administration is being severely criticized by opposition newspapers (particularly the Correio da Manha) and factions for having used funds for Brasília that should have been used to complete the Orós Dam (See joint WEEKA No. 14). (OFFICIAL USE ONLY)

11. Floods and Agriculture:

President Kubitschek also told the press the Government's "recuperation and development plan" for the flooded zones of the Northeast (see Item 10) would have the highest priority and be carried out with "devotion and enthusiasm". He said that he had given instructions to the Minister of Agriculture to provide an "abundance of seeds" to farmers for planting after the waters recede. (UNCLASSIFIED)

Comment: The extent of damage to crops cannot yet be estimated. It is believed, however, that there will be almost a total loss to annual crops planted on bottom and low terrace soils. The traditionally dry areas in the so-called "Drought Polygon" of the Northeast were described by a Rio reporter who flew over the region as looking like "a green carpet", vegetation sprouting even on top of the rocks". (OFFICIAL USE ONLY)



12. COFFEE

(1) Exports

Exports through March 29 amounted to 1,099,420 bags. The position of Brazilian exports in the International Coffee Agreement is as follows:

Period	Quarterly Quota	Exports	Balance
Oct/Nov/Dec 1959	4,012,692	4,208,680	+ 195,984
Jan/Feb/Mar 1960	4,307,126	3,586,874*	- 720,252*

(*) As of March 29, 1960 (UNCLASSIFIED)

(2) Problem of Excess Coffee

The press reported a growing interest on the part of several producer groups for IBC to burn the "expurge" coffee accumulated during the past two years, This totalled 10% of the two crops and amounts to more than six million bags. Renato Costa Lima, President of IBC, indicated that his administration had no intention of burning the excess coffee. He was reported as expressing his belief that uses will be developed for this coffee. (UNCLASSIFIED)

13. Tender Issued for 50,000 Tons of Wheat:

The Wheat Consultive Commission published an edital in the March 28th issue of the Diário Oficial indicating that it would accept proposals until April 27, 1960 for total or partial supply of 50,000 metric tons of wheat in bulk from any origin. (Agricultural Despatch 118, March 30, 1960) (UNCLASSIFIED)

14. Railway Employees Receive Wage Increase:

The Central do Brasil Railway granted its employees a wage increase on March 31, reportedly in order to avoid a strike. Employees who earn less than Cr$11,000 per month will receive an increase of Cr$2,500 - with smaller pay rises for higher paid employees. The increases are similar (but not identical) to the ones granted to employees of the Leopoldina Railway in January. (UNCLASSIFIED)

15. Striking Air Crews to Return to Work:

Although the Cruzeiro do Sul flight personnel who had been on strike since March 5 voted on March 25 to return to work



(WER No. 13), the airline management announced that it would not take back all the strikers and that it intended to reduce its operations 25 percent because of the severe losses it had suffered during the dispute. According to the union, the airline proposed to dismiss 100 of the 300 employees on strike. In consequence, the union maintained the strike and sought the intervention of Vice President Goulart and Labor Ministry officials to force the company to abandon its plan for reprisals. Yesterday, March 31, President Kubitschek, according to the press, advised the union leaders in a meeting arranged by Goulart that the flight personnel should go back to work and that he would take steps with Cruzeiro do Sul to prevent punitive action against the strikers. (UNCLASSIFIED)

Comment: The length and bitterness of the strike, the failure to resolve the basic question of the conditions of work for the flight crews and the substantial losses suffered by the company do not augur well for future harmony between the airline management and its employees. (OFFICIAL USE ONLY)

16. Cuban Commercial Office in Rio de Janeiro

The local press this week announced that a three-man Cuban commercial delegation had arrived in Rio de Janeiro to inaugurate "the first Cuban Commercial Center for South America." This trade promotion office was said to be the tenth of its kind established in various parts of the world. The Rio de Janeiro office will be concerned with promoting trade between Cuba and countries of South America, all except Venezuela and Colombia, which will be covered by a similar office in Caracas. The new chief of the office, Sr. Rafil Aparicio Nogales, was quoted in the press as having expressed an interest in selling Cuban "fine quality clothes, canned foods, fiber products and leaf tobacco" and in obtaining Brazilian-made machinery to assist in Cuba's industrialization. (UNCLASSIFIED)

Comment: In view of the historically small trade between Cuba and Brazil and the economic impracticality of substantial commercial exchanges between the two countries, it appears unlikely that any significantly increased volume of trade between Brazil and Cuba might be developed by the commercial office. This would appear to be true, in varying degrees, in the cases of the other countries of South America for which this office is to be responsible. One function of the trade center may possibly be the dissemination in Latin America of propaganda in favor of the revolutionary regime. (OFFICIAL USE ONLY)



17. Austrian Visitors in Brazil:

Vice President of the Austrian Council of Ministers, Bruno Pittermann, accompanied by the Chief of the Political Department of the Austrian Ministry for Foreign Affairs and a number of businessmen of his country, arrived in Rio de Janeiro on March 27. In an interview with the press, Mr. Pittermann was reported to have said that the purpose of his visit was not to conclude a trade agreement between the two countries at this time but that the Austrian delegation was interested in examining the possibilities of such an agreement in the future. "In the meantime", he said, "Austria wishes to contribute to the industrial development of Brazil, offering products of our heavy industry. If possible, we would like to exchange such products for Brazilian coffee, widely consumed in our country". The group, after two days in Rio de Janeiro, planned to visit Volta Redonda, Brasília, Belo Horizonte, São Paulo and Porto Alegre, before departing for Argentina. It will also visit Uruguay and Chile. (UNCLASSIFIED)

18. Services of English Firm for Atomic Power Reactor Studies:

On March 25 the National Nuclear Energy Commission (CNEN) announced that it had signed a contract with the English consulting firm Kennedy and Donkin to provide services in connection with the drawing up of a request for bids for an international competition for the construction of the projected 150 megawatt atomic power reactor to be located at Mambucaba on the coast of the State of Rio de Janeiro near Angra dos Reis. The announcement said that the request for bids would provide for reactors fuelled by both natural and slightly enriched uranium and that the English company would arrange for the collaboration of a US consulting firm which would assist the CNEN in matters affecting "US-type" (enriched) reactors. The CNEN expressed the hope that the request for bids would be ready in August. (UNCLASSIFIED)

For the Ambassador,

LeRoy E. Colby
LeRoy E. Colby
Economic Officer

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs.



Contributors:

RGWalker - Items 1,2,3,4
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GSPierce - Items 16,17
JHCrimmins - Items 15,18

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 355 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 1, 1960 DATE

REF : CERP C - General Interest

APR 1 1960

For Dept. Use Only	ACTION	INFO	DEPT.
	COM-12		REP-1 ARC-8 ICA-11 ARA-4 E-3 TR-3 FRB-3 IMF-4
	REC'D 4-5-60		OTHER CIA-10 USIA-10 OSD-4 Army-4 Navy-3 Air-6 OCB-1 FAA-5 AG-8 CAB-6

SUBJECT: Weekly Economic Review (March 25 - 31, 1960)

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1. US$300,000 Extra Foreign Exchange Sold
2. Agricultural Reform
3. VASP Route to Fortaleza
4. Light Plane Production
5. Production Increases for Basic Food Items Forecast
6. Collective Bargaining Seminar

1. US$300,000 Extra Foreign Exchange Sold

At the first sale of foreign exchange in São Paulo for the importation of merchandise since the issuance of SUMOC regulation 193 an additional sum of US$322,000 was sold, over and above the US$1,785,000 sold at the foreign exchange auction in the usual weekly offering for the general import category. Regulation 193 permits the sale of additional foreign exchange up to three times the sum offered at the auctions at the fixed rate of Cr$225 a dollar. A further result of Regulation 193 in São Paulo was a uniform bid of Cr$225 a dollar for the exchange offered at auction.

2. Agricultural Reform

On March 31 the Governor of São Paulo sent a bill to the State Legislature that envisages more intensive cultivation of land in São Paulo. The bill calls for a revision in the current 1.5% rural land tax. The bill would exempt owners of rural property up to 50 hectares (124 acres) from the land tax, provided they till the land and do not own other property. Other rural property owners would be taxed 2 to 5 percent a year, dependent upon the size of the land held, with a rebate of 40 percent if over four-fifths of the area is cultivated. The State also will facilitate the acquisition of farming land by small farmers. It will do this by selling them State land or other unused land expropriated or purchased by the State. The State government believes that if the bill is passed the number of rural land owners taxed will drop from 350,000 to 100,000, but that the same amount of revenue will be collected from the 100,000 that had previously been received from the 350,000.

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3. VASP Route to Fortaleza

Viação Aerea São Paulo (VASP), a local airline controlled by the São Paulo State government, has announced that it will inaugurate on April 6 a new route between São Paulo and Fortaleza, serving Brazilia and Recife as way points. Initial frequency will be three flights per week, using "Viscount" turboprop aircraft.

4. Light Plane Production

According to local press releases, Sociedade Construtora Aeronáutica Neiva, in Botucatu, State of São Paulo, recently delivered to the Ministry of Aeronautics the first five units of a civilian version of its 56-B light airplane ("Paulistinha"). The 56-B (military version, for observation and liaison) was powered with a 100-HP motor, while the new model 56-C, which is intended for use as a training plane by local air clubs, has a 90-HP motor.

The company now turns out the 56-C at the rate of about one per week, but expects to double its output by the end of 1960. Both versions use an imported motor and instruments.

5. Production Increases for Basic Food Items Forecast

The State Secretariat of Agriculture's first estimates of 1959-60 crop area and production forecasts increased production of corn, beans, rice, soybeans, cotton and oranges. Increases in the neighborhood of 50 percent over last year are predicted for beans, corn and soybeans and substantial but smaller (18.5% and 17.7%) increases are forecast for rice and oranges. The preliminary estimates show minor decreases in production of potatoes, peanuts, castorbeans, bananas and grapes. Coffee production, however, is forecast to be down 26 percent. The sizable drop in coffee production is attributed to abnormal dry weather during the flowering season and a cyclic production trend.

Comment: The considerable increase in production of staple food items--corn, beans and rice--are welcomed after a year (1959) in which basic foods were in short supply and food prices rose astronomically. With the new crops coming on the market, prices of these commodities are now falling.

6. Collective Bargaining Seminar

Graduation ceremonies on April 1 brought to a close a two week seminar on collective bargaining sponsored by the Postal Telegraph and Telephone Workers (PTTI) Inter-American office, and held at the new headquarters of the São Paulo local union of telephone workers. Approximately 25 Brazilian trade union leaders from communications unions participated in the seminar which was directed by Jules Pagano, education director of the Communication Workers of America, AFL-CIO. Members of the Executive Board of the PTTI from the U.S., Argentina, Uruguay, Peru, and Costa Rica, who held a meeting in São Paulo March 21 to March 26, also participated in the seminar as instructors.



Adlai Stevenson, former Democratic Presidential candidate, provided the high point of the seminar when he dropped by for a half hour visit on March 24. Governor Stevenson congratulated the participants for their initiative. He also stated that "one of the things we are fighting for is cultural diversity" and that therefore no society should simply copy or imitate the American example. The Governor noted that students, intellectuals and trade unions are the primary target groups of the Communists. Governor Stevenson's call was given good coverage by the local press and resulted in wide publicity for the seminar.

Other visitors to the seminar included Dr. Roberto Gusmão, Regional Delegate of the Ministry of Labor, Frei Celso, Ecclesiastical Director of the São Paulo State Federation of Catholic Worker Circles, Robert Wilson, Industrial Training Officer, United States Operations Mission to Brazil, Joseph Harmon of the Office of International Labor Affairs, Department of Labor, and a number of São Paulo trade union leaders.

During the two weeks the participating students were offered lectures on contract content, negotiating strategy, use of statistics, basic components of a model contract, wages, hours, and working conditions of communication workers in the Western Hemisphere.

Comment: The Consulate General's labor officer visited the seminar on several occasions and noted real enthusiasm among the students, and heard considerable favorable comment on the seminar from the visiting dignitaries.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General



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APR 6 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. DESP. NO. 30

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE April 5, 1960

REF : CERP- Section C 2.

For Dept. Use Only	ACTION	DEPT.
	COM-2 REC'D 4/13	INFO REP I EAC-8 ARH-4 E-3 ECH-11 FE-2 CIA-11 IAD-2 IN-3 FAR-3 XMR-4 AG-8 OSD-4 CA-4 USIA-10 FAA-5 CAB-6

SUBJECT: Economic Summary for March, 1960. IN-9 LAB-4 Army-4 Navy-3

General Economic Developments: The month of March showed a continued general tightening of the money market. The tobacco crop is now almost completely in the hands of the exporters and large loans are out for this product, which, however, has not as yet started to move in quantity. According to Dr. Ignacio Tosta Filho, Director of GACEX, the entire 1959-60 cocoa crop has been sold. The recent heavy rains and floods in the interior of the State of Bahia are beginning to have their effect on collections and thereby on the liquidity of local banks and firms. The full impact of this situation is still to be felt in the State's economy.

During the first two weeks of March several sections of the State of Bahia, including such important interior cities as São Feliz and Cachoeira on the Paraguaçu River, and Joazeiro on the São Francisco River, experienced heavy unseasonal rainfall. The effect has been a complete disruption of the economy of the interior and a considerable slow-down in the commercial life of Salvador. Floods caused heavy damage to interior cities as well as to key bridges and main highways, such as the Salvador-Rio de Janeiro highway, which became impassable. Railway traffic was also interrupted. Many people were killed and the number without adequate food and shelter runs into the upper thousands. Emergency funds have been voted by both the Federal (Cr$200 million) and the State (Cr$50 million) governments. The local newspaper A TARDE opened a public subscription and has thus far collected several million cruzeiros for flood relief.

The extent of damage to the crops is not yet known. Communication facilities are being restored by the Federal and State governments. However, the impact of the floods on the State and local economy will doubtlessly be felt for many months to come.

Dr. Tarcilo Vieira de Melo, Secretary of Transportation and Public Works of the State of Bahia has made an inspection trip through the flood areas and according to his estimates some 5,000 houses have been destroyed and total losses amount to more than 400,000,00 cruzeiros.

To avoid bankerupcy of firms in the affected areas, the President of the Federação do Comercio da Bahia (President of the Trade Federation of Bahia) Sr. Deraldo Mota, has made an appeal to the President of Brazil, requesting that the

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Bank of Brazil give relief to the merchants, farmers and manufacturers located in the zones affected by the floods and who have suffered losses in their stocks and installations. He suggests that those who have trade bills which are due within 120 days be allowed to extend payment up to 12 months. Similar requests were made to the Minister of Finance and to the President of the Bank of Brazil.

The Secretary of Finance of Bahia recently held a meeting with 17 local bank managers to discuss the matter of assistance to merchants and farmers in the flood areas.

Investments:

Sale of the first shares of Invicta Investimentos, Industria e Comercio Ltda. for the construction of one of the largest tourist hotels in South America, "the Hotel Stella Maris", to be located at Itapoan, a suburb of Salvador, took place on March 21st. The hotel as planned will occupy an area of 100,000 square meters, 15 kilometers from the city of Salvador. It will be situated just off the beach and will have 210 apartments. It is reported that the enterprise will cost in the vicinity of Cr$500,000,000 cruzeiros and should be completed within four years.

The hotel will be situated approximately half way between the city and the airport and is expected to attract visitors from all over the Hemisphere with most of them arriving by air. It will have it's own transportation system to and from the airport and the city and, among other things, will have a theater; barber shop; grillroom; library; tea saloon; beauty parlor; business shops; medical office; photographic laboratory; banking agencies; post office; playground; swimming pools; gasoline station; sports field; aquarium and night-club.

If this enterprise is carried through to it's completion it is expected that it will have a considerable impact on the economy of Salvador. Bahia could be a first-rate tourist center if properly presented. The construction of a hotel such as contemplated by the Invicta Investimentos, Industria e Comercio Ltda., might be the foundation for a new and "enlightened" Bahia.

Agricultural Development and Policy:

Commodity Review - Cocoa Beans. According to Dr. Ignacio Tosta Filho, Director of GACEX, the total Bahia 1959-60 cocoa crop reached 2,769,336 bags of 60 kilograms each and all has been sold. This total does not include approximately 160,000 bags which is the unofficial estimated total of illegal shipments.

Because communication facilities have been disrupted by the recent floods, no reliable estimates have as yet been received from the cocoa plantations in the Interior concerning damage to the crops. However, the prevailing opinion appears to be that it was probably minor.

The general feeling in the trade concerning the Bahian cocoa situation is



not one of optimism. Even if the entire Bahia 1959-60 cocoa crop has been sold, as Dr. Tosta Filho claims, the consensus of opinion among cocoa experts abroad is that there will be a substantial world surplus in 1960 and much of this surplus may show up in Bahia's coming mid-crop. This crop should start coming to market in May, and as yet Dr. Tosta Filho has made no announcement of the governments intentions in regard to it's disposition.

The local press reports that African cocoa growers (Ghana) are expected in Ilheus in the near future to discuss matters relating to cocoa trading. The meeting apparently will be held under the auspices of the Brazilian Federal Government.

Castorseed. The castorseed market remains in a paralyzed state. The rain does not appear to have damaged the castorseed crop as yet, although the harvest has been delayed. Since castorseed is generally planted on high ground, away from the rivers, the floods have done no damage to speak of. Usually by this time the mid-crop would be in full swing. The delay in harvesting this year has forced the local oil processors to shut down in many cases. Local crushers are finding it difficult to obtain supplies to keep their factories in operation. Under these circumstances there is little possibility of the renewal of exports of castorseed for the time being. Heavy rain in the interior disrupted transport but the crop prospects continue to be good. The price recently being offered the growers is Cr$18,00 per kilogram.

Tobacco Leaf. It is reported that most of this year's tobacco crop had already been harvested when the severe rains of the past weeks began. What was lost in the fields (perhaps 1 1/2 to 2 percent of the total crop) was of poor quality. Almost all of the tobacco is now out of the hands of the growers and in the process of fermentation in the exporter's warehouses. Although a few cases have been reported from the interior of warehoused tobacco being ruined by the floods, this sort of damage does not appear to be widespread. Export prices for this crop are just about the same as those prevailing for the last crop.

Japanese Farmers. 106 additional Japanese farmers arrived on the Japanese ship "Brasil Maru" on March 9, 1960. As were the preceeding groups, they are destined to the agricultural experimental station "Nucleo Colonial Presidente Juscelino Kubitscheck", in Mata de São João, Bahia. This colony is growing rapidly and it is expected that their presence in Bahia will soon be felt when their produce appears on the market. Their particular type of farming is badly needed in this area and should greatly relieve the shortage of vegetables and also increase their quality. (See Economic Summaries for April, July and November 1959 and February 1960).

Nineteenth Animal Exposition Held at the Parque de Ondina. The Nineteenth Animal Exposition was inaugurated in Salvador on March 27, 1960 and will continue through April 3. The exposition is under the auspices of the Bahia State Government. Heavy rains during this period have marred the Exposition somewhat. One of the champion cows selected was the INDUBRASIL, which is raised primarily for the purpose of consumption, and is a cross between an East Indian



Brahma Zebu and a Brazilian breed. This cow is particularly good in this area since it can thrive in a relatively dry climate.

Minerals:

1. The President of PETROBRAS, Col. Idalio Sardenberg, recently visited Salvador for the purposes of attending the bestowal of college degrees to the second group graduating from the drilling and production course which PETROBRAS conducts through the University of Bahia.

2. The local press reports that PETROBRAS will propose that the National Petroleum Council transfer 653,890 PETROBRAS shares to the State of Bahia. This would assure the State an increase in PETROBRAS shares in the amount of 130,778,000 cruzeiros and would also increase the dividend quotas which the State of Bahia receives annually. It is reported that in 1958 the State of Bahia had 1,480,038 shares in PETROBRAS valued at 296,006,600 cruzeiros. There are strong hopes that the National Petroleum Council will approve the above proposal, which will advance the State of Bahia's interest in PETROBRAS to 2,133,923 shares with a total value of 426,784,600 cruzeiros. In addition, the PETROBRAS capital has now been increased from 16 billion to 26 billion cruzeiros.

Transportation and Communication:

1. With the approval of the Minister of Transportation and Public Works, beginning April 1, 1960, the tariffs of the Viação Ferrea Federal Leste Brasileiro railway will be increased by 33%. However, the following products will not be affected by the new tariffs: sugar; rice; lard; potatoes; meat; jerked beef; wheat flour; manioc flour; beans; corn; edible oils and live cattle. The purpose of this increase in the tariffs is to meet the payment of a temporary bonus paid to over 1500 workers who went on strike February 19, 1960 (See Economic Summary for February 1960 - heading LABOR).

2. Recent floods interrupted the traffic of the Viação Ferrea Federal Leste Brasileiro railway temporarily. However, the company reports that the lines have already been repaired and that traffic is now normal.

3. However, the Estrada de Ferro de Nazare, another railway company in the State of Bahia, suffered flood damages in the amount of Cr$50,000,000 and will have considerable difficulty surmounting the expense of repairs.

4. Several officers of the Brazilian Air Force (FAB) visited Salvador Brigadier recently for the purpose of inspecting the Ipitanga (Salvador) airfield. Major Reinaldo de Carvalho, Chief of General Staff of the Brazilian Aeronautic Ministry, reported to the press that in addition to the work which is presently being done to Ipitanga airfield, the Aeronautic Ministry will expend over 600,000,000 cruzeiros on the field. For some time the field has been operating with only one runway which is predominantly cross-wind. Because of this, several types of planes have been grounded on certain days (C-46s and 47s and others) when the



wind is particularly high. This has resulted in many complaints from the airline operators who use this type of aircraft for cargo and short flights. Convairs and Constellations, as well as the Vicount have not been restricted. Recent minor accidents at the airfield because of holes in runway etc, have also roused the attention of the Salvador public through newspaper articles and it is assumed that the inspection by the Air Ministry was brought on by an accumulation of these complaints together with those of the airline operators.

Labor:

Workers of the steamship company, Comissão do Vale do São Francisco, have gone on strike due to nonpayment of increase in their salary rates which has been approved. Appeals have been made to the Secretary of Transportation and Public Works of Bahia and other authorities for payment of the increase.

Industry:

1. Press notices appearing in the local newspapers recently report that both the Krupp interests of Germany and also Swiss banking interests are considering making substantial investments in the State of Bahia. It has been stated that a group of Brazilian investors who will join the former group are prepared to invest one billion cruzeiros. The Swiss group is particularly interested in one aspect of a federal law (Article 35 of Law 2973 of November 26, 1956) which exempts from income and consumption taxes until 1966, any firm that establishes itself in the North or Northeast of Brazil for one of the following reasons: Manufacturing of fertilizers or cellulose; processing of ores; extraction of babassu oil; citicica oil; carnauba wax; or the processing and weaving of caroa, sisal or other native fibers.

2. According to the newspaper A TARDE, the Companhia de Carbonos Colodais, a factory for manufacturing carbon black, will be built near Mataripe. This factory will reportedly be in operation in 1961. The Company intends to begin with a production of 15,000 tons of carbon black annually, which is said to be sufficient to cover the national deficit for 1961, estimated at 14,900 tons. Two hundred million cruzeiros will be invested by Brazilian capitalists, who are not named, and an additional two hundred and fifty million cruzeiros will be financed abroad for supplying the equipment. The Banco Nacional de Desenvolvimento will also loan one hundred million cruzeiros to the venture.

The Companhia de Carbonos Colodais has made an agreement with the Phillips Petroleum Company (which, according to Marconi's International Register, has it's head office at 80 Broadway, New York 5, New York). It is not officially known whether or not the Phillips firm mentioned above is owned or affiliated with Phillips of England. Through agreement with the Phillips Petroleum Company, it is reported that the Brazilian company has been granted the rights for manufacturing carbon black by an improved method called "furnace". It is stated that Phillips will receive a certain amount in cruzeiros for giving technical assistance and a royalty for conceding the patent. The proposed establishment of this plant is one of the indications of the Brazilian Petroleum



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industries interest in capitalizing on some of the by-products of their refinery at Mataripe.

The foregoing newspaper report is somewhat at odds with information received from local sources who state that the carbon black company which Phillips plans to assist, will be located at Cubatão in the State of São Paulo where it will be readily accessible to the rubber factories. The Consulate will watch for further reports along this line.

Trade with Soviet Bloc Countries:

Exports to Soviet Bloc Countries during the month of March were as follows, in metric tons: To Poland, 2734 tons of cocoa beans, 450 tons of sisal fiber and 5,000 tons of manganese ore. The last product named is intended for Czechoslovakia.

Finance:

According to the State Internal Revenue Department, 347,144,102 cruzeiros were collected during the first three months of 1960, which constitutes an increase of 67,915,211 cruzeiros over the same period in 1959.

General Interest - Tourism

It has been reported by airline agencies in Salvador that the new IATA agreement, which becomes effective on April 1, 1960, may have a favorable effect on the "Visit USA-1960" program. One of the better features of the agreement is a 30% reduction of the fare between Rio and the USA, either tourist or 1st class, provided the trip is completed within 45 days. Until now, between the high cost of travel and the unfavorable rate of the dollar exchange, the idea of touring the United States has been prohibitive. The foregoing, at least, is a step in the right direction and may encourage a few tourists to go "north".

James M. Flanagan

James M. Flanagan
American Consul

Copy to Embassy, Rio de Janeiro.

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 970 DESP. NO. — XR 832.10

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 6, 1960 — 732.11

REF : CERP, Section D, II, A-2, IV, A-5, V, A-3, 4, 6, April 3, 1957
Embassy Despatch 1142, April 3, 1959 — Enclosures

For Dept. Use Only	ACTION	DEPT.
	REC'D 4/4	INFO OTHER CIAI0 SOM-2 FA-3 FAO-3 XMR-4 AG-4

SUBJECT: Economic Highlights of President Kubitschek's 1960 Message to Congress. OSD-4 army-4 Navy-3 INT 4AR-2 FAR-2 USIA-2

The President's message to Congress at its opening in March 1960 was considerably shorter than that of 1959 (184 pages as opposed to 250) but gave approximately the same relative prominence to the consideration of the economic aspects of the previous year. These were covered in a chapter entitled "Economic Development", which was introduced by a general statement referring to the first four years of the present Administration. This statement which is translated in enclosure 1 is essentially a rather sober reiteration of the President's thesis that the Government's development program is a response to the desires of the Brazilian people and the necessity to preserve democracy which is meeting the requirements of the situation. The statement expressly admits that investments require savings, implies that the government has forced such savings by the Brazilian people and recognizes that foreign capital has assisted the development process. However, it is quickly noted that the savings were obtained without asking unreasonable sacrifices and that international financial agencies (i.e. the International Monetary Fund and possibly the Eximbank) have not given Brazil the support it deserves. The statement is very silent on plans and prospects for 1960 saying only that the end of the Administration will find Brazil placed on a firm and growing basis.

In the sections following this general introduction the President places most of his emphasis on statements and figures with respect to the Program of Goals and related areas of production. The sections describing credit, government finances and the general economy are summarized in enclosure 2. Among the data given there the following are of particular interest:

1 - The increase in real income in 1959 is estimated at 5%;

2 - Gross investment in 1959 is estimated at 14.4% of gross internal product and investments in the Program of Goals during 1960 are placed at Cr$80.5 billion;

3 - For the first ten months of 1959 foreign capital contributed $345 million of which $328 million was applied to the Program of Goals;

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4 - The Federal cash deficit in 1959 is stated to have been Cr$32 billion. This figure is questionable since it is considerably less than the "over Cr$39 billion" cited by the Finance Minister in late December and the estimate of Cr$41 billion made by SUMOC in January;

5 - The potential deficit for 1960 is estimated at over Cr$35 billion;

6 - The balance of payments deficit for 1959 in all currencies is set at approximately $176 million;

7 - The Federal Government paid only Cr$5 billion of the Cr$23 billion due as its contribution to the social security institutes. Employers failed to pay Cr$6 billion of their contribution and now owe approximately Cr$15 billion.

As in previous years, the data given in the President's message is presented in summary form insufficient for definitive analysis. In the specific sections summarized in enclosure 2 most of the failures or danger points are stated without discussion except at times to assert that most difficulties have actually been minimized by the Government's policies.

Copies of the full message will be forwarded to the Department when available. Apparently the transfer to Brasilia of some of the activities of the Departamento da Imprensa Nacional has hampered the publication of this report. This has also delayed the "Balanços Gerais da União", summarizing the budget performance in 1959.

For the Ambassador:

R. G. Walker
Finance Officer

Coordinated:
Herbert K. May
Treasury Attaché

William C. Fowler

Enclosures:
1 - President's statement on general aspects of economic policy
2 - Summary of financial sections of President Kubitschek's Message to Congress, March 1960
3 - Summary of Federal Budget Performance.

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TRANSLATION

Source: Message to Congress, 1960, pp. 49-51

President's Statement on General Aspects of Economic Policy

"The desire for development has acquired among us the force of a necessity for survival, conscious as the Brazilian people are that their very democratic freedoms could not survive in the middle of economic stagnation which, given the conditions peculiar to the country, would mean retrogration and would aggravate poverty.

"Heeding the collective desire for a better life this Government put in execution a development plan on a truly national scale with the purpose of arousing latent energies and establishing the foundations of a powerful nation capable of providing its children with proper conditions for existence. It was necessary, above all, to take over, distribute and apply rationally available resources whether of the states or of private or, the latter by indirect means, in a joint effort which would create the most rapid increase in real income per capita.

"The structural imbalance still characteristic of our economic system - insufficiency of transportation and power, inadequate supply of subsistence goods, shortage of technicians and specialized labor - has constituted a serious obstacle to permitting us to take maximum advantage of the existing factors of production to remove those bottlenecks in an effort which would demand massive long-term investments with a small immediate return.

"This advance through countless obstacles to accelerate our progress pulling us from the state of an under-developed people has required large sacrifices. Investment, the dynamic factor of any economy, depends on the formation of savings and these whether voluntary or not, constitute in turn an active temporary renunciation of certain consumption expenditures. However, the Government has sought to achieve the necessary investments which would cumulatively raise real product above the population increase without submitting the people to requirements beyond their possibilities.

"Such was achieved in these four years of persevering and tireless struggle. The rate of our production is increasing more than the population without the rate of investment, approximately 15% of gross product, imposing serious restraints on consumption. This result is the more encouraging if it is considered that the Government in the struggle for economic expansion, in the face of inflationary pressures inherent in any program of basic investment had to



confront adverse contingencies arising from old internal causes or caused by the foreign situation both generating inflationary areas difficult to eliminate.

"A typical example of one of these difficulties of long standing which has continued to be reflected in our economy is the large amount of public expenses necessary for the purchase and storage of coffee due to the necessary policy of satisfactory remuneration for the producer and of increasing exports. There is added to this also as a factor of the general rise in costs the sharp rises in rates of exchange arising from difficulties in the balance of payments. This circumstance affects us especially greatly because of the dependency in which we find ourselves for capital goods and related products coming from abroad which directly or indirectly form part of the price of all our productive activity.

"Foreign savings in the form of direct investments and loans have joined to slow the march of the inflationary process to a certain point compensating for the drop in exchange receipts arising from the deterioration in our terms of trade.

"We did not, however, obtain from international financial agencies the cooperation for which we could hope because of our importance in the contemporary world and which would have greatly eased the internal effort for monetary stabilization in addition to contributing to accelerate our economic development.

"But we can now state that even so Brazil is gallantly conquering obstacles and reaching rapidly a higher stage of progress at the same time as the capital goods industry increases in a decisive step to increase the independence of our economic growth.

"Governmental action has been taken in basic accomplishments in accordance with carefully established criteria. A safe path has been charted which is being followed firmly and often more rapidly than originally foreseen.

"At the end of the present government, thanks to the construction of the infra-structure by the Program of Goals effectively incorporated into the nation, Brazil will have the indispensable means of growing on firm and harmonious bases.

"The chapters referring to the activities in various areas show progress already attained as well as the prospects open for the blossoming of new efforts."

***



Summary of Financial Sections of President Kubitschek's Message to Congress, March 1960

1 - National Product and Income

Gross domestic real product according to preliminary estimates increased approximately 5%, nearly the same rate as in 1958. The amount represented by the storage of coffee production is deducted, the increase in goods and services per capita was just over 2%. Most of the increase was attributable to agricultural production.

Internal income at factor cost increased 42% over 1958. This reflected the price increases of the year and the real increase was probably just over 5%. Preliminary figures indicate that total wages and salaries rose 44% while income from property (profit, interest and rent) rose 41%. During the year the cost of living rose at a higher rate than in 1958 but in a somewhat similar pattern in that the largest increases were in the first months of the year and then again in the period August to November. The greatest increases in the monthly averages, more than 30% over 1958, occurred in the southern states.

Many non-monetary factors contributed to inflation among them "the reduction or insufficient increase in the production of certain essential food products, the drop in the volume of imports resulting from foreign exchange shortage, the substantial increase in the cost of exchange rate, salary increases". The public deficit and official purchases of coffee were also factors in the monetary expansion. These increases are disturbing to the Federal Government which "will use all means to reduce increases to the minimum possible during the present year".

2 - Investments

Gross investment was 14.4% of gross internal product, 0.4% less than the year before while the gross formation of fixed capital is estimated at 12.4% in 1959, approximately the same as in 1958.

Investments in the Program of Goals during the year totalled Cr$80.5 billion, of which Cr$67.6 billion was contributed by governmental agencies. The 1959 investment for these purposes brought the total for the four years of the Administration to Cr$184 billion. The areas in which these investments were made are shown in the following chart:

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Program of Goals
Billions of Cruzeiros

	1956	1957	1958	1959	1956/59
Energy	0.3	13.8	19.2	25.0	58.3
Transportation	10.8	15.7	18.7	34.1	79.3
Food	3.2	3.9	4.5	9.0	20.6
Basic Industry	2.7	3.8	5.8	9.5	21.8
Education for development	-.-	-.-	1.2	2.9	4.1
	17.0	37.2	49.4	80.5	184.1

Since almost one third of the funds for the Program of Goals had to come from abroad, it was decided to create "propicious conditions for the increase of the entry of foreign capital, public or private", taking care that new credits should be compatible with the prospects of Brazil's balance of payments. The amount of foreign capital entering during the last four years is shown in the following table:

Foreign Capital
(Value of foreign equipment authorized to enter the country by means of Direct Investments and Financing of Specific Projects)

Equivalent to US$1,000

Fields of application, in accordance with the Program of Goals	1955	1956	1957	1958	1959 Oct. 31
GRAND TOTAL (A + B)	113,514	309,140	368,689	479,491	345,301
A. Total of Goals (I to IV)	93,313	253,738	277,885	451,034	328,025
I. Energy	42,910	25,430	67,883	135,095	117,427
II. Transportation	31,442	82,556	131,418	189,199	17,498
III. Food	1,426	7,736	10,609	5,526	1,273
IV. Basic Industry	17,535	138,016	67,975	121,214	191,827
B. Other Investments and financing other than the Goals	18,201	55,402	90,804	28,457	17,276

Starting in 1957 financing relating to the importation of spare parts for the automobile industry (Goal 27) and implements for the mechanization of agriculture (Goal 17) have not been computed.



3 - Money and Credit

The ceilings originally fixed for the expansion of the means of payment and of bank credit were revised in the face of the general cost increases with the objective of maintaining the role of money and credit in economic activities without causing it to become an independent source of inflation or deflation. Thus, total official assistance to banks through rediscounts and other transactions was reduced in 1959 and deposits to SUMOC were increased. The Bank of Brazil increased credit to agriculture much more than to commerce.

In general, money and credit increased less than prices. The means of payment increased 43.6% or Cr$154 billion. This increase was much higher than in the last three years and resulted both from the rise in money in circulation and an increase in the multiplying effect of the banking system because the public increasingly preferred sight deposits to the holding of paper money. Thus, in 1959 with an increase of Cr$26.1 billion in paper money in the hands of the public there was an increase of Cr$127.9 billion in demand deposits whereas in 1958 an increase of Cr$18.5 billion in paper money was accompanied by a rise of only Cr$43.7 billion in demand deposits. It should be noted that the expansion would have been greater had the banks not held a higher ratio of cash to deposits - 22.6% in 1959 as compared to 21.1% in 1958. On the other hand, the index of velocity of circulation of money tended to rise in 1959.

The issuance of paper money is attributed to loans by the Bank of Brazil to the Treasury and other public agencies(Cr$33.9 billion), the financing of official operations related to international transactions, including the purchase of coffee (Cr$28.9 billion) and finally the increase in Bank of Brazil loans to the public (Cr$18.4 billion).

Total loans of the banking system increased Cr$136.8 billion during the year of which 32.5% went to the public sector, slightly higher than its share in 1958 but substantially lower than during 1956 and 1957. Of the increase in loans to the public 39.2% went to industry, 34.6% to commerce and 19.3% to agriculture. A comparison of the division of the increase in loans to the public of the last three years is as follows:

	1957	1958	1959
	(Percentage)		
Industry	38.3	44.1	39.2
Commerce	32.8	30.7	34.6
Agriculture	21.6	17.2	19.3

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The Bank of Brazil contributed to 20% of the expansion of loans to the public and over half of its contribution was for loans to agriculture. Cr$12.9 billion of this increase was contributed by the Agricultural and Industrial Credit Department and Cr$5.5 billion by the General Credit Department. Loans by all other banks increased Cr$84.3 billion, a rate of 40.1% in comparison with an average increase in the three previous years of approximately 23%. Of this increase mixed-economy institutions accounted for Cr$22.9 billion, a 51.9% increase in loans by organizations of this type.

During the year the monetary authorities received resources from commercial banks totalling Cr$28.1 billion. This arose from a reduction in loans to commercial banks of Cr$3 billion and an increase in their deposits with SUMOC and the Bank of Brazil of Cr$25.1 billion. The reasons for this flow were the liquidation of debts with the Carteira de Redescontos which had been unusually high the year before and the fact that banks gained resources from the large amounts of currency put in circulation through non-banking institutions.

4 - Federal Budget

The budget proposal for 1959 in which receipts and expenses were almost balanced at Cr$138 billion was modified by the Stabilization Program of November 1958 to allow for an increase in both income and expenses and a deficit of Cr$8.5 billion. The legislature increased the authorized expenses but without taking account of such expenses as the increase in salaries. In addition, Cr$6.9 billion in supplementary credits were authorized during the year and Cr$15.8 billion was spent by the Executive without Congressional consent (Despesas sem Credito). The latter were principally used to cover deficits of government-run enterprises. The items noted above plus Cr$2.8 billion in credits approved but not used in previous years made a potential deficit of over Cr$67 billion. To meet this a Cr$35 billion Economy Plan and special rules for the control of expenses were adopted, which ultimately saved Cr$21.3 billion, Cr$13.2 billion having been released for necessary expenses. In addition, the income, consumption and stamp taxes were amended to provide additional revenues.

The revenue obtained during 1959 was Cr$157.8 billion, 34% more than the amount collected in 1958. The major tax sources and their proceeds in 1958 and 1959 were as follows:

	1958	1959
	(Billions of Cruzeiros)	
Consumption tax	39.5	53.8
Income tax	31.9	46.4
Stamp tax	12.1	17.9
Import taxes	16.3	19.1



Expenses effectively paid during the year totalled Cr$189.8 billion of which Cr$138.0 billion represented expenses provided in budgetary and supplementary authorizations and Cr$51.8 billion arose from other expenses. These gave a cash deficit of Cr$32.0 billion. This deficit includes Cr$29.8 billion of expenses paid but not registered. It should be noted that there were an additional Cr$24.2 billion of expenses registered but not yet paid. A breakdown of these are given in enclosure 3.

Particular expenses worthy of note are those of Cr$17 billion for the 30% wage increase (Cr$11.4 billion due Civil Servants and Cr$5.6 billion to employees of autarchies and mixed-economy companies). The total spent for subsidies and grants to autarchies and state enterprises was Cr$23.5 billion.

In the budget for 1960 the Administration's proposal estimated a surplus of Cr$2.5 billion. Both expenses and estimates of income were increased by the Congress although it alloted insufficient appropriations for the payment of inactive and retired personnel. Taking into account these points the credits transferred from 1959 and the extra-budgetary expenses to be made in 1960, the possible deficit is now estimated at over Cr$35 billion. To meet this the Administration adopted an Economy Plan with potential savings of Cr$30 billion.

5 - Federal Debt

During the year the Federal floating debt increased by Cr$1.9 billion despite the reduction of the debt of the Treasury to the Bank of Brazil by its assuming responsibility for paper money. The floating debt at the end of the year in comparison with that of 1958 was as follows:

	1958	1959
	(Billions of Cruzeiros)	
Funds and items to be paid	40.5	57.5
Banks and correspondents	64.6	47.5
Treasury Letters	9.6	18.4
Others	10.1	13.2
T o t a l	124.8	126.6

The internal consolidated debt showed an increase of Cr$1.4 billion represented principally by the issuance of economic reequipment obligations. The total of this debt at the end of the year was Cr$12.4 billion.

With respect to the foreign consolidated debt, payments of interest and principal were made regularly and totalled £ 3.9 million

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and US$11.8 million. The outstanding balance in pounds and dollars at the end of the year was £ 13,013,895 and US$56,389,105.

6 - Policy on Foreign Capital

As noted, approximately $510 million in foreign capital entered the country in 1959. $360 million were remitted to cover amortization of loans, not counting payments of dividends and interest. This not only gave a favorable balance of $150 million supporting the country's ability to import but is an expression of the confidence in Brazil of foreign investors arising particularly "from the political stability, economic potential, rapid development, an accelerated expansion of the internal market".

7 - Balance of Payments

The final balance of payments deficit was approximately $176 million, a substantial reduction from the original estimate. The major elements of the balance of payments were the following:

	US$ Million
Receipts	
Exports FOB	1,284
Capital	510
	1,794
Expenses	
Imports FOB	1,228
Net services for imports, capital and amortizations	745
	1,973

8 - Social Security

The contributions owed to retirement and pension institutes (IAPC, IAPB, IAPI, IAPM, IAPETC, IPASE) and to the Bank for Pensions and Retirement of Railroad workers and public service (CAPFESP) totalled Cr$70 billion, a 60% increase over 1958. Actual collections were Cr$46 billion since private employers failed to pay approximately Cr$6 billion and the Federal Government failed to pay approximately Cr$18 billion. Total expenses for retirement, pensions, sick pay, maternity assistance and others amounted to Cr$34 billion.

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Source: President's Message to Congress, 1950, p.65.

Summary of Federal Budget Performance
Cr$ Billion

Receipts actually collected			157.8
Expenses actually paid:			
Budgetary and extra-budgetary expenses		138.0	
Other Expenses:			
Payment of "Restos a Pagar"	8.6		
Payment to Special Funds established in previous years	2.8		
Payments without Congressional approval (art. 48)	15.8		
Additional credits, including bonuses	22.0		
Loans to State and Municipal governments	0.1		
Payments to the account "deposits of Public Entities" made in previous years	2.5	51.8	189.8
Total cash deficit			32.0
Plus: Registered but unpaid expenses:			
Expenses entered during the year as "Restos a Pagar"		15.3	
Special Funds established in previous years, but not paid		3.3	
Settlement of expenses paid in previous years		0.4	
Deposits of Public Entities not utilized		3.1	
Other expenses		2.1	24.2
Less: Expenses paid but not registered:			
Payment of "Restos a Pagar"		8.6	
Payment to Special Funds established in previous years		2.8	
Expenses without Congressional approval (art. 48)		15.8	
Loans to State & Municipal Govts.		0.1	
Payments to Deposits of Public Entities made in the previous year		2.5	29.8
Registered Deficit			26.4

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April 7, 1960
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SUBJECT: São Paulo Quarterly Review - First Quarter 1960 ARMY-8 NAVY-3

SUMMARY

Business was seasonally slow. Power supply increased by 190,000 KW at the end of March. Passenger car production rose. State salaries were increased. The city government proposed a bond issue at 60 percent of par. Polish and French trade missions visited São Paulo, but closed no business. Coffee traders obtained an injunction against preferential shipments of cooperatives. Good harvests were predicted and prices of staple foods receded from astronomical highs. Exports of 60,000 tons of cotton were authorized. Orange production was up but export prospects were poor. Cottonseed oil and tallow imports were under consideration. The state government drafted a bill for agricultural reform, which was considered a rational conservative approach. Highway construction was active. Improvements in telephone service and building a subway in São Paulo city were discussed, but made no headway. Some 25 wage agreements providing an increase of around 37 percent were negotiated. Railroad strikes of short duration took place in March. A seminar on collective bargaining took place with the participation of American and some other foreign labor leaders.

BUSINESS ACTIVITY

Business during the first quarter of 1960 was seasonally slow, due to stock taking and collective holidays given labor by various factories in January, and to carnival festivities at the end of February and early March. Inflation showed no sign of being stemmed and prices continued to rise. By the end of the quarter, however, no action had been taken by the price control authorities on the petition of laboratories to increase prices. In the meantime some pharmaceuticals were difficult to find at retail, and several manufacturers obtained court injunctions and increased prices without the acquiescence of the price control authorities.

Power consumption in metropolitan São Paulo and the area served by the São Paulo Light S.A. continued at approximately the maximum available supply. There was no increase in the supply until the end of the quarter, when an

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additional unit of 65,000 KW went into operation at the Cubatão hydroelectric plant and another generator started producing an additional 125,000 KW at the Piratininga thermoelectric plant.

Automotive production dropped in January because some of the factories shut down part of the time to give collective holidays to their personnel. In February and March it picked up again to the level of late 1959 production, except for passenger cars which were produced in greater number. Passenger car production in February was slightly over 2,000, which is about one-third more than produced during the best previous month. A few Aero-Willys passenger cars were produced in March, and some 10 prototypes of Alfa Romeo six-passenger sedans were assembled by the Fabrica Nacional de Motores in Rio de Janeiro. The Aero-Willys was officially placed on the market on March 25, and unveiling of the Alfa Romeo was scheduled for April. Volkswagen closed a contract with its affiliated organization in the United States to export to them 300 of their KOMBI utility vehicles, in a deal to generate foreign exchange for importation into Brazil of automotive parts not yet made here.

The Companhia Industrial de Rochas Betuminosas (CIRB) hired three Russian technicians to help it develop production of gas from oil shale at Pindamonhagaba in the State of São Paulo. CIRB is simultaneously trying to develop an outlet to nearby cities for the gas it intends to produce.

MEETING OF INDUSTRIAL FEDERATIONS AT GOIANIA

In January the Fourth Plenary Meeting of Brazilian Industrial Federations was held at Goiania, State of Goias. These meetings are held periodically at different state capitals and serve as a sounding board to bring the views of industry on current topics to the attention of government authorities. The following were some of the suggestions made at Goiania: Revision of foreign exchange system to provide for a single exchange rate; auctioning import licenses for imports instead of foreign exchange auctions; simplification and expansion of transportation facilities; encouragement of foreign investment, except in sectors of national security; and nationalization of banks as a means of strengthening the banking system. A free trade zone within certain limits was approved, but a Latin American Common Market was considered premature.

FINANCE

Salaries of state employees were increased by 20 percent on January 1 and an additional 10 percent is to be given them on July 1. The 1960 budget provided for a reserve of Cr$6 billion§ to cover the then proposed wage increase. Now an additional Cr$4.5 billion will be required to meet the full cost estimated at Cr$10.5 billion. The additional funds are expected to be obtained from economies in other allocations and a closer supervision of collections.

§ The free market rate is currently around 190 cruzeiros a dollar.

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The São Paulo Government Plan of Action moved ahead and several additional credits were opened to meet expenditures under the Plan. Electric power investment expenditures in the total amount of Cr$1.9 billion were authorized in the first quarter of the year. The regulations covering the special "Funds" in the Plan (agricultural assistance, expansion of basic industry, and financing production goods) were not issued by the end of the quarter.

The Mayor of São Paulo requested authorization from the Municipal Chamber to float just under Cr$1.2 billion of bonds, to cover a readjustment of wages of municipal employees effective April 1. The bonds are to be disposed of at not less than 60 percent of par.

FOREIGN TRADE

Polish and French trade missions visited São Paulo during March and held meetings with São Paulo commercial and industrial associations. The missions discussed trade prospects, but closed no business.

In January a shipment of 6,200 metric tons of potassium chloride and 1,960 tons of ammonium sulphate arrived from East Germany. This was part of an order of US$3.7 million worth of fertilizers for the Brazilian Coffee Institute.

The coffee trade expressed dissatisfaction with the provision that exempted shipments of coffee for export by farm cooperatives from the port stock limitations at Santos. Towards the end of the quarter several exporters petitioned the courts for injunctions against the preferential treatment. The injunctions were granted and at least temporarily stopped the movement of cooperative coffee to the port free of retention.

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NEW INVESTMENTS

The following new investments were made or announced during the first quarter of 1960:

Bendix do Brasil Equipamentos para Autoveículos S.A. inaugurated an auto brake factory at Campinas in January. This company is affiliated to American organizations that invested Cr$1.87 billion, part of which (US$2.2 million) in machinery and equipment imported from the United States.

Fuller do Brasil S.A., a subsidiary of the Fuller Manufacturing Company of Kalamazoo, Michigan, inaugurated an auto transmission and gear plant at Santo André in February. The initial investment is placed at US$2 million, of which about half consists of machinery and equipment imported from the United States.

The railroad airbrake and signal plant of Freios e Sinais do Brasil S.A. (Fresinbra) in São Paulo was inaugurated in March. The company was organized through the association of the Westinghouse Air Brake Co. (which holds controlling interest) and the Brazilian firm of Fonseca Almeida Comercio e Industria S.A. of Rio de Janeiro. The initial investment amounts to about US$1.2 million and Cr$100 million.

Chesebrough-Pond's Produtos de Beleza Ltda. was organized in São Paulo to manufacture cosmetics and toilet articles. The company's capital of Cr$60 million is held jointly by Chesebrough-Pond's International Ltd. of Markham, Canada, and Chesebrough-Pond's Holding of Zurich, Switzerland.

Companhia de Maquinas Case was organized in São Paulo by the J. I. Case Co. in association with the Brazilian firm Industrias Pereira Lopes S.A. to manufacture tractors. The initial capital of the new corporation is Cr$2 million.

Precisa A. G. Rechenmaschinenfabrik of Zurich, Switzerland, is investing US$140,000 in a São Paulo subsidiary, Precisa Brasileira S.A., to set up a plant for the manufacture of hand operated and electric calculating machines. Machinery and equipment will be imported from Switzerland, as part of the investment.

Brown-Boveri of Switzerland increased its investment in its São Paulo subsidiary, Industria Eletrica Brown-Boveri S.A., from Cr$154.2 million to Cr$310 million, through shipment of additional machinery for the manufacture of heavy electric generators.

Directors of the General Electric Company visited Campinas in January to look over the land GE's Brazilian subsidiary, General Electric do Brasil S.A., acquired there to build its fourth factory in Brazil, and in which close to US$10 million will be invested. The plant to be built in Campinas will produce heavy electric equipment, such as large power transformers, motors and generators.



Daimler Benz of Germany increased its investment in Brazil by shipping additional machinery to Mercedes Benz do Brazil, to meet its share of a capital increase in the local company from Cr$3.3 billion to Cr$5 billion.

AGRICULTURE

Good harvests of most major crops were predicted for São Paulo this year. Increases in the neighborhood of 50 percent over last year were predicted for corn, beans, and soybeans, and smaller increases for rice, oranges, and cotton (18.5, 17.7, and 7.5 percent respectively). The preliminary estimates show minor decreases for potatoes, peanuts, castorbeans, bananas, and grapes. With the new crops coming on the market, prices of corn, beans and rice receded from astronomical highs.

This year's crop of coffee was estimated by the State at only 9,700,000 sacks, roughly two-thirds of last year's production in São Paulo. Faced with a smaller crop and increased costs, São Paulo producers have urged measures which would result in prices of as much as 4,600 cruzeiros per 132-pound bag of beneficiated coffee, roughly double the current price. Observers consider the demands absurdly high in relation to the cost of production of efficient producers. The program to encourage rooting out low-producing coffee plantations made little progress in São Paulo.

The cotton crop is expected to be about 36,000,000 arrobas of 33 pounds in São Paulo this year, compared to 33,495,000 in 1959. Early in March authorization was given to export 60,000 metric tons of São Paulo-Paraná cotton from the 1959-1960 crop, with the possibility of more being authorized later. As of late March, the price of regular grade raw cotton, after oscillating widely, had stabilized at about 350 cruzeiros per arroba of 33 pounds in the producing areas.

Corn production in 1960 is expected to reach 34.4 million bags of 132 pounds each, compared to 22.2 last year. The price of corn fell in São Paulo wholesale markets to 400 cruzeiros per 132-pound bag from 700 during the three months prior to March 1960, in anticipation of the coming crop.

After appealing for an increase in the federally guarantied minimum price for corn, to around 300 cruzeiros per 132-pound bag at interior points, (from 192), the Governor of São Paulo set that price as a basis for financing the producer of corn by the Bank of the State of São Paulo.

A 60 percent increase in prices of cooking oils since December 1959 resulted in COAP, the State Food and Price Control Agency, giving consideration to importation of up to 10,000 tons of United States cottonseed oil. However, the new crops of peanuts, soybeans, and cottonseed are coming on the market and may relieve the tight oil situation before importation materializes.

Tallow has been in short supply, causing São Paulo industrial consumers to petition the Federal Government to facilitate imports. One industrial spokesman said in March that there was immediate need for 20,000 tons of



imported industrial tallow, because of growing needs in the face of insufficient supplies. If imports are given more favorable exchange rates, as seems likely, by shifting tallow to the "General Category" of imports, São Paulo may become a regular importer of industrial tallow, for a year or more.

The possibility of exporting sugar to the United States aroused considerable interest in São Paulo, the largest sugar producing state in Brazil. One São Paulo firm was reported seeking to barter sugar for a million tons of United States wheat.

The production of oranges this year is estimated at 17,000,000 boxes in the State of São Paulo, compared with 14,800,000 in 1959. Prospects for export are said to be poor this year, and the São Paulo producers, who have expanded rapidly in recent years, are faced with low prices and difficulty in disposing of the crop.

Experimental rubber plantations in São Paulo made some progress, the first latex having been marketed commercially in 1959. In January 1960, the State was said to have 320,000 trees, with 650,000 seedlings to be made available by the State Government for transplanting by May. Great interest among farmers was reported, both along the litoral and in the interior.

In late March the Governor submitted an agricultural reform bill to the State Legislature, aimed at more effective employment of farm land in the State, with encouragement for small farmers to own their own land, and graduated land taxes which would penalize large, unproductive land holdings. The proposal has been generally well received as a rational, conservative approach to a needed reform.

TRANSPORTATION AND COMMUNICATIONS

During the first quarter the long-standing problems of providing adequate telephone service and urban mass transit facilities for the City of São Paulo were subjects of frequent press comment. Although both problems were examined and re-examined by the city council and administrative officials, neither was resolved by the end of the quarter.

With respect to the worsening telephone situation, the city council considered several proposals, among which were: a suggestion that bids be called for the operation of the telephone concession; renewal of the contract held by the present concessionaire; and operation of the telephone system by the municipality. In committee deliberations there appeared to be some leaning toward city operation, but the situation has remained static since the end of February with no definite solution in sight.

At the end of this quarter the fate of the proposed São Paulo subway appeared equally indefinite. After receiving bids on its construction, of which an offer made by a French group was considered the most attractive, the project was again set aside for financial reasons.



On March 25 contracts for the construction of about 100 miles of new highways and the paving of an existing 85 miles were let by the state government. In value these contracts total approximately Cr$945 million, of which Cr$341 million is intended for new construction and over Cr$603 million is allotted to paving.

The signing of these contracts brings to approximately Cr$2.7 billion the total so far committed by the present state government to new construction and improvement projects in the highway sector.

Work on a traffic circle and two underpasses on the Anhanguera Highway, near Campinas, State of São Paulo, was recommenced and earth moving has been virtually completed. This project was started in 1953 but had been stalled for many years. When opened to traffic, the circle and underpasses will allow access to the new international airport at Viracopos (still under construction), as well as to the cities of Campinas and Indaiatuba, without grade crossings.

A new airport terminal building, complete with a paved aircraft parking area and taxi-ways, was recently inaugurated at the municipal airport in Presidente Prudente--a city of increasing commercial importance in the southwestern corner of the State of São Paulo about 60 miles from the Paraná River.

A small landing field in the Butantan district (on property intended for eventual occupancy by a "University City" to be established by the University of São Paulo) was closed to all flight operations by the Fourth Air Zone Command. Although used primarily by gliders, there have been increasingly frequent reports of its use by light airplanes carrying contraband from the north of Brazil and coastal regions. A further reason cited for the action was that uncontrolled flights from the field (it has no control tower or navigational aids) constituted a hazard to commercial aircraft operations at nearby Congonhas Airport.

LABOR

The São Paulo trade union scene was relatively stable during the first three months of 1960. The most significant event of the period occurred on January 8 when Minister of Labor Fernando Nobrega revoked his own decree of December 14 which had annulled the victory of a non-communist slate in the bi-annual elections of the important São Paulo State Federation of Metalworkers.

Other notable highlights included the creation of a manpower division in the State Department of Labor, the election of Luiz MENOSSI as president of the São Paulo State Trade Union Council (CST); the re-election of Dante Pellacani as president of the National Federation of Typographical Workers. The cost of living in the State of São Paulo continued to rise during this period. However, measured at an annual rate it is not rising as rapidly as it did during 1959. Employment continues at a fairly high level. There is a shortage of skilled workers. Unemployment among unskilled workers is placed at 55,000 or 3.7 percent of the industrial, commercial and transportation workers.



Some 25 important wage agreements were negotiated without resort to strikes in a score of diversified industries and affected an estimated 200,000 workers. The most important settlement occurred in March when some 100,000 metalworkers organized in 18 local unions ratified a wage agreement providing an increase of 37 percent over existing wages. Agreements providing similar increases were negotiated for oil refinery and filling station employees in the capital and interior, and for chemical workers, building trades and ceramic workers, commercial workers, cabinet makers, food workers, brewery workers, wheat millers and glass and porcelain workers in the interior of the State.

Railroad traffic in the State of São Paulo was partially tied up as a result of strikes involving 25,080 railroad workers employed by two important railroads, the Santos-Jundiai and the Paulista. The Santos-Jundiai strike lasted two days and was settled on March 12 when the railroad workers accepted increased wages which ranged from as low as 10 percent to a high of 32 percent. A companion strike involving some 15,000 workers began on the same day on the Paulista railroad and dragged on until March 16. It was finally settled when the workers agreed to accept a wage accord of 10 percent effective May 1 handed down by the Regional Labor Court.

On February 10, Governor Carvalho Pinto signed a decree which created a manpower division in the São Paulo State Department of Labor. According to Dr. Paulo Marzagão, State Secretary of Labor, the new division will concentrate on training industrial supervisors developing statistics on the labor force, orientating and placing migrant workers coming into São Paulo, especially from the Northeast, and writing job descriptions.

The Conselho Sindical dos Trabalhadores no Estado de São Paulo (CST) - São Paulo State Trade Union Council - which was created in September 1959, expanded its activities to the interior of the State of São Paulo. City centrals which are affiliated to the CST were founded in Campinas, Ribeirão Preto, Taubaté, Sorocaba, and the ABC industrial triangle of Santo André, São Bernardo, and São Caetano, located in the suburbs of the City of São Paulo. In addition the CST issued a convention call to all São Paulo unions and federations operating in the State of São Paulo for April 28-May 1, 1960.

William C. Doherty, Jr., Inter-American Representative of the Postal Telegraph and Telephone International (PTTI); Ray Mackney, Vice-President of the Communications Workers of America (CWA), AFL-CIO; and Jules Pagano, CWA education director, were in São Paulo two weeks to participate in a Brazilian Trade Union Seminar on Collective Bargaining held at the new headquarters of the local union of telephone workers March 21-April 2. The Seminar was organized and sponsored by the PTTI Inter-American Office. Approximately 25 Brazilian trade union leaders from communication workers unions participated in the Seminar, which was directed by Mr. Pagano and co-directed by Josué Antonio Simas, director of education of the São Paulo State local union of telephone workers.



Messrs. Doherty, Hackney and Pagano were joined in São Paulo by Angel Bucci, General Secretary of the Postal and Telecommunications Workers; Emio A. Felloni, General Secretary of the Employees and Workers Telecommunications Federation of Uruguay, and Felix Loli, President of the National Federation of Telecommunications Workers of Peru.

In addition to the Seminar a meeting of the Executive Board of the PTTI was held in São Paulo March 21 to March 26. One of the main items discussed was the introduction of a six-hour day for Brazilian telephone operators.

William P. Cochran, Jr.
Consul General

Enclosure: atd m m

Statistical Annex

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Page 1 of
Encl. No. 1
Disp. No. 368
From São Paulo

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(Classification)

STATISTICAL ANNEX

	First Half	Third Quarter	Fourth Quarter	January	February	Total Jan.-Feb.
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros)[1]						
1960	-	-	-	4,142	4,705	8,847
1959	22,436	13,014	14,027	3,435	3,349	6,784
Total State Revenue from taxes (billions of cruzeiros)[2]						
1960	-	-	-	4,781	5,420	10,201
1959	26,283	14,770	16,095	3,988	3,861	7,849
Electric Power Consumption of Industry in State of São Paulo (millions of KWH)[3]						
1960	-	-	-	273	302	575
1959	1,529	849	854	252	268	520
Motor Vehicle Production in State of São Paulo (in units)						
1960	-	-	-	6,275	9,392	15,667
1959	44,209	23,247	27,133	7,288	6,662	13,950
Petitions in Bankruptcy in City of São Paulo (in numbers)[4]						
1960	-	-	-	74	58	132
1959	391	205	216	61	52	113
Petitions for Creditors' Agreements in City of São Paulo (in numbers)[5]						
1960	-	-	-	5	3	8
1959	112	37	27	24	15	39
Notes Protested in City of São Paulo (in numbers)[6]						
1960	-	-	-	4,631	3,926	8,557
1959	33,067	14,259	13,745	6,055	4,652	10,707
Notes Protested in City of São Paulo (millions of cruzeiros)[6]						
1960	-	-	-	93	84	177
1959	670	359	88	151	96	247
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average: Base 1951 = 100)[7]	June	Sept.	Dec.			
1960	-	-	-	589	NYA	-
1959	471	514	563	418	434	-

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Notes

1/ Revenue figures are based on a sales and consignment tax rate of 4.8 percent.

2/ Excluding accounts computed at year end.

3/ Electric Power Consumption covers sales by the two main companies (São Paulo Light S/A - Serviços de Eletricidade; Cia. Paulista de Força e Luz), which together account for over 98 percent of total power supplied to industry in the State of São Paulo.

4/ Data on Petitions in Bankruptcy, Petitions for Voluntary Settlements, and Notes Protested refer solely to the City of São Paulo, and reportedly represent over 80 percent of total bankruptcy and settlement petitions and notes protested in the State of São Paulo.

5/ The Cost of Living Index put out by the Statistical Department of the São Paulo Prefeitura is admittedly incomplete and tends to show less than the actual rise in cost of living for low-paid workers.

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1. Air Pouch — PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 365 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 8, 1960 DATE

REF : CERP C - General Interest

	ACTION	DEPT.
For Dept. Use Only	COMIA RECD 4/11	INFO OTHER REP/1 IRC-1.5 ICA-11 E-4 ARA-5 USEIA-10 OSD-2 Army-35 Navy-20 Air-30 CIA-18 TA-3 FRB-3 NMID-7 AG-4 OCB-2

SUBJECT: Weekly Economic Review (April 1 - 7, 1960)

Index IN-7 4HB-1 THA-2

1. One Million Dollars Extra Foreign Exchange Sold
2. Soil Conservation Conference
3. Freight Rates and Passenger Fares Increased on Paulista Railway
4. Austria Wants Brazilian Cotton, Iron Ore and Lumber
5. Food Center Incorporated
6. Huber-Warco Inaugurates Plant
7. Visit of AFL-CIO and ORIT Leaders
8. City of São Paulo Trade Union Convention

1. One Million Dollars Extra Foreign Exchange Sold

In the second week since SUMOC Regulation 193 went into effect (see despatch 355 of April 1) an additional sum of US$1,008,000 was sold in São Paulo over and above the usual offerings in the general import category at the foreign exchange auctions (the excess the first week was US$300,000). All sales were at the new ceiling of Cr$224 a dollar. A press report speculates that the high demand was in large part prompted by the possibility that exchange auctions may not be held during holy week, and considers that importers would find it difficult to finance such heavy extra purchases on a sustained basis (auction dollars are sold for delivery in 150 days, against immediate cruzeiro payment).

2. Soil Conservation Conference

The São Paulo Secretary of Agriculture appointed a committee to cut red tape in organizing the First National Soil Conservation Conference to be held at Campinas, State of São Paulo, from July 17 to 23, 1960. The resolution appointing the committee stated that this conference would be a preparatory meeting to the "First International Soil Conservation Congress which may possibly be held in 1961, also upon the initiative of this Secretariat (of Agriculture)."

3. Freight Rates and Passenger Fares Increased on Paulista Railway

The state government approved new freight rates and passenger fares for the Paulista Railway (Cia. Paulista de Estradas de Ferro). These rates are to

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be adjusted within the next 90 days so as to produce an increase of 9.93 percent in the railroad's revenue. The additional revenue is for the purpose of meeting a wage increase of 10 percent effective May 1 and an increase of Cr$150 per child in the family bonus that took effect on April 1. (See despatch 330 of March 18) These wage adjustments will increase annual operating costs of the railway by Cr$187,885,365.60. Within the same 90-day period evidence must be presented that the wage adjustments have been made.

4. Austria Wants Brazilian Cotton, Iron Ore and Lumber

Austrian Vice Prime Minister Bruno Pitterman visited São Paulo and said Austria now buys only coffee from Brazil, but is interested in expanding its trade by taking Brazilian cotton, iron ore and lumber. On the other hand he indicated that Austria was providing technical assistance to various Brazilian steel producers who were licensed to use the L-D process (a new Austrian process).

5. Food Center Incorporated

On April 4 the São Paulo Food Supply Center (CEASA) was incorporated. CEASA has a capital of Cr$1.3 billion (about US$7 million), of which Cr$1.25 billion is subscribed by the State of São Paulo. The State's participation includes land valued at Cr$180 million in the São Paulo city suburb of Jaguaré. The supply center is considered an important link between the farmer and the consumer. It is being coordinated with the storage facilities program (warehouses and silos throughout the State) of the state government, and will facilitate the distribution of foodstuffs.

6. Huber-Warco Inaugurates Plant

On April 6 Huber-Warco do Brasil S/A formally inaugurated its plant for the production of road-scrapers and rollers. The company's installations are located on the outskirts of the small city of Mogi das Cruzes, about 35 miles from São Paulo. According to Huber-Warco production personnel the plant will eventually be capable of turning out about 500 scrapers and 130 rollers annually. Initial production, however--which at present is essentially an assembly operation using somewhat less than 50 percent (by weight) locally produced parts--will be approximately 20 units per month.

The first production model, the 10-D, will be offered with an option of either a General Motors 4-71 gasoline motor or a Cummins NHC-4-B1 Diesel engine--both rated at 125 brake horsepower.

The plant represents an investment of Cr$350,000,000, with Huber American Inc., of Marion, Ohio, holding 98 percent of the firm's registered capital of Cr$175,000,000.



7. Visit of AFL-CIO and ORIT Leaders

David Sternback, Associate Inter-American Representative of the AFL-CIO, and Daniel Benedict, Director of Education of the Inter-American Regional Organization of Workers (ORIT), paid short visits to São Paulo during the past week.

Mr. Sternback met with leaders of the São Paulo State Federation of Food Workers and set up a tentative program for a visit of approximately sixteen international officers from AFL-CIO trade unions in the food industries scheduled for May 7-9.

The Associate Inter-American Representative of the AFL-CIO also paid a courtesy visit to the São Paulo Local Union of Journalists, and discussed the possible attendance of the officers of this group at an Inter-American Conference of Journalists' Unions tentatively scheduled for Lima in July 1960.

Mr. Benedict's visit was of one day's duration. On April 7 he met with leaders of the São Paulo State Federation of Metal Workers and discussed the possible attendance of representatives of this organization at a seminar on collective bargaining sponsored by ORIT and scheduled to be held at Petropolis in the State of Rio de Janeiro during the month of July.

Messrs. Sternback and Benedict requested and were given the assistance of the Consulate General's Labor Officer in arranging meetings with trade union leaders, etc. during their stay in São Paulo.

8. City of São Paulo Trade Union Convention

An estimated six hundred delegates are expected to attend a three-day convention of São Paulo trade unions on April 8-10. The convention is being sponsored by the Conselho Sindical dos Trabalhadores da Capital (the City of São Paulo Trade Union Council), and will be held in the assembly hall of the large São Paulo Local Union of Metalworkers. The delegates in attendance will draft, discuss, and approve resolutions which will be submitted to the state-wide convention of São Paulo Trade Unions scheduled for April 27-May 1. The resolutions will deal with the right to strike, pending federal legislation which would reform the present social security system, enforcement of the Brazilian labor laws, and a number of other related subjects which are of particular interest. The delegates are also scheduled to debate workers' problems pertaining to the rapid industrialization of Brazil.

Trade unions which are under considerable left-wing influence, such as the metalworkers, bank clerks, textile workers, building trades, and chemical and pharmaceutical workers, have already selected large delegations to attend the conference. The more conservative unions such as the commercial workers, telegraph and telephone workers, hydroelectric and gas workers, paper workers, and food workers have announced their intention to participate in the congress.

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The president of the Local Union of Journalists told the Consulate General's Labor Officer that his organization will send a delegation. The journalists have not participated as a unit in São Paulo trade union congresses for a number of years.

Comment: The control of the congress, the resolutions adopted, etc. should give an insight as to what influence the various organizations will be able to wield on the future state-wide convention of São Paulo trade unions.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 986 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 11, 1960 / APR 11 1960

REF : CERP C-1

S/S-CR-4

For Dept. Use Only	ACTION	INFO	DEPT.
	COM-12		REP I IRC-15 ICA-11 E-6 ARA-5 EUR-5
	REC'D 4/13		OTHER USIA 10 OSD-2 Army-35 Navy-20 CUR-30 OCD-2 CIA-16 IR-3 ERD-3 XMC-4 AGR-1 IN-7 HAB-6 THR-2 FCE-1 OCDM-2

SUBJECT: WEEKLY ECONOMIC REVIEW No. 15, April 1-8, incl.

INDEX

1. Federal Railway Annual Report for 1959
2. Dollar Exchange Auctions
3. Free Exchange Market
4. Minister of Agriculture Resigns
5. Sugar Export Quota Increased
6. Coffee Exports
7. Other Coffee News
8. Yugoslav Industrial Exhibit
9. Contract for Two Passenger Ships Signed
10. Resignation of Posts and Telegraph Chiefs
11. Schmidt Appointed Ambassador to European Economic Community.

* * *

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1. Federal Railway Annual Report for 1959:

In its annual report for 1959, published during the week, the Federal Railway System (Rêde Ferroviária Federal SA-RFFSA) announced that there had been during the year: (a) a 19 percent increase in freight movement measured in net ton-kilometers; (b) an increase in total receipts to 11.785 billion cruzeiros (up 17 percent from 10.052 billions in 1958); (c) an increase in total expenditures to 24.771 billion (up 29 percent from 19.192 billion in 1958); (d) a corresponding increase of the deficit to 12.986 billion cruzeiros (up [illegible] percent from 9.140 billions in 1958); (e) a reduction of about two percent in the number of persons employed; but (f) an increase of 25 percent in personnel costs, which costs represented almost 60 percent of the total expenditures of the Rêde. The report pointed out, however, that in terms of a cruzeiro with constant purchasing power, the 1959 deficit increased only 2.7 percent and since 1957 (the year the Rêde was

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established) the deficit actually had decreased about four percent. It should be noted that the figures for the Viação Férrea do Rio Grande do Sul, which became part of the Rêde in June 1959, are not included in the above statistics; if the financial results of the VFRGS for 1959 are taken into account, the total deficit reaches 15 billion cruzeiros.

In a long statement accompanying the report, the Rêde directors stated that, although too low freight and passenger rates and high personnel costs were important elements in the unhealthy situation of the government-operated railways, the deficit resulted less from those factors than from the low traffic density characterizing the rail system as a whole. The report recommended, without being specific, a strong effort to eliminate uneconomic branch lines, increased investment funds for equipment and for right-of-way improvement, steps to reduce the heavy burden of suburban passenger traffic, and, above all, basic decisions by the government on its overall transportation policy, with special attention to the balance between rail and highway transport.
(UNCLASSIFIED)

Comment: The report is a frank and sober analysis of the Rêde's situation after two full years of existence, and it makes no effort to blink at the facts, first, that the Rêde has not lived up to its expectations; and, second, that there is no immediate prospect of substantial improvement. Although the recommendations of the report are couched in general terms and do not contain a program for breaking out of the vicious circle of low tariffs, inadequate service, diversion of freight to truckers and low traffic densities, the report has the merit of calling forcefully to the attention of the responsible authorities the need for some very hard thinking about a major national problem which will probably get worse before it gets better.
(OFFICIAL USE ONLY)

2. Dollar Exchange Auctions:

On April 5 in the second exchange auctions held under Instruction 193 (WER 14), the Carteira de Cambio lowered its price for the sale of dollars beyond the amount offered at auction to Cr$224.00 to the dollar, Cr$1.00 less than the ceiling of the week before. In Rio this caused the average agio in the general category to fall slightly to Cr$223.72 and $148,000 were sold above the amount auctioned. In São Paulo the average agio was Cr$224.00 and an additional $1,008,000 was sold.
(UNCLASSIFIED)

Comment: Although the dollars taken up over and above the regular auctions increased substantially this week, this cannot

yet be considered to have established a trend. It was pointed out in the Estado de São Paulo that part of these purchases arises from the fact that no auctions will be held during Holy Week and that also exchange purchasers in São Paulo may now be buying directly amounts they formerly obtained through bidders at auctions in other parts of the country. This practice would of course inflate the extra auction purchases made in São Paulo. (UNCLASSIFIED)

3. Free Exchange Market:

The cruzeiro remained stable on the free exchange market during the period March 31 through April 7 with daily quotations varying between Cr$191.00 and Cr$190.00 (check buying) to the dollar. The rate on April 7 was Cr$190.50. (UNCLASSIFIED)

4. Minister of Agriculture Resigns:

Mr. Mário Meneghetti resigned his post as Minister of Agriculture and Labor Minister. Fernando Nóbrega was appointed Acting Minister of Agriculture until Meneghetti's successor is appointed. Federal Deputy San Thiago Dantas was reported to have refused the nomination, stating that his campaign for vice-governor of Minas Gerais would not permit him to accept the position. (UNCLASSIFIED)

Comment: The cause of the resignation was reportedly a difference of opinion between Meneghetti and Governor Leonel Brizola of Rio Grande do Sul over wheat policy. Pressure was said to have been exerted on President Kubitschek to accept the Meneghetti resignation by Vice President Goulart, president of the Brazilian Labor Party, of which Governor Brizola is a member. Brizola is also a brother-in-law of Goulart. (OFFICIAL USE ONLY)

5. Sugar Export Quota Increased:

Brazil's sugar export quota was increased by 50,509 tons, bringing the annual export quota up to 600,509 tons. (UNCLASSIFIED)

6. Coffee Exports:

According to preliminary data released by the IBC, coffee exports in March amounted to 1,320,803 bags, thus falling almost 500,000 bags short of the Jan/Feb/Mar 1960 quota of 4,307,126 bags. Brazil's export position in the International Coffee Agreement is as follows: (in 60-kilo bags)



Period	Quarterly Quota	Exports	Balance
Oct/Nov/Dec 1959	4,012,696	4,208,680	+ 195,984
Jan/Feb/Mar 1960	4,307,126	3,808,257	- 498,869

Brazil's export Quota for the quarter April-June 1960 has been set at 4,139,815 bags. (UNCLASSIFIED)

7. Other Coffee News:

At a joint meeting of two São Paulo coffee groups, Sociedade Rural Brasileira and the Cooperativa de Cafeicultores de Jaú, held in Jaú, São Paulo, and chaired by the state Secretary of Agriculture, the following recommendations were reported regarding Brazil's 1960/61 coffee crop:

1. A guaranteed price of Cr$4,600 per bag of Santos 4 in the interior, Cr$4,000 per bag for internal consumption and Cr$100 per bag for "expurgo" coffee.

2. Immediate burning of "expurgo" coffee in the possession of the IBC.

3. Only Type 5 or above coffee may be exported.

4. Nothing lower than Type 8 may be used for internal consumption.

It was also reported at the meeting that the São Paulo State Legislative Assembly was studying a bill to create a State Coffee Institute. (UNCLASSIFIED)

Comment: This represents the thinking of growers in São Paulo state. There is no guaranteed price on exportable coffee at the present time while the price for internal consumption averages about Cr$1,800 per bag. Points 2 and 3 appear to have little chance of becoming adopted. It will be recalled (WER 14) that the IBC stated publicly that it had no intention of burning "expurgo" coffee. (OFFICIAL USE ONLY)

8. Yugoslav Industrial Exhibit:

The "First Yugoslav Exposition" was opened on April 5 at the downtown Santos Dumont Airport Terminal, sponsored by the Brazil-Yugoslav Institute. The Correio da Manha headlined the opening as showing Yugoslavia's "industrial progress" although the story went on to say that other features of Yugoslav life would be depicted including social, economic, political, scientific and artistic. (UNCLASSIFIED)



Comment: The exhibit consisted of about a hundred blown-up photographs, perhaps a fifth of which dealt with Yugoslav industry: petroleum, steel, coal and capital goods. The others in general contrasted the Yugoslavia of today with Yugoslavia immediately after World War II, it being made quite clear that Tito was responsible for the country's recovery. This relatively low-cost exhibit was disadvantageously displayed near the passenger exit several hundred feet from the main entrance to the airport terminal. Although it appeared at the time the Embassy officer visited it to be attracting little attention, it does underline the fact that Yugoslavia, while engaged in low-cost propagandizing, is seriously seeking to increase trade with Brazil, especially in Yugoslav capital goods. (OFFICIAL USE ONLY)

9. Contract for Two Passenger Ships Signed:

On April 1, Transport Minister Amaral Peixoto and representatives of two associated Spanish shipyards signed a contract for the construction, and delivery within 18 months, of two ships with a capacity of 550 passengers each. The two vessels, which will be of 9500 gross registered tons and have a normal speed of 18 knots, will be used in the coastwise service by the Costeira, the Government coastal shipping line. Each ship is reported to cost 5.1 million dollars, with 65 percent of the cost to be covered by financing in Spanish agreement dollars.
(UNCLASSIFIED)

Comment: The ships are intended to help meet the large demand for passenger service along the coast. At the present time available space is very limited, and the service is slow and uncertain. In order to avoid expenditures in convertible currencies, the Brazilian authorities accepted bids for the construction of the ships only from yards in countries with which Brazil has payments agreements. There is a prospect that contracts for one or two other passenger ships for employment in the coastwise service will be signed with Yugoslavia. (UNCLASSIFIED)

10. Resignation of Posts and Telegraph Chiefs:

Colonel Everarde Simas Kelly, Director General of the Department of Posts and Telegraph (DCT), was removed from his post reportedly to permit the appointment of a representative of the Republican Party (PR) as part of a complex political maneuver connected with the October elections. The colonel nominated to replace him -- the position, because of the nature of its responsibilities, is normally held by an Army officer -- was not acceptable to various interested groups, however, and



the DCT Director of Personnel took over on an interim basis. The "resignation for reasons of health" of Simas Kelly was accompanied by the voluntary resignation of Libero Oswaldo de Miranda, Director of Telegraphs, who, intending to retire for some months, quit at this time in protest against the arbitrary action against the DCT head. Miranda, who was recently elected Chairman of the Administrative Council of the International Telecommunication Union, will continue to act as communications adviser to the Minister of Transport and Communications. (OFFICIAL USE ONLY)

Comment: Although during Simas Kelly's 15-month tenure the chronically inefficient communications system of Brazil has not noticeably improved, the relations between him and the private telecommunications companies have been, by and large, substantially better than under his predecessor, the highly nationalistic Colonel Alexínio Bittencourt. The departure of Miranda, with whom the Embassy has enjoyed excellent relations, removes from the operating level a competent, cooperative professional. (OFFICIAL USE ONLY)

11. Schmidt Appointed Ambassador to European Economic Community

It was officially announced that Augusto Frederico Schmidt, Brazilian Delegate to U.N. General Assembly, had been appointed Brazilian Ambassador to the European Economic Community. (UNCLASSIFIED)

Comment: It had been common knowledge for some time that Presidential Advisor Schmidt was seeking an appointment which would take him to Europe. It is not known when he will take up his new duties, nor if he will disassociate himself from "Operation Pan America" of which he is one of the prime motivating forces. (OFFICIAL USE ONLY)

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs.

For the Ambassador,
LeRoy E. Colby
LeRoy E. Colby,
Economic Officer.

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 997 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 12, 1960
APR 13 1960

REF : Dept's CA-7987, March 30, 1960

For Dept. Use Only	ACTION	DEPT.	RM/R-2 ARA-5 IRC-15 E-6
	REC'D 4/17	INFO OTHER	CIM-12 CIA-11

SUBJECT: CERP Amendment Concerning the Weekly Economic Review.

In accordance with the Department's instructions, the Embassy's last Weekly Economic Review was No. 15 (Despatch 986, April 11), covering the period April 1-8, inclusive.

The first Biweekly Economic Review (BER) will cover the period April 9-22, inclusive, and will be pouched on Monday April 25, so that it should arrive in Washington no later than Wednesday April 27. Subsequent BER's will follow the same pattern, i.e., they will be pouched on alternate Mondays for arrival in Washington on Wednesday and will cover the 14-day period ending the preceding Friday.

Monday was selected as pouch day to permit contributing officers to prepare items for the BER over the weekend, if necessary.

For the Ambassador,

LeRoy E. Colby,
Economic Officer.

Approved:

Douglas S. Egan,
Commercial Attaché

DIVISION OF FOREIGN REPORTING
1960 APR 21 PM 2 17

CURRENT RECORDS BRANCH

MAIL DESK 4/22/60

LEColby/jw
REPORTER

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DECLASSIFIED
E.O. 12356, Sec. 3.4
NARA, Date 1-30-95

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AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

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FOREIGN SERVICE DESPATCH

FROM : AmConsulate, Curitiba

47
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 12, 1960
DATE

REF : CERP Section 2

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REPI IRC 8 E-3 ICA-11 ARA-4 CIA-10 CA-4
	REC'D 4-20-60	INFO OTHER CIA-10 IR 3 FRB-3 XMB-4 AG-8 IN-7 LAB-6

SUBJECT: ECONOMIC SUMMARY FOR MARCH, 1960 ARMY-6 NAVY-3

I SUMMARY

Exports of Paraná's chief product, coffee, remain practically stagnated. There was a slight increase in movement of coffee through Paranagua but not enough to make even a small dent in the mountains of coffee in port warehouses.

Lumber exports remain in almost the same state as coffee, but there were hopes that Argentine imports would pick up.

Companhia Telefônica Nacional's request for a 400% rate increase continued to provoke attacks by state and city deputies. There was talk of expropriation

The President of the Mate Institute is urging the Federal Government to send an "official" mission to the U.S.S.R. and other iron curtain countries, where, he believes, prospects for the sale of mate are "immense."

Trade relations with another Communist country, Poland, were in the headlines, with the visit of a Parliamentary delegation from that country to Parana and other Brazilian states.

Money in the Curitiba market is tight, but general business conditions remain good.

II AGRICULTURE

832.00/4-1260

George M. Scanlan:bb
REPORTER

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ACTION ASSIGNED TO-	ACTION TAKEN	
NAME OF OFFICER a OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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II AGRICULTURE

1. Coffee

March shipments out of Paranaguá amounted to about 280,000 bags, somewhat higher than last month but well below what coffee exporters believe they should export and what the I.B.C. continually says they will export.

The estimates of coffee output in Paraná for the crop years 1959 to 1962 are as follows:

1959-60	20 million bags
1960-61	12 million bags
1961-62	25 million bags

1960-61 is a "resting year" during which each tree gives only about half of its potential. Nevertheless, the 1960-61 crop will be larger than previously estimated. SOURCES: Private conversations and all newspapers.

COMMENT: With Paranaguá warehouses bulging and the prospect of a 12 million bag crop there are rumors that 4 million bags will be shipped out of Paranaguá and stored in northern Brazil.

2. Mate

Ivo Leão, President of the Sindicato da Indústria do Mate continues to press for approval by the Federal Government of an "official" delegation of mate experts who would travel to the Soviet Union and Soviet bloc countries to drum up sales of mate. He admitted, after a meeting of the Confederação Brasileira das Cooperativas de Mate in Rio that he had not succeeded in obtaining financial support from the Government for the mission. SOURCES: "O Estado do Parana" 3/4, 3/9, 3/11, 3/19, "Diario do Parana" 3/9, 3/11, 3/12, 3/19.

COMMENT: Leão calls the possibilities for consumption of mate in the Iron Curtain countries "immense" but he says that the absence of financial means for propagandizing the product is an obstacle. How "propagandizing" can be carried on in Communist countries he did not say.

3. Lumber

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3. Lumber

Lumber exports remain low, a long and cold winter in Europe having curtailed building activities there. A Parana lumber mission is visiting Venezuela to promote sales of Brazilian wood and another mission is said to be planning a visit to Argentina, in the expectation that Argentine purchases of lumber will increase now that internal supplies are practically nil. SOURCES: "O Dia" 3/6/60; "Gazeta do Povo" 3/8/60; 3/9/60; "Estado do Parana" 3/3/60; "Diario do Parana 3/8.

III TRANSPORTATION AN COMMUNICATION

1. Telephone Rates: Companhia Telefonica Nacional's (IT & T subsidiary) petition for a 400% increase in rates (see last month's economic summary) was attacked as "a raid on the economy by the local representative of the Morgan trusts". PTB Deputy Waldemar Daros said a proposal the likes of that made by the telephone company would be cause for revolution in any other country in the world.

The company's proposal to expand services in accordance with a 1955 contract through the sale of debentures also was sharply attacked. The city council talked of expropriation (encampacao). SOURCES: "O Dia" - 3/22/60; " Estado do Parana" 3/4, 3/5, 3/15 and 3/19/60. **COMMENT: Things may get rougher.**

IV - DOMESTIC TRADE AND COMMERCIAL POLICY

1. Cost of living: Prices continued to rise, although the increases were relatively small. Soft drink prices went up by an average of one cruzeiro a bottle, and eggs rose from about 60 cruzeiros to about 80 cruzeiros. Butter and cheese are also expected to rise this month. SOURCES: "Gazeta do Povo" 3/8 and 3/31/60; "Estado do Parana" 3/25/60; "Diario do Parana" 3/16 and 3/17.

V FOREIGN TRADE AND COMMERCIAL POLICY

1. Polish Parliamentary Delegation.

A Polish Parliamentary Delegation headed by Professor Oscar Lange, Vice President of the Council of State of Poland, visited Curitiba and two smaller cities in Northern Parana. The visit was in exchange for the visit of a Brazilian Parliamentary delegation to Poland last November. The delegation was received by the Governor, officials of the state government, the archbishop and members of the large Polish colony here. Lange, like all the other

Polish visitors



Polish visitors here before him, made a point of Paraná's importance to Poland and Poland's importance to Parana. He said that Poland is thinking of installing "great industries" in Brazil, such as agricultural equipment factories (tractors), chemical factories and others. He added that these factories, of course, would be Brazilian because "we are thinking only of installing them and then handing them over to the Brazilians". Poland, he said, hoped to increase its imports of Brazilian products to about $70 million a year. SOURCES: "O Dia" 3/9; 3/20, 3/22; "Gazeta do Povo" "Estado do Parana" 3-19, 3-22, 3-27 and 3-31.

COMMENT: The Delegation's visit was the highpoint of the vigorous trade propaganda campaign that the Polish Government has been conducting in Parana. The emphasis Poland puts on Parana was perhaps typified by the precedence Lange accorded Parana in a toast he proposed: "Long live Parana, long live Brazil".

VI MISCELLANEOUS:

1. Governor's Conference: The eighth annual conference of governors of the Parana-Uruguay basin was held in Brasilia during the middle of March. The Governors of Parana, Santa Catarina, Rio Grande do Sul, Mato Grosso, Goias and São Paulo attended. Principal subjects of conversation were the construction of a hydroelectric pilot plant at Urubupunga on the Uruguay river, and the creation of the Bank for the Development of the West. The Bank has been capitalized at 1 billion cruzeiros. Forty percent of the Bank's capital will be contributed by the Federal Government, forty percent by the states, ten percent by the Banco Nacional do Desenvolvimento Economico and ten percent by public subscription. Highway construction and the development of fluvial ports in Santa Catarina and the Parana-Uruguay Basin generally, were also discussed.

COMMENT: One of the topics for discussion by the press was the fact that while Parana Governor Lupion had an entourage of 62 people, the Governor of Santa Catarina, Heriberto Hulse, took almost nobody along with him. Santa Catarina papers attacked him for lack of preparedness.

Sources: "O Dia" 3/22; 3/24; "Gazeta do Povo" 3/12, 3/16; Estado, Florianopolis, 3/23/60.

2. Floods in Santa Catarina, rains in Paraná

Heavy rains hit the northern part of Santa Catarina as well as the costal regions of the state. Loss of life was small but property damage was considerable. Houses and factories were inundated, bridges



inundated, bridges washed away, telephone lines cut. Estimated damage was about Cr$ 20[illegible] million or more. Newspapers called for additional expenditures for flood control. The state of Santa Catarina is in good financial condition and should be able to cope with the situation.

Rain in Paraná has blocked highways, halting bean shipments to São Paulo, raising the possibility of temporary shortages in some municipal areas. SOURCES: "Estado" of Florianopolis: 3/5 and 3/8; "Estado do Paraná" 3/4 and 3/8; "Gazeta do Povo" 3/4 and 3/5.

Edward M. Powell
American Consul

cc: Supervising Consul General
American Embassy, Rio de Janeiro

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 1006 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 14, 1960 (DATE)

REF : CERP C-2 — APR 18 1960

For Dept. Use Only	ACTION / REC'D	DEPT.
	CAM-12 / 4/20	INFO: REP 1 IRC-15 ICA-11 E-6 AAA-5 OTHER: USIA-10 OSD-2 Army-3s Navy-20 CIA-16 CCR-2 FAA 5 FRB-3 XIB-4 CHB-1 IN-7 LAB-6

SUBJECT: MONTHLY ECONOMIC SUMMARY - MARCH 1960

ITEMS

1. Introduction
2. Domestic Trade and Commercial Activity
3. Foreign Trade and Commercial Policy
4. Finance
5. Industry
6. Transportation and Communications
7. Coffee and Agricultural Developments
8. Minerals
9. Petroleum
10. Economic Indicators (Enclosure No. 1)

* * *

1. Introduction:

Two domestic events dominated the Brazilian economic scene during March, which were expected to cause heavy expenditures on the part of the Government: extensive flood damage, especially in the Northeast, and plans for the moving of Government offices to the new capital, Brasilia. Although the rate of rise in the cost-of-living in the Federal District continued slowly upward (1.3% over February), a slowing-down which began in January following sharp increases throughout 1959, it appeared that the many demands for wage and price increases might force the cost-of-living more sharply upward within the next few months.

In general, domestic retail and wholesale trade was considered good. Bank collections were normal and credit tightened during the latter part of the month. No widespread areas of unemployment were noted, substantiating indications that industry was continuing to progress at a satisfactory pace. The cruzeiro remained fairly stable (month's average: Cr$187.80) throughout the month and the

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amount of currency in circulation (Cr$154,612 million) was practically the same as in February. SUMOC Instruction 193, issued on March 25, was intended to temper the rising agios in the exchange auctions and average agios did decrease slightly in the first auctions held under the new system late in the month.

Coffee exports continued to hold up well, and 1.3 million bags shipped out during March brought the total for the first nine months of the 1959-60 coffee export year to 13.8 million bags, some 2.3 million more than during the previous corresponding period. The latest foreign trade figures available showed that Brazil's imports in December 1959 ($115.4 million) were up almost 20% over November while the rate of increase of imports from the U.S. in December ($23.1 million) was nearly 27% over November. On the other hand, total Brazilian exports declined almost 17%, while exports to the U.S. declined over 43%, from November to December 1959.

The signing of a new agreement providing for trade valued at $70 million annually in both directions was expected to more than double the level of trade between Brazil and Poland over the next five years. A Cuban commercial delegation visiting Brazil announced its intention to set up a regional office in Rio de Janeiro to promote trade between Cuba and other South American countries.

2. Domestic Trade and Commercial Activity:

Business was generally reported to be good in March. In the Rio de Janeiro area textiles were experiencing one of their better periods with some mills sold 4-6 months in advance. Good reports were also heard from the chemical and dye industry and the heavy construction and agricultural machinery sectors. The latter, however, may be affected by the damaging floods which have occurred in several areas of Brazil. The pharmaceutical industry continued to press for price increases, so far withheld by COFAP, and some laboratories were threatening to increase prices independently.

São Paulo sales held up well. Manufacturers reported a backlog of orders in almost all fields while retail stores generally showed larger increases than in previous periods. The larger total amount of retail sales recorded was due to substantial increases in volume of goods sold as well as to higher prices.

In Bahia torrential rains and floods were reported as having caused business in the interior of the state to come to a virtual



standstill and having had a disruptive effect on business in Salvador. Similar situations were believed to be existing in other flooded areas such as parts of Espírito Santo, Alagôas and Ceará.

Banking sources indicated that the money market was easier the first three weeks of the month than it was during February. However, money became tighter during the remainder of March, a situation expected to carry over perhaps into the second half of 1960 when the requirements of the Government, including coffee financing, could change the picture sharply. The reasons given for the tight credit situation were: (1) no currency emissions, (2) the 120-day treasury notes being used by the Government to pay suppliers and exporters under SUMOC Instruction 192 (Emdes No. 672, Dec. 31, 1959) and (3) the change in the exchange auctions provided for by SUMOC Instruction 193 (See Section 4 - Finance).

Bank collections were considered normal - i.e., satisfactory with delays in payment noted principally in some sections of the interior.

A relatively small increase in the Federal District's cost-of-living (1.3%) was recorded for March by the Getúlio Vargas Foundation. This compares with 0.8% in January and 0.7% in February.

3. Foreign Trade and Commercial Policy

Brazil continued during March to explore actively the possibilities of increased trade with various countries, while several countries evidenced an interest in increasing their trade with Brazil.

Trade missions from France, Austria and Poland were in Brazil during the month and an official Brazilian mission travelled to Venezuela. A Cuban commercial office with responsibility for most of South America was established in Rio de Janeiro.

The Japanese government opened a display of its industrial products at the Municipal Stadium in Rio de Janeiro, a Brazilian commercial mission travelled to Japan and Brazil went ahead with plans for an official display at the Fourth International Fair of Osaka, which was scheduled to open early in April. Plans for the arrival in June of an Australian commercial mission were announced. The newly-arrived Swiss ambassador was reported by the press to have stated that he had special instructions from his government to increase Brazilian-Swiss trade.

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Activity continued in the Soviet Bloc efforts to promote trade with Brazil. The principal effort during March was the Polish trade mission which signed on March 19 a new five-year agreement which provides for trade to the value of US$70 million in both directions, more than twice the level of the superseded agreement. Newspapers reported that the Brazilian Executive Commission supervising trade with Russia under the new Brazilian-Russian trade agreement had received an offer of chrome steel from the Russian Executive Commission. No decision on its purchase by Brazil had been announced by the end of the month.

There was mixed reaction in the local press to the news that Volkswagen de Brasil planned to ship some 300 Brazilian-made stationwagons to the United States. Favorable comment centered around the prestige value of exporting Brazilian vehicles to the largest automobile-producing country in the world, while unfavorable comment was generally based on the complaints that the Volkswagens would be sold in the United States at about 60 percent of the Brazilian price and that there is a 3-4 months waiting period in Brazil for some vehicles.

4. Finance:

In the field of exchange and finance the major event of the month was the issuance of SUMOC Instruction 193 on March 25. This provided that when the dollars offered in the general category at any auction are fully sold the Carteira de Cambio may offer up to three times the amount of the regular weekly offering in that category at a fixed price, which was initially set at Cr$225.00 to the US$1.00. The Instruction also shortened the period for payment of agios from five days to three days and extended the delivery of the exchange purchased with these agios from 120 days to 150 days.

The extension of the delivery period created a potential saving of approximately $25 million during 1960 but the additional offering exposed the Bank of Brazil to a possible added sale of dollars each week up to approximately $17 million per week. At the first auctions under this system on March 29, $322,000 in São Paulo and $41,000 in Rio were sold under the special provisions



of Instruction 193; the average agios paid for the regular auction offering dropped to just under/Cr$225.00 ceiling.

The purpose of Instruction 193 was to halt the steady increase in agios at the auctions held during the first weeks in March. This increase was in part attributable to the inclusion of exchange for imports from Japan and Sweden in the dollar auctions but, according to most observers, was supported strongly by the availability of credit during the month. Although no paper money was issued in March, bank deposits were still reflecting the record-breaking currency issues of last December.

During March the Finance Minister reported that Brazil had paid in its increased quota to the International Monetary Fund. The gold portion of this quota amounted to $32,500,000 and was transferred from reserves held with the Federal Reserve Bank of New York.

On March 15 the President presented his annual message to Congress. In the economic field he reviewed a number of the statistics on the Program of Goals and increased production given in previous Presidential speeches and summarized other areas of general economic and financial interest. Significant figures cited include the following:

1 - Real income was estimated to have increased 5% in 1959;

2 - The Federal cash deficit in 1959 was Cr$32 billion, considerably less than previous estimates by the Finance Minister;

3 - The balance of payments deficit for 1959 was estimated at $176 million.

The President's message did not discuss specific policies for 1960 except to note that administrative measures including savings under the Economy Plan are expected to reduce substantially the potential Cr$35 billion Federal deficit in 1960. This hope is seriously threatened by special demands on the Treasury such as the bill to amend the salary structure of government employees, which was under active Congressional consideration by the end of March, and the severe flood damage in the Northeast for which substantial supplementary appropriations have already been passed.

5. Industry:

In the industrial field, there were evidences of continued growth as well as of progress toward the Government's program of goals. A number of new industries were established and substan-



tial progress was noted on several important projects intended to strengthen Brazil's industrial base. Increased capital participation of Federal agencies or autarchies in Brazilian companies was noted.

From the industrial São Paulo area word was received that (1) Krupp do Brasil - Industria Nacional de Locomotivas Ltda. had manufactured the first truck crankshaft to be made in Brazil; (2) B.F. Goodrich do Brasil S.A. had inaugurated a plant capable of an initial production of 700 tires and tubes daily, which would be increased to 1,000 early in 1961; (3) a Japanese company, Yanmar-Diesel do Brasil S.A. was erecting a plant to manufacture small Diesel motors (2.5 - 6 h.p.), which so far have had to be imported; and (4) Freios e Sinais do Brasil S.A., in which Westinghouse Air Brake Co. has controlling interest, inaugurated a plant to produce railroad airbrakes of type AB, in accordance with American Association of Railroads standards, as well as railroad signals.

On the steel front, the Companhia Siderurgica Nacional (Volta Redonda), Brazil's large government-controlled steel mill, reportedly brought its minority stock participation in other Brazilian companies to a dozen by investing a total of Cr$318 million in another steel mill (Victoria Iron and Steel Co.), the Paraiba Valley Hydroelectric Co. and VATU, a subsidiary of the Rio Doce Valley company, which will produce sponge iron. It was announced that a Brazilian-Danish combine, Companhia Construtora Nacional and the Cristani-Nielsen Company had been awarded a Cr$431 million contract to construct a rolling mill for USIMINAS, the large Brazilian-Japanese steel mill being built in the state of Minas Gerais.

Two U.S. firms (Ford and Case) were selected by GEIA (Executive Group of the Automotive Industry) along with eight other foreign companies to produce agricultural tractors in Brazil. Even if the production goals set by GEIA for Brazilian tractor production this year -- 3000 units utilizing 70% Brazilian materials by weight - should not be met, -- a significant forward step had been taken, and it would appear to be only a matter of time until imports of agricultural tractors are sharply reduced or eliminated completely.

It was reported that the construction of the Government-controlled National Alkali Plant (Fábrica Nacional de Alcalis), would be completed by the end of 1960. The soda ash unit with an annual capacity of 72,000 tons was scheduled to go into operation at an early date while the caustic soda unit with a capacity of 20,000 tons per year was due to commence operations the second half of 1960. The National Alkali Plant was reported by the Rio

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press as having eventual plans to export its products following an expansion plan to be completed within the next few years.

On the occasion of the inauguration on March 9 of two diversion tunnels of the Furnas electric power project, the press called attention to the fact that the Furnas plant would when completed in 1965 produce 1,200,000 KW instead of 1,100,000 as originally planned. Also at the inaugural ceremonies, President Kubitschek signed a decree establishing a working group to draw up recommendations for accelerating the economic development of the Furnas area.

During the month two sizeable financial actions were taken by the National Economic Development Bank, both in the electric power field: the purchase of Cr$300 million worth of stock in the Charqueadas Thermoelectric Power Plant in Rio Grande do Sul, which will use national coal as fuel, and a Cr$319 million loan to the Pará Light and Power Company to assist in doubling the company's 15,000 KW capacity in Belém.

6. Transportation and Communications:

Summary: In the field of transportation and communications, the month of March was characterized by a bitter strike of the flight personnel of the Cruzeiro do Sul airline; strikes on the Santos-a-Jundiaí and Paulista railroads in São Paulo and on the Minas Railroad System in Minas Gerais; new additions to the merchant marine in the form of tankers and a coastal freighter, discussions of the desirability of establishing a national fleet of ore carriers on the model of the National Tanker Fleet; the signing of contracts for the construction of the first freighters to be built by the new Ishikawajima yards; and the issuance of a decree creating a special commission to oversee the accelerated construction of the Brasilia-Acre highway.

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Strikes were the principal news in air and rail transportation during the month. On March 5 the flight personnel of Cruzeiro do Sul went on strike in an attempt to force the airline to comply with the regulations governing the working conditions of flight crews which were jointly drawn up in November 1959 by the Air and Labor ministries. The strikers complained in particular that provisions of the regulations limiting the number of hours of consecutive flight and establishing compulsory periods of rest were being ignored by the company, with consequent impairment of safety of flight. The company admitted that it was not observing the regulations but argued that they were illegal, unrealistic and unworkable. When the courts granted an injunction, sought by Cruzeiro do Sul and other carriers, against

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the operation of the regulations, the striking personnel voted to return to work, but this decision was suspended when the line refused to take back a large number of the strikers on the ground that it had suffered severe losses during the strike and would be forced to reduce its frequencies. At the end of the month, the strikers were beginning to return to work upon the advice of President Kubitschek who reportedly agreed to take steps with the Cruzeiro do Sul to prevent reprisals against the strikers. The legal status of the interministerial regulations remain undecided.

On March 10 the labor force of the federally-owned Santos-a-Jundiaí railroad went on strike for higher wages, and in a coordinated move the workers of the privately-owned Paulista Railroad, which connects with the S-J at Jundiai to form the backbone of the São Paulo rail system, followed suit on March 11. The Santos-a Jundiaí dispute was resolved rapidly with a March 12 agreement on a wage increase which ranged from 7 to 25 percent, depending on pay level. The railroad was authorized by federal transport authorities to raise its freight rates to meet the cost of the pay raise. The Paulista strike lasted somewhat longer and was rather more agitated. The agreement on a ten percent wage increase and some fringe benefits, to be compensated by a six percent rate rise -- the company's terms from the beginning -- was not made final until March 16 when the company, acceding to pressure from state officials, agreed to take no punitive action against the strikers.

Later in the month a strike broke out in the Divinopolis, Minas Gerais, shops of the Rêde Mineira de Viação (RMV -- the Minas Transport System, one of the federally-owned roads under the Federal Railway System -- RFFSA) in protest against the RMV's failure to honor commitments on wage boosts and promotions. The strike was marked by acts of violence by strikers and security forces. At the end of the month the strike was on the point of ending after the RFFSA had agreed to meet most of the strikers' demands. Following these strikes and in the face of threatened ones on other railroads under its control, the RFFSA on March 31 announced that, in anticipation of the approval of the classification plan for civil servants, it had decided to adjust its employees' wage scales effective immediately (with payment to begin May 1) on a basis similar to that used in the Santos-a-Jundiaí dispute.

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In the shipping sector, the National Tanker Fleet (FRONAPE) received another -- the fifth -- of the series of seven 33,000-34,000 DWT tankers it has under construction. This vessel, the Presidente Figueiredo, was the second of three to be delivered by the Ishikawajima yards of Japan. The other four were ordered from the Verolme yards in The Netherlands, and the last of this



Dutch group, the Presidente Washington Luiz, was en route to Brazil as the month ended. The last of the seven tankers will be delivered later this year by Ishikawajima. Also during March the Burmeister and Wain yards in Denmark launched the first of a series of six 10,000 DWT coastal tankers to be built in that country for the rapidly expanding FRONAPE.

Costeira, the government coastwiise shipping company also added a badly needed new vessel to its fleet when the Torres, Polish-built 5000 tonner, began to operate in the coastwise service late in the month.

On the domestic shipbuilding scene, an important step was taken with the signing of the first contracts with Ishikawajima do Brasil, the associate of the Japanese firm which is building a shipyard with an annual capacity of 60,000 DWT in Rio de Janeiro, for the construction of three 5,600 DWT freighters for the coastal service. The first ship to be delivered in 19 months and the third in 27 months. Shortly after the announcement of the Ishikawajima contract, reports appeared in the press that the Transport Minister had signed a contract for the construction of two 10,500 DWT freighters with the Verolme yards being installed at Jacuacanga, near Angra dos Reis with a planned annual capacity of 45,000 DWT. The office of the Minister of Transport promptly issued a denial that a contract had been signed and noted that the Chairman of the Merchant Marine Commission had not yet given his views on the Verolme proposals.

Ishikawajima and Verolme claims to eventual ability to build 35,000 ton ore carriers in their new yards took on pertinence when a special study group was appointed by the Minister of Transport to study in detail the possibility of creating a national ore-carrying fleet along the lines of FRONAPE. The decision to name the group was taken at a March 10 meeting of 18 Brazilian entities, governmental and private, interested in the export of iron and manganese ore and the import of coal. The Minister, citing the prospects of exchange savings, stressed the necessity of creating such a fleet, and the representatives of government and semi-government agencies were reported to be generally favorable to the idea.

In a decree of March 15 President Kubitschek created within the National Highway Department, a special commission to oversee the construction of the Brasilia-Acre road, which the President had ordered opened -- at least for jeep travel -- by December. Such special commissions are established only in the cases of the highest priority construction.

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7. Coffee and Agricultural Developments

Despite the damage done to crops by floods, principally in Brazil's Northeast, it began to appear probably that crop losses would not be so great as originally believed. Coffee exports continued to go well and the 1960/61 crop estimate was revised upward to 27 million bags by IBC.

At the beginning of the month the excellent rains falling over large areas of Brazil, including the "Drought Polygon" of the Northeast, gave rise to optimism concerning a fine agricultural yield this year. As the month wore on and the rains continued in intensity the optimism gave way to fear of widespread flood damage, especially in the Northeast. At month's end damage caused by floods in the Northeast, and particularly in the states of Ceará (where the large unfinished Orós dam on the Jaguaribe River had to be dynamited to prevent its bursting), Pernambuco, Bahia and Espirito Santo (where 60% of the rice crop was reported lost) was considerable: hundreds of small earthen dams were washed out and crops in the lowlands affected were a total loss, not to mention property damage and the thousands rendered homeless. Assistance to the flooded area was provided in the form of food, clothing, medicine and transportation by the Government, private groups in various parts of Brazil and emergency assistance, largely in the form of badly needed air transportation, was rendered by the US Government. Although it was difficult to assess the damage to agriculture at the end of March, it appeared that highland crops were relatively unaffected by the heavy rains and that lowland crops could be re-planted, so that probably no serious effect on food production would be felt.

Coffee exports during the month were recorded at 1,320,803 million bags, bringing the total for the first nine months of the 1959-60 coffee export year (July 1959 through March 1960) to 13.8 million bags, well ahead (by 2.3 million bags) of exports in the corresponding period, 1958-59. An informal estimate from a private source placed Paraná's 1960/61 coffee crop at 12 million bags, which would indicate that perhaps the 1960/61 crop could be larger than officially estimated (27 million bags). The president of the Brazilian Coffee Institute (IBC), responding to suggestions made by São Paulo groups, stated publicly that no coffee would be burned during his administration. One coffee group, Sociedade Rural Brasileira, had recommended the burning of six million of the 26 million bags of stored "expurgo" coffee, which, it claimed, were taking up valuable warehousing space at considerable cost to the IBC.

The producer price of national wheat from the 1959/60 crop was raised from Cr$750 to Cr$840 per 60-kg bag, and rumors were circulating to the effect that private Brazilian groups were



interested in bartering Brazilian sugar and manganese ore for wheat. It was also reported that the first shipment of 30,000 tons of Russian wheat under the Brazilian-Soviet trade agreement was scheduled for July with two other shipments of 70,000 and 50,000 tons scheduled for August and September, respectively.

A large powdered milk factory of the General Milk Company, with a production capacity of 40,000 cans per day, was inaugurated at Itaperuna, Rio de Janeiro state, in the dairy area near the borders of Minas Gerais and Espirito Santo. Brazil uses large quantities of powdered milk, much imported from Denmark, and if the new powdered milk is accepted on the Brazilian market, it could well reduce imports.

8. Minerals:

No specific development in mining can be pointed out as an event during the month of March. Interest of foreign capital continues to be shown by the activities of their exploration parties in Brazil.

Rumors of "big deals" are frequent but noting conclusive can be reported.

9. Petroleum:

In the petroleum sector, Brazil's state petroleum entity, Petrobrás, continued to forge ahead toward one of its major petroleum goals -- self-suffidency in refined products. Although no new discoveries outside the Bahian Recôncavo were made, by all appearances Brazil was determined to go it alone on its own resources. Several events were noted which served to indicate a strengthening of the state petroleum entity.

In underlining the progress being made toward self-sufficiency in refined products, Petrobrás pointed out that the new units in the Landulpho Alves (Mataripe) Refinery in Bahia, raising the daily production capacity to 32,000 barrels, were already in operation; the the refining capacity of the Presidente Bernardes (Cubatão) Refinery near Santos was about to be increased to 110,000 barrels per day; and that construction on the new Duque de Caxias Refinery near Rio de Janeiro was proceeding satisfactorily.

With regard to petroleum policy, Petrobrás quoted President Kubitschek as saying that "rumors to the effect that the Government of Brazil will permit foreign capital to participate in the exploration of our petroleum lack foundation". These rumors



had been current prior to President Eisenhower's visit to Brazil in February.

The Soviet engineers under contract to the Companhia Industrial de Rochas Betuminosas (CIRB), a private Brazilian company, to study the possibility of producing bituminous gas on a commercial scale from the oil shale deposits in São Paulo state, handed over their report (contents not divulged) to the National Petroleum Council and presumably returned to Russia. It wasreported that 200 tons of oil shale would be sent to the Soviet Union for examination and that Russia would assist in providing materials for the gas plant. At almost the same time (mid-March) the National Petroleum Council announced its intention "to review" the two oil shale development concessions granted to private Brazilian companies (one of which is held by CIRB).

The National Tanker Fleet (FRONAPE) increased its tonnage to over 400,000 DWT by the delivery during the month of the 34,000 ton Presidente Floriano from Japanese shipyards (See Section 6, Transportation and Communications).

. . . . . .

It was announced that Petrobrás had purchased the asphalt blending plant near Santos belonging to Asfalto California S/A (CALOL), a subsidiary of the Standard Oil Company of California, although CALOL will retain its distribution facilities and also act as distributor of asphalt produced by Petrobrás.

Late in the month articles in the Rio press stated that one of the items on the agenda of the meeting called by PEMEX, Mexico's state petroleum entity, in Mexico City, to be attended by representatives from the state petroleum entities from Brazil, Argentina, Peru and Venezuela, would be the formation of a "Latin American petroleum bloc". Previous press reports had indicated that Petrobrás representatives would discuss the possibility of stimulating trade, including petroleum products, with the other countries represented at the meeting.

Petrobrás' Annual Report, issued during the month, highlighted four events as being of major significance in 1959:

1. Discovery of new fields in the Bahian Reconcave, which increased the proven reserves to 617 million barrels.
2. Success in the program of development of producing fields.
3. Intensification of the refinery program.
4. Expansion of the National Tanker Fleet.

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs.

For the Ambassador,
LeRoy A. Colby
LeRoy A. Colby,
Economic Officer

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Enclosure:

No. 1: Economic Indicators for March 1960

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(Classification)

Page 1 of
Encl. No. 1
Desp. No. 4006
From Rio de Janeiro

ECONOMIC INDICATORS FOR MARCH 1960

Free Market Dollar Rate in Rio de Janeiro (Check Buying Rate)

Month's average	Cr$187.80
Month's high	Cr$191.00
Month's low	Cr$184.00
Change from last month's average	↑ Cr$ 3.29

Average Agios Paid for US Dollars in the General Category
(Cruzeiros per dollar)

	High	Low
February 1960	200.12	188.86
March 1960	233.94	213.69
March 1959	288.50	246.00

Currency in Circulation (in Millions of Cruzeiros)

February 28, 1959...116,804	February 29, 1960...154,615
March 31, 1959.....120,993	March 31, 1960.....154,612

Brazil's Foreign Trade (in US$1,000,000's)

	Imports		Exports	
	Total	USA	Total	USA
November 1959	96.4	23.1	114.8	66.0
December 1959	115.4	29.3	95.4	37.4
% of Change Nov & Dec '59	↑19.7%	↑26.8%	-16.9%	-43.3%

Coffee Exports

March 1960	1,320,803 bags
July 1959/March 1960	13,777,170 bags
March 1959	1,258,871 bags
July 1958/March 1959	11,470,590 bags

Cost of Living in Rio de Janeiro (1948 = 100) *)

February 1960	696
March 1960	705
March increase over February	1.3%

*) Getulio Vargas Foundation Index

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil — DESP. NO. 28

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE April 14, 1960

REF : CERP Requirement Section C, Item 2.

For Dept. Use Only	ACTION	DEPT.
	REC'D 4-23-60	INFO OTHER

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - M A R C H 1 9 6 0

SUMMARY

During March 1960 merchants reported a 10% increase in sales volume over that of the preceding month. Ocean transportation facilities made it possible to renew stocks of foodstuffs and other assorted merchandise. There was a shortage of coffee in the local market which is now over; wheat flour and other wheat products are short,and this situation will continue through April. Fresh meat continued in the same situation as reported for previous months. However, fish from the ocean and rivers is being sold in large quantities. Private banks in Belém have started extending credit facilities to industry and business. A branch of "Materiais Básicos S. A." whose headquarters are in São Paulo, Brazil, was inaugurated in March in this city to sell construction materials.

The financial situation of the State of Pará and the Municipality of Belém is reported good after certain measures taken by both administrations. Five local private banks have opened their financing service to help industry, business and small farmers in the State of Pará. The dollar in the free market during March went as follows: Cr$181 lowest and Cr$186 highest. The Amazon Credit Bank is willing to increase the financing for the planting of rubber trees in the Amazon Valley from 80 thousand to 150 thousand cruzeiros per hectare planted. The Banco Nacional de Desenvolvimento Economico has approved a loan of 319 million cruzeiros to "Força e Luz do Pará S. A." the power and light concessionaire in Belém.

Imports and exports through the port of Belém continued as usual. The former negligible, the latter active.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Merchants in this region reported a satisfactory volume of sales during March, 1960, about a 10% increase over the volume reported for the previous month. Stocks of goods were replenished with arrivals from southern and northeastern ports of Brazil. By mid March a shortage of coffee occurred in Belém; the situation improved only by the end of March with the arrival of 21,000 bags of coffee beans. During latter part of this period there was also a shortage of wheat flour in the city due to the wrecking of a vessel on the Atlantic coast near Belém which was bringing a big shipment of raw wheat consigned to Moinho Paraense of Ocrim/

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Paraense of Ocrim do Brasil S. A.. The shortage of wheat flour and other wheat products continues to the present date.

No improvement was observed with regards to the fresh meat situation. River and ocean fish continue to be sold in large amounts at reasonable prices.

Some private banks in Belém have started the extension of credit facilities to industry and business as well as to farmers and cattle growers in the State of Pará.

It is interesting to mention that since the beginning of the year there have been inaugurated in Belém at least, three new stores each month. Old commercial concerns occupying unsightly and antiquated buildings, are remodeling their facilities in a more modern style. Firms with headquarters in southern Brazil are contemplating opening up branches in this city, probably in view of the growth of the area anticipated with the expected operation of the Belém-Brasilia highway. In March, the corporation "Materiais Básicos S. A." of São Paulo, Brazil, opened its branch in Belém at Senador Lemos Avenue 72, to sell to local consumers, material for civil construction, and industrial use such as iron rods, beams, sheet steel and bars, steel bands, conduits, galvanized iron pipes, wire for nails, boiler pipes, wheelbarrows, hand shovels, glazed tiles, ceramic material and cement. "Materiais Básicos S. A." has its headquarters at 312-8° Senador Queiroz, São Paulo and maintain branches in Rio de Janeiro, Belo Horizonte, Pôrto Alegre, Goiania, Recife and Fortaleza.

PROPOSED NATIONAL AMAZON FAIR

Reference is made to Consulate's despatch n°24, dated March 25, 1960. In the last few days, the area of the fairgrounds was staked out, and the names of the contractors for the construction were given in the press.

F I N A N C E

It is reported that the revenues of both the State of Pará and the Municipality of Belém have reached an almost satisfactory level, as a result of strict measures recently taken by the State and Municipal governments. This will enable the administrations to better meet certain public needs which are becoming a serious problem to the Belém community (such as street paving and garbage collecting).

Five local private banks have started financing to a higher degree industry, business, farming and cattle raising in the State of Para. It is expected that the Banco do Estado do Pará S. A. to be inaugurated very soon, will facilitate financing especially to small farmers throughout the interior of Pará. In a recent conference held by Dr. Otavio Meira, president of this credit establishment, the plans to help the cattle industry and agriculture in the State of Pará, were made known to a large audience.

The exchange free/

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The exchange free market during March 1960 went as follows: at the beginning of the month Cr$182 for purchase and Cr$186 for sale; at the end of the month Cr$186 for purchase and Cr$190 for sale, to one US dollar. The fluctuation in this period was Cr$181 for purchase and Cr$184 for sale, the lowest; Cr$186 for purchase and Cr$190 for sale, the highest, to one US dollar. The exchange sections of local banks reported a steady demand for US dollars in the free market during March. Domestic and foreign bank collections in this period were reported normal.

The president of the Amazon Credit Bank, Dr. Remy Archer, obtained from the bank's advisory committee and the Federal government, authorization to increase the financing of rubber tree planting up to 150 thousand cruzeiros per hectare. Up to the present the bank was financing at the rate of 80 thousand cruzeiros per hectare planted. This measure is intended to bring more interest in the planting of rubber trees in the Amazon Valley and increase the production of rubber in this region.

The "Força e Luz do Pará S. A.", the concessionary for electric power and light in Belém, has been granted a loan in the amount of 319 million cruzeiros from the Banco Nacional de Desenvolvimento Economico, according to a recent announcement made by the board of directors of this company. This financing will be made to "Força e Luz do Pará S. A." in installments and is destined to cover the expenses incurred in the purchase of the fourth turbine of 7,500 kilowatts from Westinghouse Co. (USA) and the installation of additional power wiring throughout the city.

IMPORTS AND EXPORTS

During March 1960 imports continued negligible. Exports, however, were active with considerable tonnage of Brazil nuts, lumber, massaranduba and balata gum, black and white pepper, wild hides and skins, timbó root, shipped to Europe, United States and Argentine through the port of Belem.

Interstate shipments were made in large scale, especially incoming shipments from southern and northeastern ports.

A. José DeSeabra
American Consul

c.c.: American Embassy, Rio de Janeiro, Brazil.



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FOREIGN SERVICE DESPATCH

FROM : AMCONSULATE, Recife, Brazil.
DESP. NO. 28

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE April 19, 1960.

REF : CERP, Section C, Item 2. APR 20 1960

20 For Dept. Use Only	ACTION	DEPT.
	Com-12	REP-1 IRC-8 E-3 ARA-4 ICA-11 ARMY-6 NAVY-3 AIR-6
	REC'D 4-27-60	INFO OTHER CIA-10 TR-3 FRB-3 XMB-4 TAR-2 AG-8 IN-7 LAB-6

SUBJECT: ECONOMIC SUMMARY FOR MARCH, 1960.

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Enclosure No.1- 1959 Exports of Castor Oil - Recife
1959 " " Pineapples - Recife
1959 " " Sisal - Recife
1959 " " Lobsters - Recife
Enclosure No. 2 - Cost of Living Comparison 1958-59 - Recife
Enclosure No. 3 - Cost of Living Comparison 1948-1959 - Recife

I. SUMMARY

Until mid-March there was a great degree of optimism regarding commercial and agricultural prospects in most of the Northeast. The rains had arrived early; good crops had been harvested and good crops were being forecast for the next harvest; retail sales in metropolitan areas were up; collections were reportedly improved in both cities and the interior; and the money market had eased considerably. After March 20, with the continuing rains, flooding conditions were reported in all the northeastern states. The dramatic high point of the devastating floods was the wash-out of Orós, the largest dam in Ceará. No reliable estimate of the damage to cities, homes, agriculture, transportation networks, and the general economy of the area can be made. Conditions in the interior - always tough - are now just a little tougher as the slow task of reconstruction starts. The disaster brought about prompt State, Federal, and international (principally U. S.) aid. It is said that for many of the refugees, sheltered in emergency camp sites on hillsides, receiving rations of dried meat, rice, beans, and dried milk, it was the first time that they had ever dined so sumptuously: a reflection on general living conditions in the interior. SUDENE ("Superintendencia de Desenvolvimento do Nordeste") Director Celso Furtado allowed that the floods may delay the plans to develop and expand the economy of the area for several years. SUDENE, during the month, received Cr$112 million for various aspects of its programed fight against the drought.

In Alagoas, Governor Falcão was reported to be preparing to buy a 52,000 acre sugar cane plantation for a state managed land reform experiment. In Pernambuco, the radical land reform group, "Ligas Camponêsas", threatened to take over two more farms.

The Cuban rum company, Bacardi, started work on a six million dollar distillery in Recife, and Governor Sampaio signed an agreement to obtain a possible maximum of 15 million dollars for a state highway improvement program. The Governor was also in the news as he (1) lambasted, to the surprise of most observers, the CAGEP program of storage facilities for crops and (2) defended Pernambuco's right to raise money for industrialization via lotteries. Japanese fishing operations in and near Brazilian waters were again under attack by Brazilian competitors, and the Pernambuco Tramways was assured that it would not be expropriated until 1962. Local labor



unions were planning a regional congress for April and one of the larger textile mills, "Texteis de Moreno", was threatened by a general strike.

II. GENERAL

A. Floods Batter the Northeast

Two weeks after Ceará's Governor Parsifal Barroso had explained to a Consulate official the steps that he was taking to prepare for the latest onslaught of the drought (to be announced "officially" on March 20 if no rain were received), his state, as well as Piauí, Maranhão, Rio Grande do Norte, Pernambuco, and parts of Alagoas and Bahia, was afflicted with a flooding superabundance of water. The monumental earthen dam at Orós, Ceará, a-building off and on since 1919, was filled with 600 to 800 million cubic meters of water during the two weeks or exactly four years ahead of the engineers' estimate. Overflowing and washing out a large section of the dam (no spillways had yet been provided for), the waters caused the flooding of the Jaguaribe Valley and the complete evacuation of several towns and cities in the valley. The Orós disaster, after five days of futile struggle to avoid the overflow, was the most dramatic but certainly not the only tragedy. In Pernambuco alone, over 300 dams were destroyed and vast numbers of bridges were washed out. Innumerable communities and areas were completely isolated and/or flooded by the rampaging waters. The eroding effect on the limited amount of top soil was also a great loss.

Assisting the State and Federal relief operations, the U. S. provided for (1) an airlift by four C-124's, shuttling between the South and Fortaleza, (2) medicines, food, and helicopters from the U.S.S. GLACIER (one helicopter crashed during the operation), (3) two large cargo helicopters to airlift supplies to the interior, (4) a typhoid innoculation program by Navy team flown in, and (5) a C-47 that airlifted supplies to isolated interior cities in Pernambuco. A Russian offer, made after U. S. crews were on the job, of a hospital plane and helicopter to Ceará was not accepted by Brazilian authorities.

In Ceará, seeds and hand tools, as well as emergency rations, clothing, etc., have been flown in to the area in an attempt to get the refugees back onto their land and planting commenced while the moisture lasts.

III. AGRICULTURE

A. Brucellosis Census

The results of a recent study conducted by ETA ("Escritorio Tecnico de Agricultura") of the dairy herds supplying the Recife



area were announced on March 26. Among other interesting details for the local connoisseur of fresh dairy products was the cheery news that 74% of the cows were afflicted with brucellosis. The ETA spokesman went on to say that their Project 20 will be shortly launched to attack such dairy and health hazards.

COMMENT: Project 20 is one of the programs being carried out with USOM/Brazil assistance.

B. Pernambuco Sugar Production

Total production for the 1959-60 Pernambuco sugar crop is now being estimated at 15 million bags (60 kilo), a new record, if the rains do not interrupt the cane harvest too much.

C. Pernambuco Agricultural Storage Program - CAGEP - Criticized

When asked by one of the 37 mayors with whom he was conferring on March 30 about when the large and expensive silos in his city (Arcoverde) would be put into operation, Pernambuco Governor Cid Sampaio shocked his listeners by classifying the whole CAGEP (Companhia de Armazens Gerais do Estado de Pernambuco) program as a "white elephant". CAGEP, a mixed economy corporation for the construction of silos and agricultural storage bins, was, according to the Governor, an expensive, impractical program bought by the previous administration but being paid for by his government. He further related that United Nations technicians had advised against the type of proposed storage facilities and the manner of financing them.

COMMENT: The imposing silos and warehouses of CAGEP dotting the interior had been considered as one of the symbols of progress for the State. Members of the PSD opposition and CAGEP officials were quick to defend the program and counterattack that lack governmental help was hampering its fulfillment.

IV. FISHERIES

A. Japanese Fishing Operations

It is now estimated that there are 55 Japanese fishing vessels operating off Brazil's Northeastern hump fishing for tuna. Ranging in size from 80 tons to 800 tons, they are becoming an increasingly sore subject for the semi-mechanized Brazilian fishing industry. Presently only one of the vessels operates from Brazilian ports. The Nipon-Reizo participation in the INBRAPE (Industria Brasileira de Pesca e Frios S/A) operation in Recife is also being scrutinized by a commission of the Ministry of Agriculture and Fisheries who arrived in Recife during March. Critics report that



the Japanese boats are continually being switchedto avoid the nationalization of the boats as their contract requires and that Brazilian fishermen hired by the Japanese as trainnees (also under the terms of the agreement) are discharged as they approach the proficiency required for the mastery of modern fishing techniques.

V. TRANSPORTATION AND COMMUNICATION

A. Highway Modernization Program

On March 11, Pernambuco's Governor Sampaio signed an agreement with The West Indies Mortgage and Trust Company of Vaduz, Liechenstein, for a fifteen million dollar highway improvement loan. The loan will be prepaid within five to ten years. The highway program, starting with three projects (two roads to interior, one coastal road to Maceió), will be performed by the men and equipment of B. B. McCormick & Sons, Inc., a road construction company headquartered in Florida. The projected road improvements will be completed within two years.

COMMENT: It is understood that the West Indies Mortgage and Trust is an investment company for U. S. union funds.

VI. LABOR

A. Proposed Labor Congress

On March 11, 1960, union spokesmen announced that a regional labor conference would be held in April, which will bring together in Recife the principal labor leaders of Brazil's North and Northeast. Invited guest speakers include President candidate Lott, Vice President Goulart, and Governor Brizolla of Rio Grande do Sul.

COMMENT: At the writing of this despatch the conference has been postponed for a variety of reasons. It was noted that sub-topic number 2 under the topic "Defense of National Sovereignty" scheduled to be debated, was the "Confiscation of the Pernambuco Tramways".

B. Labor Trends

The 2,500 workers of the Belgian owned textile mill at Moreno, Pernambuco, threatened to strike in order to receive their back pay (to August) of the new minimum wage granted them. The Cia. Texteis de Moreno was not anxious to shell out the required Cr$12 million.

The Teachers Union accepted, on March 27, wage increases for its members ranging from 35 to 40%.



The Bakery workers requested an 80% raise; bakery owners countered with a 10% offer.

The Sugar Workers Union has requested a 60% wage jump.

The stevedores, with the last minute intervention of Pernambuco Governor Sampaio on March 8, won a 30% wage hike.

VII. INDUSTRY

A. Aqui Bacardi - Now in Recife

The famed Cuban house of rum, Bacardi, laid the foundation stone for a new distillery in Recife. Bacardi spokesmen reported that more than six million dollars will be invested in four units of production - rum, molasses, dry ice, and carbonic gas. Bacardi hopes for partial completion of what is described as a "show piece distillery" by November, 1960, when initial production will begin. The Recife operation will be Bacardi's third foreign investment (Puerto Rico and Mexico).

COMMENT: The Consulate has already issued transit visas to two of the better local bartenders who have been shipped to Cuba by Bacardi to learn the secrets of mixing Bacardi drinks.

VIII. FINANCE

A. Money Market Eases

A banking source reported in March that the money market had eased considerably during 1960 and that most banks in the Northeast have had a considerable increase in their deposits. It is predicted that the money market will tighten in April and May as tax payments fall due and the negotiation of the "Banco do Brazil" notes becomes more pronounced. To date, a large volume of export exchange has been sold on the local market.

B. Federal Government Threatens The Bonus "BS"

As a part of the preparation for the industrialization of Pernambuco and the founding of the 30 million dollar synthetic rubber plant, the State Government instituted a 0.5% "forced savings" sales tax. To make the tax more appealing, a portion of the revenue was set aside for a public lottery. On March 17, the first drawing was held with appropriate ballyhoo and a merchant (earning Cr$15,000 per month) won a million tax free cruzeiros. Everyone was delighted until on March 22 a telegram was received from the Federal "Servico de Loteria" (Lottery Branch) of the "Ministerio da Fazenda" ordering the immediate cessation of this "BS" (borracha



sintética - synthetic rubber) lottery as being contrary to Federal law and control. The State immediately replied that the Federal "Diretoria das Rendas Internas" (Internal Tax Division) of the same "Ministerio da Fazenda" had been appropriately advised and that the lottery would continue. The future of the lottery remained in doubt, but Governor Sampaio said this fiscal system for industrialization of the State would not be altered one millimeter; "only cannons and force could make Pernambuco stop or change its course."

IX. INVESTMENT CLIMATE

Pernambuco Tramways (Continued)

The City of Recife, in a letter from Mayor Arraes to the Governor of Pernambuco, has made a strong plea that the "to-be-defunct" Pernambuco Tramways be turned over to the municipality. The city is already organizing a company for this job plus handling the new trolley bus system which is now being installed. Meanwhile, the State authority, Dr. Lael Sampaio, Secretary of Transportation and Public Works, denied rumours that preparations were being made for an immediate take-over of the Tramways. Dr. Sampaio noted that the Tramways concession will terminate on July 17, 1962 (via the famed "reversion clause") and only at that time will the American and Foreign Power lose another subsidiary. At the present time, a team of accountants and engineers, Federal and State, are examining the Tramways properties and accounts, but, according to Dr. Sampaio, the State will require the period of more than two years to settle all accounts, prepare for the eventual disposition and/or management, etc.

X. SOCIO-ECONOMIC

A. SUDENE

On March 18, the "Superintendencia do Desenvolvimento do Nordeste" (SUDENE) and the Ministry of Agriculture signed an agreement for the spending of Cr$112 million in projects and studies in the Nordeste. The various projects include the utilization of the interior "humid valleys" for production of foodstuffs, irrigation system emanating from the Rio São Francisco, geologic research in an attempt to locate minerals of industrial importance, and an agricultural colonization pilot project for Maranhão.

SUDENE also announced on March 16, that steps (financing additional generating capacity) had been taken to solve chronic electricity shortages in Fortaleza, Terezina, and Parnaíba, and that the transmission lines of CHESF would be extended to Rio Grande do Norte. A plan to spend Cr$5 billion for the re-tooling and rebuilding of the depressed area textile industry within the next few years was also projected.



However, on March 30, Celso Furtado, SUDENE director, said that the area floods and the Orós disaster in Ceará may delay all of SUDENE's glittering plans for, perhaps, several years.

A French technical mission arrived in March to assist SUDENE. Three French technicians will conduct a survey of the supply, distribution, and marketing of foodstuffs in the area.

B. Land Reform

In the backyard of the "Ligas Camponesas", radical land reform organization, a traveling priest from Porto Alegre said the church must defend agrarian reform in order to combat social injustice. Dom Edmundo Luiz Kunz, speaking at the University of Recife on March 20, called for the church to be a third force between socialism (state possession of the land) and "economic liberalism." Dom Edmundo noted that 11 million Brazilians work on farms owned by 149,000 "ultra rich" proprietors who possess 75% of the national agricultural resources. The Church, according to Dom Edmundo, must return to the role it occupied for centuries as the guardian of the small farmer. Both communism and the Church believe that the rural areas and landholdings must serve a social function, but the State, through socialism, could never give the small landholdings the legitimate social functions required.

C. First Electrical Cooperative

Itacuruba, a small Pernambuco town on the edge of the Rio São Francisco proudly announced that their electrical cooperative society would be launched shortly. Working for two years with the aid of Federal and OAS technicians, the Itacuruba co-op is the first of its kind in the NE.

D. "Ligas Camponesas" - Next?

Two neighboring Pernambuco sugar plantations have reported threats by their tenant farmers and the "Ligas Camponesas" to take over their holdings. The "Diario de Pernambuco", on March 6, related that the 300 tenant farmers and their families headed by a communist, Manuel Luna, and one Felicio Inacio, would have already taken over the Engenhos of Pindobal and Malemba had it not been for firm and fast police action displayed by the State Government. The situation was described as still tense as the workers went on a sit-down strike.

E. Proposed Agricultural Reform - Alagoas Style.

On March 4, it was reported that Governor Muniz Falcão of Alagoas had approached the Bank of Brazil in an effort to purchase the financially foundering "Usina Brasileiro", a 21,000 hectare sugar



plantation and mill, for a payment of Cr$400 million. A "mixed economy corporation" would be formed to cut 15,000 hectares into 15 hectare lots. The other 6,000 hectares will be reserved for forestation, irrigation, roadways, etc. The individual properties would maintain seven hectares in sugar cane, the other acreage being left for other diversified food crops. The lots would be sold for Cr$20,000 on long term payments. The State will sell up to 49% of the shares of the proposed corporation with the new landholders getting first crack at the shares.

XI. POLITICO-ECONOMIC

A. CHESF Director Fired

The Companhia Hidroelétrica do São Francisco (CHESF), mixed economy power utility (Paulo Afonso Dam) and giant of the Northeast, was startled to find that its director and guiding hand for 18 years had been fired. Marcondes Ferraz, a man highly respected in this area, was handed his walking papers on March 16 when it was learned that Federal Deputy Celso Murta was to be named Technical Director by President Kubitscheck. Snr. Murta was formerly a Highway Commissioner under Governor Kubitscheck in Minas Gerais. Marcondes Ferraz, a supporter of Janio Quadros, was also found guilty of writing a letter to the Paraguayan Foreign Minister requesting hospitable treatment for the rebels of Aragarças following their futile December revolt.

COMMENT: "Nordestinos" looked upon the dismissal of Ferraz as a body blow to the expansion plans of the electrical utility to supply electricity to more NE communities.

XII. MISCELLANEOUS

A. Renewal of Monthly Economic Summary

During the absence of the reporting officer on home leave and temporary duty at another post, it was impossible for the Consulate - because of the pressing work load and manpower shortage - to compile this monthly summary. It is now hoped that the Summary can be reported regularly again; however, no guarantees are being issued because the post is still without the services of one officer. The succeeding principal officer is not scheduled to arrive until "late August" which means that reports such as this automatically become "weekend affairs."

B. Statistics

Attached, as Enclosures 1, 2, and 3, are various statistics regarding exports from Recife, the leading harbor of the Northeast,



and comparisons of living costs 1958-1959 and 1948-1959 for "middle-class" Recife families.

Edward T. Walters
American Vice Consul

Enclosures: No. 1 - Exports of Castor Oil by the Port of Recife During 1959.
Exports of Pineapples by the Port of Recife During 1959.
Exports of Sisal by the Port of Recife During 1959.
Exports of Lobsters by the Port of Recife During 1959.
No. 2 - Comparison of Cost of Living of the Middle-Class in Recife, 1958-1959.
No. 3 - Comparison of Cost of Living of the Middle-Class in Recife, 1948-1959.

ETWalters/dvs

Copy for American Embassy, Rio de Janeiro, Brazil.

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EXPORTS OF CASTOR OIL BY THE PORT OF RECIFE DURING 1959

Destination	Quantity Kilos
United States	8,203,581
France	3,061,655
England	750,900
Canada	501,419
Holland	170,000
Uruguay	4,483
Total Exports	12,691,138
Domestic Shipments	106,681
Grand Total	12,797,819
Comparing with previous year (1958)	15,346,536
Difference for less	2,548,717

EXPORTS OF PINEAPPLES BY THE PORT OF RECIFE DURING 1959

Destination	Quantity Kilos
Argentina	7,193,500
Germany	1,288,000
Holland	270,000
England	31,000
United States	26,000
Total Exports	8,808,500
Comparing with previous year (1958)	9,882,000
Difference for less	1,073,500

(Source: Weekly bulletin No. 6, 1960, from "AssociaçÃo Comercial de Pernambuco, Recife, Brazil.)

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EXPORTS OF SISAL BY THE PORT OF RECIFE DURING 1959

Destination	Quantity Kilos
Poland	2,062,724
Norway	461,999
United States	426,831
Argentina	416,246
Holland	321,456
Uruguay	226,881
Germany	215,858
Italy	150,202
France	145,619
Belgium	50,234
Denmark	50,208
Chile	50,207
Total Exports	4,578,465
Comparing with previous year (1958)	4,593,463
Difference for less	14,998

EXPORTS OF LOBSTERS (LOBSTER TAILS) BY THE PORT OF RECIFE DURING 1959

Destination	Quantity Kilos
United States	239,635
Comparing with previous year (1958)	188,442
Difference for more	51,193

(Source: Weekly Bulletin No. 13, 1960, from "Associação Comercial de Pernambuco, Recife, Brazil.)



Page One of
Encl. No. TWO
Dsp. No. 283
Fm Recife, Brazil.

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(Classification)

COMPARISON OF COST OF LIVING OF THE MEDIUM CLASS IN RECIFE, 1958-59.

Types of Expenses	Index Numbers		Expenses in Cruzeiros		Difference	
	1958	1959	1958	1959	1958-59	%
Food	100.00	121.41	88,177.05	107,058.12	18,881.07	10.33
Housing and light	100.00	112.84	22,752.76	25,675.24	2,922.48	1.60
Clothing	100.00	118.79	12,574.45	14,936.94	2,362.49	1.29
Education	100.00	130.58	8,049.15	10,510.29	2,461.14	1.35
Health	100.00	129.36	8,983.01	11,620.75	2,637.74	1.44
Hygiene	100.00	119.93	3,071.38	3,683.80	612.28	0.33
Cleaness	100.00	123.31	3,243.48	3,999.46	755.98	0.41
Fuel	100.00	137.49	4,884.61	6,715.76	1,831.15	1.00
Transportation	100.00	129.14	3,817.06	4,929.45	1,112.39	0.61
Entertainments	100.00	144.01	4,925.07	7,092.62	2,167.55	1.19
Services	100.00	133.91	15,561.22	20,838.21	5,276.99	2.89
Others	100.00	127.65	6,749.43	8,615.89	1,866.46	1.02
T o t a l s	100.00	133.46	182,788.81	225,676.53	42,887.72	23.46

Source: "Departamento Estadual de Estatistica", Recife, Pernambuco, Brazil.

UNCLASSIFIED

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Fwd. ONR
Ref. No. Supra
Dep. No. 88
From Recife, Brazil

UNCLASSIFIED
(Classification)

COMPARISON OF COST OF LIVING OF THE MEDIUM CLASS IN RECIFE, 1948-1959.

Types of Expenses	Index Numbers		Expenses in Cruzeiros		Difference	
	1948	1959	1 9 4 8	1 9 5 9	1948-1959	%
Food	100.00	544.13	19,675.10	107,058.12	87,383.02	191.25
Housing and light	100.00	292.59	8,775.16	25,675.24	16,900.08	36.99
Clothing	100.00	422.92	3,531.86	14,936.94	11,405.08	24.96
Education	100.00	515.65	2,038.34	10,510.29	8,471.95	18.54
Health	100.00	502.38	2,313.14	11,620.75	9,307.61	20.37
Hygiene	100.00	465.35	791.62	3,682.80	2,892.18	6.33
Cleaness	100.00	485.10	824.46	3,999.46	3,175.00	6.95
Fuel	100.00	601.76	1,116.02	6,715.76	5,599.74	12.26
Transportation	100.00	454.13	1,135.43	4,929.45	3,793.97	8.30
Entertainments	100.00	505.77	1,402.34	7,092.62	5,690.28	12.45
Services	100.00	749.01	2,782.10	20,838.21	18,056.11	39.52
Others	100.00	660.10	1,306.24	8,616.89	7,310.65	16.00
T o t a l s	100.00	493.92	45,690.86	225,676.53	179,985.67	393.92

Source: "Departamento Estadual de Estatistica", Recife, Pernambuco, Brazil.

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

389
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 22, 1960
DATE

REF : CERP C - General Interest

SS
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ACTION DEPT. COM-12
REC'D 4/27
INFO OTHER USIA 11 OSD-2 Army-35 Navy-20 Air-30

SUBJECT: Biweekly Economic Review (April 8 - 21, 1960) CIA-16 OCB-2 FRB-3 AID-4 AEC-9 FAA-5 CAB-6

Starting with this despatch the Consulate General's Economic Review is placed on a biweekly instead of a weekly basis.

Index

1. Three Million Dollars Extra Foreign Exchange Sold
2. Volkswagen Exports Delayed
3. Pure Uranium Produced in São Paulo
4. Petrobras Drills For Oil in State of São Paulo
5. Labor Dispute in Santos
6. São Paulo State Trade Union Convention
7. Telephone Service for Viracopos International Airport

1. Three Million Dollars Extra Foreign Exchange Sold (UNCLASSIFIED)

During the third week in which foreign exchange in the general import category was sold under SUMOC Regulation 193, in addition to the amount offered at the auctions, an additional sum of US$3.13 million was bought by São Paulo importers at the new ceiling of Cr$223 a dollar. This compares with an excess of US$1 million sold during the second week, and of US$300 thousand during the first week. The press interprets this heavy buying as a sign that importers in São Paulo do not believe that the present system instituted by Regulation 193 will be continued for any length of time. The press also feels that if the heavy buying continues, that in itself would force the authorities not only to annul the procedure established by Regulation 193, but also to reduce the amount offered at the normal import exchange auctions, because foreign exchange earnings have been insufficient to cover current requirements.

2. Volkswagen Exports Delayed (UNCLASSIFIED)

Exports of KOMBI combination delivery van panel trucks to the United States by Volkswagen do Brasil (see despatch 281, February 12, 1960) were held up temporarily through a delay in the issuance of the export license. This delay was caused by press comment questioning the advisability of effecting exports at a price (US$1,295 c.i.f.) much lower than the car was selling for on the

Cahn:Shea:Perkey:Ventura/dd
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domestic market. Volkswagen expects that the export license will be issued soon, because most of the reduction in price is due to consumption and sales tax exemption on the exports (see despatch 385 of April 19, 1960).

3. Pure Uranium Produced in São Paulo (UNCLASSIFIED)

According to press reports representatives from the National Research Council and the Atomic Energy Institute of the University of São Paulo reported to Governor Carvalho Pinto that atomically pure uranium is being produced in São Paulo, at a pilot plant having a capacity of 250 kilos a month. The report further stated that the capacity of the pilot plant would be expanded to one metric ton a month.

(OFFICIAL USE ONLY) Comment: Prof. Marcelo Damy de Souza Santos told a member of the Consulate General that American authorities are familiar with the operation. He said the operation actually consists of purifying residues from Monazite sand processed by the São Paulo firm Orquima, and that these residues consist of approximately 80 percent sodium uranate. He added that the process has no immediate commercial significance because the atomic reactor in São Paulo operates on enriched uranium.

4. Petrobras Drills for Oil in State of São Paulo (UNCLASSIFIED)

Petrobras, the government petroleum monopoly, has set up an oil drilling rig near the town of Paraguaçu Paulista, some 250 miles west of the City of São Paulo, near the border of the State of Paraná. After drilling through calciferous and rock formations, the drill struck a basalt layer some 1,500 feet deep. Petrobras technicians estimate they will drill for six to eight months, to a depth of 12,000 feet. They hope to find a schist and sandstone bed which might lead to the discovery of petroleum.

5. Labor Dispute in Santos (UNCLASSIFIED)

Over-the-road transport in the large Port of Santos was tied up for approximately two weeks as a result of a jurisdictional dispute between warehousemen and trucking companies. The warehousemen are claiming exclusive jurisdiction over the unloading and storing away of goods coming into Santos by truck. The trucking companies which stand to lose considerable revenue if they give in to the demands of the warehousemen are insisting that their drivers and helpers be allowed to unload the trucks. During the first few days of the dispute a number of acts of violence were reported. Roving bands of warehousemen attacked and severely damaged several trucks, and manhandled drivers attempting to unload. However, heavy police and army detachments were assigned to the Port, and no new incidents of violence have been reported. Reports from Santos indicate an agreement settling the dispute was reached on April 21, and that trucks are now being unloaded. Details are not yet available.

Comment: Shipping was affected. Many foreign ships left without picking up consignments brought into Santos by over-the-road transport. The Port was

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becoming rapidly congested, and eight ships were anchored outside the bar awaiting berthing facilities. Shipments brought into Santos by rail were not affected.

6. São Paulo State Trade Union Convention (OFFICIAL USE ONLY)

Some 1,500 delegates from approximately 20 federations and 250 local unions are expected to attend a statewide labor convention April 27-May 1. The convention is being sponsored by the São Paulo State Trade Council, and will be held in the Oberdan Theater in the heart of the industrial section of the city. The delegates will discuss and debate pending federal legislation which would liberalize the right to strike and revise the existing social security system. Other subjects on the agenda include revision of the minimum wage, enforcement of the labor laws, and problems of workers in Brazil's underdeveloped economy.

The AFL-CIO and ORIT have been invited to send delegates, and have informed Dante PELLACANI, Secretary General of the CST, that they will be represented at the convention. David Sternback, Associate Inter-American Representative, has been designated as AFL-CIO representative. The composition of the ORIT delegation has not yet been made public.

The President of the Republic, Juscelino Kubitschek; the Vice-President, João Goulart; and the Governor of the State of São Paulo, Carvalho Pinto; have all been invited. Informed labor leaders believe the latter two will address the convention.

Local unions and federations under left-wing influence are expected to send large delegations, and to push for the adoption by the convention of leftist resolutions such as the expropriation of foreign corporations in public power, communications, meat packing and banking. Conservative trade union leaders, however, believe they will be able to squelch these resolutions.

Comment: Past experience, however, has shown that the tight well-knit alliance of left-wing unions has usually been able to jam through their own resolutions. The convention takes on a special significance because with the removal of the capital to Brasilia, São Paulo becomes the most important state in the Brazilian Trade Union movement.

7. Telephone Service for Viracopos International Airport (UNCLASSIFIED)

Governor Carvalho PINTO has authorized the expenditure of approximately 19.5 million cruzeiros for the installation of a temporary telephone system at Viracopos International Airport. The proposed installation will include a 101 pair cable to Campinas and a telephone switchboard (PBX) with 15 trunk lines and 70 extensions at the airport, as well as 2 direct lines for emergency use by the airport administration office.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

1029
DESP. NO.

April 25, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

APR 27 1960

REF : CERP C-1

SJAE 7 EUR-2

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ACTION REC'D 4/28

INFO DEPT. REP-1 IRC-15 ICA-11 E-6 ARA-5
OTHER USIA-16 OSD 2 Army-35 Navy-20 Air-20
CIA-16 OCB-2 TR-2 FRB-3 NSC-4
FCC-1 AEC-1

SUBJECT: ~~BI-WEEKLY ECONOMIC REVIEW No. 1 (April 9-22 incl.)~~

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9. Highway and Communications Links to Brasilia
10. Paving of Rio de Janeiro-Bahia Highway
11. Developments in Brazil-USSR Trade
12. Polish Offer of Steel Mill Reported
13. Brasilia

* * * *

832.00/4-2560

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MAY 19 1960

LWS

1. New Labor Minister Named:

Batista Ramos, Federal Deputy from the State of São Paulo, was sworn in as Minister of Labor, Industry and Commerce on April 19. The ceremony was attended by the outgoing Minister, Fernando Nóbrega, Deputy Ivete Vargas and many of the leading labor figures of Rio. In his acceptance speech, Ramos promised improvements (unspecified) in the laws relating to the right to strike, social security, improved administration of the Labor Department, etc. He also spoke of the need to separate the commerce and industry functions of the Ministry into a separate Ministry. (UNCLASSIFIED)

Comment: Electoral needs and pressure from Vice President Goulart finally caused President Kubitschek to assent to the removal of Nóbrega, who will probably continue only for a short time as Acting Minister of Agriculture (WFR, no. 15).

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Labor affairs have been privately estimated by the Labor Minister to occupy 80% of his time. The separation of labor functions from industry and commerce functions would enable the Labor Minister to devote full time to labor matters. It would also mean that commerce and industry would get more attention than is possible under the present organizational arrangement. (OFFICIAL USE ONLY)

2. Brazil Produces Pure Uranium:

The Institute of Atomic Energy, University of São Paulo, has announced the production of "atomically pure" uranium in small quantities by means of a method claimed to be original. According to the announcement, (a) a pilot plant, constructed entirely from Brazilian resources, has been in operation for four months; (b) a large plant with a monthly production capacity of one ton (sic) is expected to be in operation within a few months; and (c) the first Brazilian-constructed research reactor using the locally-produced fuel is anticipated by the end of the year. The news was given preminent coverage in the press, and Governor Carvalho Pinto dispatched a special message to President Kubitschek hailing the feat as evidence that Brazil was now among the vanguard of nations in the field of atomic energy. (UNCLASSIFIED)

Comment: The Embassy is inquiring of the Nuclear Energy Commission concerning actual details of the claims made in the Institute's announcement. (UNCLASSIFIED)

3. Coffee:

April coffee exports through the 18th amounted to 620,467 bags as against 830,697 bags for the same period in 1959. This brought exports for the 1959/60 crop (July 1, 1959 - April 18, 1960) to 14.4 million bags, or about 2.1 million bags more than during the previous corresponding period.

The IBC estimated the 1960/61 coffee crop to be more than 27 million bags. (UNCLASSIFIED)

4. BNDE Guaranty of World Bank Loan:

According to the press the Banco Nacional de Desenvolvimento Economico (BNDE) has finally given its guaranty of the IBRD loan of $11.6 million to the Brazilian Traction Co. of Canada. This loan was approved by the IBRD in June , 1959, and is intended to increase the power production of Brazilian Traction plants for

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Rio and São Paulo. Execution of this loan will in part replace an IBRD commitment made in 1952 for power projects in the State of Rio Grande do Sul which was cancelled at Brazil's request.
(UNCLASSIFIED)

5. Issuance of Paper Money:

According to the press the Government issued Cr$1,800 million in paper money during the first half of April bringing total currency issued to Cr$156,412 million. This is the first currency issuance of 1960 and is attributed by the opposition press to expenses related to the move to Brasilia. (UNCLASSIFIED)

Comment: Sources in the Bank of Brazil confirm this issuance of currency. It should be noted that during the first four months of 1959 Cr$3 billion of paper money was issued, practically all of it in April.

The event is significant as the first currency issue of the year. Not all the blame can be placed on Brasilia since the Government has been opening special emergency credits for the Northeast and is continuing its general development efforts.
(OFFICIAL USE ONLY)

6. Foreign Exchange Auctions:

No exchange auctions were held during Holy Week. Regular auctions were resumed on April 19 and in both Rio and São Paulo the average agio for dollars in the general category was Cr$223 to the dollar. This was also the price set for the sale of dollars beyond the amount initially offered at auction. In Rio importers purchased an additional $1,069,000 and in São Paulo $3,130,000, a total of $4,199,000 over the $3,570,000 offered and sold at the regular auctions. (UNCLASSIFIED)

Comment: These excess sales appear too large to be attributed to the omission of auctions during the previous week or the very slightly lowered price. They are also much greater that the two previous extra-auction sales held since the adoption of SUMOC Instruction 193. This suggests that importers are resolving their initial indecision in the direction of purchasing all the dollars they can afford. The Bank of Brazil has issued no comment and presumably is still waiting for tightening credit to halt these purchases but it may soon have to decide whether it can afford to continue this extra-auction system. (OFFICIAL USE ONLY)



7. Free Exchange Market:

The cruzeiro remained steady in the free exchange market during the period April 11 through April 22. Quotations ranged from Cr$189.00 to Cr$190.50 (check buying), approximately Cr$1.00 below the quotations of the preceding week. (UNCLASSIFIED)

8. Contract for Two Yugoslav-Built Passenger Vessels:

Following shortly upon the contract with Spanish shipyards for the construction of two ships with accomodations for 550 passengers for the coastal services (WER 15, April 11), the Minister of Transport has announced the signing of a contract for the building of two more ships with the same general characteristics by Yugoslav yards. Propulsion equipment is to be supplied by Burmeister and Wain of Denmark. Payment for the ships, which are to be delivered within 18 months, will be made through the 1958 Brazilian-Yugoslav payments agreement, with 35 percent of the total cost of $11 million dollars to be paid during construction and the remaining 65 percent within three years after delivery of the ships. At the same time the Director General of the Naval Arsenal in Rio announced that discussions were going with the Transport Ministry and Merchant Marine Commission concerning the possibility of construction by the Arsenal of smaller passenger ships to be employed between the smaller, shallower-draft Brazilian ports. (UNCLASSIFIED)

Comment: The Embassy understands that the chances are good that the Arsenal will obtain an order for two ships; it has been pressing for some time to participate in the shipbuilding program. The distribution of orders among the Spanish yards, Yugoslav yards and now possibly the Arsenal represents, the Embassy has been informed, a more or less personal decision by Transport Minister Amaral Peixoto who intended originally to order only three of the large passenger vessels but considered the Yugoslav offer for two so good as to warrant the increase in the original program. (OFFICIAL USE ONLY)

9. Highway and Communications Links to Brasilia:

On Sunday, April 17, Transport Minister Amaral Peixoto presided over the inauguration of the Belo Horizonte-Brasilia Highway (BR-7), and a few hours later President Kubitschek in Rio and NOVACAP President Israel Pinheiro in Brasilia, by means of a telephone conversation, formally marked the beginning of service via the micro-wave relay system between the two cities. The highway between the Minas Gerais capital and the new federal

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capital, which covers nearly 750 kilometers and is completely paved, was constructed in two years at the rate of one kilometer per day. At Belo Horizonte the highway joins BR-3, which continues on to Rio de Janeiro. The new road provides the best and most direct service to Brasilia from the coast; the approaches from Santos via São Paulo are longer and are not completely paved in the Minas Gerais and Goias sectors.

At present the installation--by RCA International--of 60 Rio-Brasilia voice channels (of an eventual total of 120 to be attained by the end of this year) is completed, but insufficient terminal facilities in Brasilia limit the actual number of functioning channels to a fraction of this figure. The microwave system is supplemented by short-wave radio facilities which provide at present eight voice channels. (UNCLASSIFIED).

Comment: Strenuous efforts are underway to improve the still somewhat precarious telecommunications service and to remedy the principal deficiencies, but it will be some time before it will be possible for the average person to communicate easily with the new capital. (UNCLASSIFIED)

10. Paving of Rio de Janeiro-Bahia Highway:

President Kubitschek has signed a law opening a credit of 7 billion cruzeiros, valid for three years, for the paving of the Rio de Janeiro-Bahia highway (BR-4). In an April 19 message to the Governors of Minas Gerais and Bahia, the President stated that he had given orders that the paving should proceed at an accelerated pace. Work is to start simultaneously at Leopoldina in Minas and Feira de Santana in Bahia; the Rio de Janeiro-Leopoldina and Feira de Santana-Salvador segments of BR-4 are already paved. The paving of the highway has been a long-held goal of the communities along this very important north-south line of communications. (UNCLASSIFIED)

11. Developments in Brazil-USSR Trade:

The press reported that the Brazilian Executive Commission in charge of trade with the USSR, recently designated CEBRUS (Comissão Brasileira de Intercâmbio de Produtos do Brasil e da União Soviética), is meeting weekly at Itamaraty to formulate concrete plans for trade under the agreement signed December 9 in Moscow. It is still expected that the first shipment of 30 thousand tons of Russian wheat will arrive in July to be followed by 70,000 tons in August and 50,000 tons in September, thus accounting for the 150,000 ton quota agreed upon (WER 13).

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The Russian Executive Commission, headed by Sergei Chenchikovsky of the Soviet Ministry of Foreign Trade, was scheduled to arrive in Rio de Janeiro on April 25 for a meeting with CEBRUS. Expected duration of the visit has not been announced. (UNCLASSIFIED)

12. Polish Offer of Steel Mill Reported:

One newspaper article from São Paulo reports that President Kubitschek "will respond favorably" to a Polish offer of a steel mill to be sold to Brazil. The article states that the Polish Vice-Minister for Foreign Trade, during the recent visit of the Polish Trade Mission to Brazil (WER Nos. 11, 12 and 13), offered to sell a steel mill, annual capacity of 150-250 thousand tons, valued at some $30 million. Payment terms would be for eight years, the first payment to be made only after four years. Purchase and operation of the mill by the Brazilian government or by a mixed government-private corporation were suggested in the absence of interest on the part of private companies. The state of Santa Catarina was suggested as a possible location for the mill. (UNCLASSIFIED)

13. Brasilia:

The outstanding event of the biweekly period was the inauguration on April 21 of the new capital, Brasilia, and the simultaneous creation of another Brazilian state, Guanabara, replacing the former Federal District with the city of Rio de Janeiro as capital. It was officially estimated that some 400,000 persons, including invited dignitaries and high-ranking guests, attended the inaugural ceremonies. The press reported that food and lodging, other than that provided by NOVACAP for guests of the Government, were at a premium, further increasing the already inflated prices prevailing in Brasilia. Two events of economic significance linked to the transfer of the capital were the inaugurations of the new Belo Horizonte-Brasilia highway (see item 9) and of Fábrica Nacional de Motores' 95 HP passenger car, the "JK" (WER no. 13), advertized as "the best car in Brazil". (UNCLASSIFIED)

For the Ambassador,

Approved:

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

LeRoy E. Colby

LeRoy E. Colby,
Economic Officer.

Contributors:

JHFishburn - Item 1
HWWells/JHCrimmins - Item 2
LXallouz - Item 3
RGWalker - Items 4,5,6,7
JHCrimmins - Items 8,9,10
GSPierce - Items 11,12
LEColby - Item 13

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SAO PAULO — 393 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — April 26, 1960 DATE

REF : CERP - Section D, Item II-A-2, and despatch 541 of April 28, 1959

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ACTION ARA-4

REC'D 5-4-60

INFO DEPT. AMB S RAFI ECS E J ECN 4 INT TAR

OTHER CIA 10 NSA 10 IRS FRB-3 TREA 4 BAEC AEC

SUBJECT: Votorantim Report Again Knocks Foreign Investment and Credit Restriction

In the annual report to the shareholders of the Sociedade Anonima Industrias Votorantim Mr. José Ermirio de Moraes, president of that organization, repeats the views he expressed a year ago against foreign investments and credit restrictions (see despatch 541 of April 28, 1959).

The following are some of the remarks made in the present report:

"Fortunately Decree 42,820, confirmed by SUMOC (Superintendency of Money and Credit) on February 25, 1960, somewhat altered the infamous and unilateral Instruction No. 113§, which left a mark so deep on the country that it irreparably affected its basic economic structure. Even that decree itself left a small margin for continuing the harmful action of that type of foreign financing which should be demoralized.

"No country with such prospects as ours needs to give favors to attract those who seek us. Letting them establish themselves in our country, enjoying the same rights as the domestic investor, is itself a privilege. In this respect it is well to examine what takes place in other countries, whether in the industrial, commercial or banking field. Especially in the last mentioned, in which an urgent reform is needed in our country, so as to eliminate the abuse by many enterprises that utilize domestic capital and baptize it as foreign investment.

"In a country suffering from inflation granting credit, when reasonably controlled, is not harmful. Utilizing increased money circulation to create and foment basic domestic production is not an invention of ours, because Great Britain did it in 1790, the United States in 1850, Japan in 1890 and Germany after 1919."

The report also criticized the government action that permitted liquidation of the proceeds from most exports through the free exchange market, which it said permits fabulous profits at the expense of the domestic consumer. Cotton and castor oil are specifically mentioned in this connection.

§ Permitting imports of equipment as part of a foreign investment.

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The O Estado de São Paulo disregards most of the other remarks in the report and takes exception to the remarks against liberating exchange derived from exports. It points out that the cotton producer had previously been discriminated against, by an artificially low foreign exchange rate on exports that in effect held down prices below a just level. If this discrimination persisted, it said, it inevitably would have required price limitations on cotton textiles.

The Votorantim group comprises 42 different enterprises in a broad field of activity, and this in part explains its opposition to any measures that could affect its interests through increased competition or otherwise.

William P. Cochran, Jr.
Consul General

Source:

Report published in Correio Paulistano
of April 17, 1960.



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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

123 Braddock, Daniel M.
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FROM: Amcongen SÃO PAULO — NO. 282

TO: THE DEPARTMENT OF STATE, WASHINGTON. — DATE: May 25, 1962

REF: 1) São Paulo Despatch no. 11, July 3, 1958, subject: Visit to States of Mato Grosso, Goiás, and Interior of São Paulo
2) São Paulo Despatch no. 243, January 11, 1960, subject: Consul General

(65 For Dept Use Only)	ACTION	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	PER	IO	AID
	ARA 4			2	1							5	3	1		11
			OTHER	AGR 10	COM 10	FRB 3	INT 7	LAB 6	TAR 2	TR 2	XMB 2					
	REC'D 4/16			AIR 3	ARMY 5	CIA 10	NAVY 3	OSD 3	OCB	USIA 8	NSA 3					

SUBJECT: Visit to Mato Grosso — Visits Mato Grosso & Goiás

Summary

Main impressions gathered by the Consul General and 2 other officers from the Consulate General in São Paulo on a 4-day visit to the State of Mato Grosso from May 14 to May 18, 1962 were as follows: Mato Grosso is a huge under-populated, under-developed state in the heart of South America which has great possibilities for the absorption of immigrants, both Brazilian and foreign. There is mal-distribution of land and wealth, and the living for much of the population is poor and primitive, but nature is fairly bountiful, and hunger is not a major problem. State and municipal authorities hope that Mato Grosso will not be overlooked in the Alliance for Progress, and believe it could serve as an excellent place of resettlement for many thousands of families from the northeast of Brazil with benefit to all concerned. The main economic needs of the State are roads and electric energy, and of the cities visited, water works and sewers. Communism has little hold in Mato Grosso up to now. The Ligas Camponesas are making an attempt, with reportedly little success, to stir up unrest in some areas. The State Government is moderate, and the authorities and people contacted seemed very friendly toward the United States. The União Democratica Nacional is the strongest political party. There is much popular support still for Janio Quadros, a native of Mato Grosso.

Accompanied by Mr. Richard S. Sampson of the Political Section and Mr. Herman Jelinek of the Economic Section, the Consul General made a visit May 14 - 18 to the cities of Cuiabá, Corumbá, and Campo Grande

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R



in the State of Mato Grosso, which forms a part of the São Paulo consular district. Principal contacts were the authorities, civil, military and ecclesiastical, who received the Consulate General group very cordially, and seemed to appreciate the opportunity to show them and tell them of the accomplishments and the problems of Mato Grosso.

Cuiabá

In Cuiabá, the capital of the State, the Consulate General visitors were met at the airport by the Governor, Dr. Fernando Corrêa da Costa, the Archbishop of Cuiabá, Dom Orlando Chaves, the district army commander and the prefect of the city. The Governor was with the group during most of its stay in Cuiabá, and on the afternoon of their arrival met with them in his office and undertook to answer any questions. As this was the group's most important and closest contact in Mato Grosso, his views are set forth in some detail.

The Governor told the group: Mato Grosso has the largest reserve of good, unused agricultural land in Brazil. The mineral resources, particularly manganese and iron, are considerable; there is no coal or petróleum. The most pressing needs of the State are for more population (less than one inhabitant per square kilometer today), more roads, and more electric energy. The principal product is livestock, and the present production of rice, cotton, peanuts and coffee could be greatly expanded. It is the Governor's long-term aspiration to link the Amazon River system in the north to the Paraguay River system in the south to provide an interior transportation artery. The State actively encourages immigration, all law-abiding comers are welcome. For example, the Governor recently told the British Ambassador that Mato Grosso would be glad to receive immigrants from Kenya, but without their racist attitudes. Brazil and the United States need each other. Brazil has shown a lack of good judgment in its recent relations with the United States, and the United States has erred in giving too little attention to Brazil since the war. Mato Grosso wants Alliance for Progress help, particularly with its road construction program. The Governor expects to see Ambassador Gordon at a meeting in Urubupungá on May 26 and intends to ask the Ambassador to send a US survey team to Mato Grosso to help develop a realistic aid program for the State. As for local politics, Mato Grosso will elect 8 Federal Deputies this year and 2 Senators. There will be no extremists among them. The UDN is the predominant political party in the State at present and controls the governorship and most of the principal city governments. Dr. Fernando Costa is in his second term as Governor and appears to have close rapport with his people. Mato Grosso has been considerably disillusioned by its native son, Janio Quadros, but Quadros, who did much for the State during his few months as President, still has many adherents there. Quadros recently sent each State Governor a well-prepared documentation to remind him of what the Quadros administration had done for



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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE 45
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 5, 1960
DATE

REF : 1957 CERP - Section requirements: Section C, Item 1

5 For Dept. Use Only	ACTION REC'D 5/19	DEPT. REP-1 IRC-8 ARA-3 ICA-11 E-3
		OTHER CIA-10 TR-3 FRB-3 TAR-2 AB-6 AG-8 IAD-7 OSD-4 ARMY-6 NAVY-3 AMB-4 USIA-10 CL-4

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - April 1960

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Building Activity
5. Transportation and Communications
6. Finance
7. Labor

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SUMMARY

The weather has been reported favorable to agriculture, and good yields are anticipated. Sales reports are favorable, although higher sales volume is in part due to official measures taken to enforce payment of sales tax. Inflationary pressure reflected in rise in prices. State authorities and local exporters are seeking markets abroad for Rio Grande do Sul manufactures.

1. Agricultural Developments:

a. Wheat - The wheat problem about setting a minimum price for the current crop has now apparently been resolved. Although Minister of Agriculture Meneghetti has been ousted, the price levels set by him remain in effect, that is Cr$840.00 per 60 kilo of wheat, which should earn about 4 billion cruzeiros for this State. Flour mills will now speed up paper work in handling their wheat purchases, so that producers may look forward to payments from the Bank of Brazil.

b. Beef Supply - To prevent a shortage, or increase in prices to consumers, the local Meat Institute will control the export of 22,000 metric tons of beef, canned or otherwise, from this State, now authorized by CACEX. Meat packers have now started this year's slaughter operations to share in this exportation.

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c. Rice - Prospects for the current rice crop (which is estimated at 925,000 metric tons) continue to be favorable. However, the rice situation cannot be described as being favorable at the present time, according to IRGA. The most important problem facing local rice brokers is the question of the market price ceilings which are in effect in Rio de Janeiro and São Paulo. These prices are below those needed for profitable operations. However, rice brokers are selling to northern markets in excess of established prices and chancing any legal consequences.

d. Soybeans - If weather conditions continue favorable, a large soybean crop is expected this year. Estimates range from 200,000 to 250,000 metric tons, compared with about 130,000 metric tons in 1959, which should bring close to 4 billion cruzeiros for State producers. (This compares with wheat earnings see item (a) above.) Shift from wheat planting and price incentive are said to be responsible for this expansion. Rio Grande do Sul's present crushing capacity is estimated at 160,000 metric tons. An estimated 250,000 metric tons of soybeans probably will be used by crushing plants in 1961 because of construction of additional plants. Exports of soybeans will only be authorized by authorities after domestic consumption needs have been satisfied.

e. Tobacco - Although no figures are yet available, the State's tobacco crop is reported to be a good one, and that a great deal of money will be entering the State for tobacco purchases and good prices are expected.

f. Dutch Farmers - (Ref. Consulate's despatch No. 39, item 1, April 6, 1960). To study the possibility of economic development of the coastal area of this State, the Dutch engineers Mr. H. A. M. C. Dibbits, director of water and road services, Mr. Leendert Martinus Leupen, irrigation expert, and Mr. A. Francke, director of dredging operations and agriculture were scheduled to arrive in Porto Alegre on April 30 for a stay of six weeks. This study will include the possibility of establishing Dutch farmers in that area. The Consulate will report further developments.

2. Domestic Trade and Commercial Activity:

State sales are reported favorable. The collections of trade bills remained slow in the interior and slightly better locally.

State sales for March 1960 (latest figure available) showed a substantial increase over the preceeding month. Measures taken by the State authorities to prevent sales tax evasion are believed to be responsible for this increase as sales are now being more carefully reported.



Comparative figures, in thousands of cruzeiros, for February and March 1960, and March 1959 are as follows:

February 1960	March 1960	March 1959
16,370,822	20,817,636	14,143,102

Inflationary pressure has been responsible for rise in prices.

3. Foreign Trade:

Local manufacturers expect that as the Montevideo Common Market Agreement for this part of South America comes into effect they may be able to export such products as shoes, cooking ranges, textiles, garments, canned food, etc. A trade mission from this State is planning to go to Paraguay in May to promote trade relations with that country. Plans include a permanent exhibit of the State's products in Asuncion.

Local exporters are encouraged by the authorization to export 22,000 metric tons of beef (ref. item 1b above), and reports indicating that exports of lumber (Pine) to Argentina will be resumed shortly.

4. Building Activity:

There appears to be increased activity in the construction industry in Porto Alegre since the depression reported in November 1959 (ref. Consulate's desp. No. 18, item 2, Dec. 9, 1959). Indications are that work on unfinished buildings has been intensified.

5. Transportation and Communications:

It is reported in the press that the State will receive Cr$1.8 billion from the National Bank of Economic Development (BNDE) for the State Electrification Program. In the meantime, most areas in the city of Porto Alegre and in the interior of the State are subject to light and power rationing for 5 hours each day because the lack of rain has substantially reduced the necessary water level for generating electricity. A number of industries are using their own generators and others have changed their working hours.

6. Finance:

"Brizoletas" - About 350 million cruzeiros for "Brizoletas" have been issued and are in circulation as of April 23, 1960, according to the State Secretary of Finance Siegfried Heuser. The State administration has been using "Brizoletas" to pay outstanding debts to firms, but for the time being the Government does not intend to

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use these Letters for paying public servants. State sources also intimated that, if for some reasons the Government would be unable to redeem the "Brizoletas" on maturity, they still can be used for paying State taxes.

Exchange - The cruzeiro in the free market remained relatively firm during April, averaging Cr$191.52 per U.S. dollar (check buying rate), compared with a low of Cr$194.00 late in March.

At the U.S. dollar auctions for commercial imports the general and special category premiums have dropped. The general category averaged Cr$222.80 against Cr$226.33 in March, and the special category averaged Cr$511.00 against Cr$521.00 in March. The Czech agreement dollar in April reached Cr$187.00 in the general category.

Money Conditions - The money market has remained generally tight, with further deterioration anticipated by reliable sources.

7. Labor:

Management-labor relations remained relatively quiet during April. Inflationary pressure, reflected in the upward movement in price levels, has given rise to protests by organized labor. Commercial employees continue to demand a 50 percent increase over last salaries. It is anticipated that before long demands will be made for an increase in the minimum wage level which presently is Cr$5,100,00 per month in this State.

Percy Warner
Percy Warner
American Consul

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MAY 6 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 37
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 6, 1960
DATE

REF : CERP- Section C 2.

For Dept. Use Only	ACTION	DEPT.
	COM-M	REP-1, IRC-8, ARA-4, ICA-11, E-3
	REC'D 5/14	FROM OTHER O CIA-10, TR-3, ERB-3, TAR-2, LAB-6, AG-8, IN-7, OSA-1, ARMY-6, NAVY-3, XMB-4, USIA-10, CAB-6, FAA-5

SUBJECT: Economic Summary for April, 1960.

General Economic Summary: During the month of April the Bahia money market was tight. Business throughout the State continues to suffer the consequences of the heavy rains and floods of last month. CACEX has not as yet announced it's plans concerning the disposal of the 1960-61 cocoa crop. However, the President of the Bahia Cocoa Institute, Sr. Antonio Fernandes da Silva, who recently returned from Rio de Janeiro, reported to the local press that he believes CACEX will continue marketing the cocoa crop, i.e., purchasing from the growers and cooperatives and exporters, for sale abroad. He further reported that Dr. Tosta Filho, Director of CACEX, is expected in Bahia early in May to inform the Governor and the cocoa associations of his new plan for marketing cocoa beans. His plan will then be submitted to the National House of Congress for approval.

Deliveries of castorseed to the city have been delayed by weather conditions in the growing areas. Thus, no castor oil is being produced here at the present time.

Payments have worsened over the past month, although slowest in those parts of the State that were flooded, local Bank sources describe collection as poor. Even respected firms are paying only after threat of protest.

The high rate of dollar exchange in the free market has prevented exporters of raw materials from closing exchange unless absolutely compelled to do so. On the other hand, since the "agio" dollar for imports has dropped for certain goods, there is more interest on the part of importing firms for such commodities as barbed wire, codfish, oil, diesel motors, etc. Turnover in shops and businesses is said to be down on the average. Purchasers for the Bank of Brazil export bills are still willing to pay 94% of the face value of the bills. Apparently more investment in PETROBRAS installations at the refinery Landulpho Alves is to be made.

Sisal fiber is beginning to move again. But piassava fiber is

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still in the doldrums.

Most purchases of tobacco in the interior have already been made and tobacco firms are busy packing and curing in anticipation of export.

The local press reports that the Bank of Brazil has placed at the disposal of commercial firms and farmers located in the municipalities of Joazeiro, São Felix, Feira de Santana and other towns affected by the recently floods, the sum of Cr$180,000,000 for credit operations.

Investments:

The Governor of Bahia Juracy Magalhães, has submitted to the State Legislative Assembly for approval, a Plan of Development of the State in which 71 billion cruzeiros will be invested in various sections including transportation; electric energy; agriculture; industry; city planning; tourism; education and culture; health; general improvements of public services; research, etc. This plan is foreseen for the period 1960-63 and will include the following monetary contributions, in Cruzeiros: from the State of Bahia 14,614,000,000; Municipalities 965 million; Federal 28,518,000,000; 7,608,000,000 from mixed private-government enterprises; 12,215,000,000 from banking entities and the balance from private enterprises and individuals.

Agricultural Development and Policy:

Commodity Review - Cocoa Beans. The new Bahia mid-crop cocoa that runs from May to September 1960 is estimated at between 1,600,000 and 1,800,000 bags at 60 kilograms each. The first shipment of cocoa beans are expected to arrive sometime in June. Up to the present time CACEX has made no announcement regarding the marketing of this cocoa crop. Since the African cocoa delegation is presently in Ilheus discussing the world cocoa situation with their Brazilian counterparts, no announcement from CACEX is expected until after their departure.

It is reported that some buyers in the interior are speculating on the new crop, offering Cr$700,00 per arroba of 15 kilograms each for July-August deliveries.

The opinion contained in our previous report that the heavy rains and floods in the interior had done little damage to the cocoa crop still prevails. The relatively well developed stage of the cocoa pods at the time of the rains appears to be the principal factor in sparing the crops from severe damage. The major concern now is the possibility of losses from brown pod rot, which could



come about should a period of low temperature set in while so much dampness still prevails in the cocoa zones.

Castorseed. This commodity remains at a standstill. Although a substantial amount of castorseed has been harvested in the interior during the past month, deliveries have not yet reached the city. Cloudy weather has slowed the sub-drying process which must take place prior to shipment. Also, the secondary roads from the growing areas to the collecting centers are impassable due to recent rains. Both of the city's oil manufacturers are shut due to lack of seed and one firm indicates that delivery of seed is not expected in quantity before July.

Tobacco Leaf. The Bahia 1959-60 tobacco crop is now estimated at between 270,000 to 350,000 bales at 75 kilograms each. The "Sertão" crop is starting to reach the market and should continue until September or October. Prices range from Cr$750,00 to Cr$900,00 per arroba of 75 kilograms. The general opinion is, however, that it will not be a good crop as "Sertão" goes. Some of the larger, better financed exporting firms are out of the market, having already purchased their requirements for this year.

Japanese Farmers. 96 additional Japanese farmers arrived on the Japanese ship "Argentina Maru" on April 5, 1960. As were the preceeding groups, they are destined to the agricultural experimental station "Nucleo Colonial Presidente Juscelino Kubitscheck", in Mata de São João, Bahia. (See Economic Summaries for April, July and November 1959 and February, March 1960).

Inauguration of the Vila Japonesa "Lafayete Coutinho" in the agricultural experimental station "Nucleo Colonial Presidente Juscelino Kubitscheck". This experimental station was inaugurated on April 10, 1960 at Mata de São João, Bahia. Japanese Ambassador Yoshiro Ando and Governor Juracy Jagalhães, as well as other high authorities, were present. The Vila Japonesa (Japanese Village) is served by three rivers and has 57 residential homes for at least 454 Japanese farmers. Mr. João Meireles de Souza, administrator of the "Nucleo Colonial Presidente Juscelino Kubitscheck" has purchased 1000 baby chicks from Sete Lagoas, Minas Gerais which will be raised at this experimental station. Eggs are in short supply throughout Bahia and this action may relieve the situation somewhat in the future.

French and Brazilian Technicians Study Food Supply Problems in Bahia. French technicians - Pedro Caminha, Jean Bazan and Jean Pasquereau recently visited Salvador and held meetings with Brazilian technicians at the office of the Comissão de Planejamento do Estado (State Planning Commission). State agricultural production and supply were discussed, i.e., Bahia crops; types of crops indi-



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cated for various regions; better useage of semi-arid zones; agricultural mechanization; warehousing and silos; colonization, etc.

Minerals.

1. The local newspaper A TARDE, in it's April 5, 1960 issue reported that in the village of Mosqueiro, Sergipe, near Aracaju, petroleum has spurted in abundance. It is reported that tests will be made immediately. The same newspaper reports that the oil is of the best quality.

2. Scholarships for the Sons of the the Employees of PETROBRAS. The local newspaper A TARDE, in it's April 8 issue reported that the "Região de Produção da Petrobras" has set up a scholarship system for sons of PETROBRAS employees. A special allowance of 2,000,000 cruzeiros per year has been granted to be used in connection with scholarships. The grant will include 1,500 cruzeiros monthly for every son of school age.

3. According to Petrobras, Brazilian crude oil production during 1959 was 23,590,000 barrels, representing a 25% increase over 1958 and amounting to 28% of the 1959 national consumption for an estimated savings of $70,000,000 in foreign exchange. Petrobras reports 62 drilling rigs in operation, 33 exploration teams in the field and installed oil refining capacity in Brazil at 160,600 barrels daily, of which 104,500 barrels are in Petrobras installations and 56,100 in private refineries.

4. Local newspaper reports also confirm that a new oil well has been discovered at a depth of 1,926 meters, at Alagoinhas, Bahia. According to the reports, 60 barrels of oil were produced in half an hour. The newspaper reports have been highly optimistic. Tests will now be made.

Transportation and Communications:

A contract was signed on April 9, 1960 between the Telefones da Bahia S.A. (TEBASA) and Siemens and Halske A.G. and Siemens do Brasil Companhia de Eletricidade concerning the new telephone system for Salvador, which will be operated by TEBASA. The installation work whould begin within 30 days from the date of contract. (See Economic Summary for January and February 1960)

2. It has been reported that the local Director of the National Highway Department has received instruction from Federal authorities to take necessary measures to commence paving the Rio de Janeiro-Bahia highway (BR-4). A credit of 7 billion cruzeiros has been made available for the purpose. The road between these two cities is approximately 1,500 kilometers long and is partially paved in

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some localities. It is estimated that approximately 1,300 kilometers still remain unpaved. This highway represents an important link between north and south and will have considerable effect on transportation when completed.

3. The Cruzeiro do Sul Airline has inaugurated a weekly flight between Salvador and Brazilia, the new Capital of Brazil. REAL is also advertising a direct flight to be inaugurated in the near future. Brazilia is approximately 600 air miles from Salvador and two hours direct flying time (CONVAIR).

4. The local Superintendent of Federal Railway Viaçâo Ferrea Federal Leste Brasileiro, Sr. Alberto Rosas, has departed for Rio de Janeiro to appeal for Federal funds in the amount of Cr$30,000,000 for the purpose of restoring bridges, lines, repair shops, etc. which were damaged by recent floods in the State of Bahia (See Economic Summary for March 1960 under subheading "Transportation and Communications".

Industry:

1. A dairy plant is under construction at Vila de Bom Jesus in the municipality of Santo Amaro, State of Bahia. It is reportedly the result of an agreement between the State and Federal governments. By this agreement the Federal government will contribute to the construction and installation expenses. A mixed State Government-private company will be organized by the State to run the factory. Cr$12,000,000 has already been spent by the Federal Government and an additional Cr#36,000,000 will be spent for constructing and purchase of equipment. The plant will produce powdered milk, butter, cheese and other milk products. The Consulate has been unable to determine where the equipment will be purchased since the installation is located at a considerable distance from the city of Salvador.

2. According to the newspaper Diario de Noticias, the Companhia Eletroquimica da Bahia, a factory for manufacturing caustic soda and Chlorine products, will be installed in this city. The company will have a capital of Cr$10,000,000 divided into 10,000 shares of Cr$1,000,00 each. The equipment to be used in this factory is reported to be of Brazilian manufacture.

3. C. A. Roush, Jr. of Richards and Associates, Inc., Carrollton, Georgia, visited Salvador during the month of April to examine, at first hand, the possibility of establishing an aluminium factory in or around Salvador. Mr. Roush is Vice President of the Southwire Co., Carrollton, Ga., which is a subsidiary of Richards and Associates, Inc. That Company already has an established aluminium factory situated in the State of São Paulo-Empreza Produ-

to de Alumínio S/A (EMPRAL), Lorena, São Paulo. Mr. Roush is especially interested in this section of Brazil since his plant operation requires a constant and potent electrical supply. Salvador is now receiving electricity from the Paulo Afonso Hydro-electric installation and he appears to be satisfied that Salvador could be the ideal location for an additional aluminium plant. He indicated that their plans are for approximately two years hence and that they would import alumina from the world market, mainly from Ghana. This is one of the first indications that American industrial interests may take the initiative in establishing in the Bahia area. The existance of a refinery, a good electrical supply from Paulo Afonso and port facilities are assets in this regard.

4. C. R. Taylor of Price Waterhouse Peat and Co., Business Consultants, also visited Salvador recently. While their main Brazilian offices are in São Paulo and Rio de Janeiro, he indicated that his company was interested in opening a small office here which would, at first, be staffed by local employees. This, however, is another indication that industrialization may be coming to Bahia.

Trade with Soviet Bloc Countries:

Exports to Soviet Bloc Countries during the month of April were as follows, in metric tons: To Poland, 1235 metric tons of sisal fiber and to Czechoslovakia 742 tons of cocoa beans.

Finance:

According to the State Internal Revenue Department 499,780,229,70 cruzeiros were collected during the first four months of 1960, which constitutes and increase of 117,274,859,10 cruzeiros over the same period in 1959.

Paul B. McCarty
American Vice Consul

cc: Economic Section, Rio.
Supervisory Consul General, Rio.

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 407 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 6, 1960 DATE

REF : CERP C - General Interest

For Dept. Use Only | ACTION COM-12 | INFO | DEPT. REF I ARA-5 IRC-15 E-6 ICA-11 | OTHER ARMY-35 NAVY-20 AIR-30 OSD-2 OCB-2 USIA-10 CIA-6 LAB-6 IN-7 AG-4 FRB-3 TAR-2 TR-3 RM13-4 | REC'D 5/9

SUBJECT: Biweekly Economic Review (April 22 - May 5, 1960)

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1. Santos Port Congestion Not Serious
2. Santos Dock Storage Charges
3. Billion Cruzeiro Loan for Sewerage and Water Works
4. Japanese Company to Manufacture Small Tractors
5. Fire Trucks to be Manufactured in São Paulo
6. Oil Filters for the Automotive Industry
7. São Paulo State Trade Union Convention

1. Santos Port Congestion Not Serious (UNCLASSIFIED)

During the past week the São Paulo press, TV and radio have spasmodically reported a growing port congestion at Santos, attributed to the recent labor jurisdictional dispute there and a large number of vessels arriving at the same time, including wheat boats requiring special berthing facilities with suction equipment. One report even anticipated that soon some 50 vessels would be awaiting docking space.

Comment: The current reports are exaggerated and the situation is not serious. A spot check with a shipping company revealed that cargo vessels are delayed one or at the most two days in docking, although some 17 vessels are out in the stream awaiting berths, including six wheat boats. A factor that contributed to the congestion was that the dock company had laid off about 1,000 laborers during a slack period and was now shorthanded. Unless a large number of additional vessels arrive unexpectedly, it is believed port conditions will return to normal in about fifteen days.

2. Santos Dock Storage Charges (UNCLASSIFIED)

Due to the labor dispute in Santos (see despatch 389 of April 22) storage charges had been mounting on goods held at the docks longer than would normally be the case. The Commercial Association appealed to the

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dock authorities for relief from those charges because the delay in moving the goods was caused by developments beyond the control of the owner of the goods and not through negligence on his part. On April 26, the dock company replied that relief up to eight days' storage would be granted all those requesting it. However, those not requesting relief would have to pay the storage charges.

3. Billion Cruzeiro Loan for Sewerage and Water Works (UNCLASSIFIED)

On May 3, 1960, the State Department of Water and Sewerage obtained a loan of Cr$1,050 million (about US$5.5 million) from the state savings bank, Caixa Economica. This loan was authorized by Decree 36,536 of April 30, 1960, for water and sewerage work in the City of São Paulo and is part of the state government's Plan of Action (see despatch No. 180, November 19, 1959). This is the second loan granted by the Caixa Economica to the water department to perform work under the Plan of Action. The first loan was in the amount of Cr$760 million (about US$4 million) and was authorized by Decree 35,693 of October 29, 1959.

4. Japanese Company to Manufacture Small Tractors (UNCLASSIFIED)

Marukyu - Industria de Maquinas Agricolas will manufacture small tractors of 6.5 HP to 10 HP at a plant inaugurated on April 28 at Diadema, near São Paulo. Heretofore, this 44.5 million cruzeiro corporation, organized in São Paulo in 1957, imported the tractors from its parent company, Kubota Tekko Kabushiki-Kaisha, of Osaka, Japan.

Initially manufacturing operations will be limited to the large-scale production of spare parts and components. Fabrication and assembly of the 6.5 HP tractors will start in June at the rate of 100 units monthly. Eventually a larger (10 HP) tractor and two types of pulverizers will also be manufactured. The small tractors are used mostly on rice, sugar, and banana plantations.

5. Fire Trucks to be Manufactured in São Paulo (UNCLASSIFIED)

Walter Kidde S.A. Industria e Comercio, a São Paulo subsidiary of Walter Kidde & Company of Bellevue, New Jersey, announced that it will move to São Paulo the factory of an associated company, Kidde Sul S.A., that has been producing fire trucks at Porto Alegre, Rio Grande do Sul, for the past seven months. Several types of pump trucks on Chevrolet or Ford chassis are now being produced at the rate of two to three units monthly. With the transfer of the plant to São Paulo, capacity will be raised to seven to nine trucks monthly. The pump trucks dispense either sweet or salt water, as well as foam, soft water and dry chemicals at a flow ranging from 1,200 to 3,000 liters per minute. No other firm manufactures fire trucks in Brazil at present.

6. Oil Filters for the Automotive Industry (UNCLASSIFIED)

Irlamp Purolator S.A. - Industria de Filtros, a 60 million cruzeiro corporation, was organized in São Paulo on April 27 through the association of a local company, Irlamp S.A. Industria e Comercio and Purolator Products Inc., of Rahway,

New Jersey. The new company is an outgrowth of the arrangements made in 1954 whereby Irlamp S.A. manufactured oil filters under Purolator patents at its São Paulo plant. Irlamp Purolator S.A. will expand the plant to produce various types of oil filters for the automotive industry at the rate of 40,000 units monthly. Eventually, the range of products will include the manufacture of fuel oil filters and air filters and separators.

7. São Paulo State Trade Union Convention (OFFICIAL USE ONLY)

A four-day, statewide trade union convention sponsored by the São Paulo State Trade Union Council (CST) was held in the capital city April 27 - April 30. Approximately 1,500 delegates from 200 local unions, officers of three national confederations and 20 federations, representatives of ORIT, the WFTU, the AFL-CIO, the International Federation of Commercial, Clerical, and Technical Employees, and a host of government authorities, including the Vice President of the Republic, attended the conclave.

Some 10 major resolutions were adopted by the delegates at the final session, and more than one hundred motions were approved during the plenary sessions prior to the final session.

The final major resolutions were relatively mild and dealt in the most part with legitimate trade union demands such as the right to strike, improvement of social security, enforcement of labor laws, wage increases and the introduction of a system of collective bargaining agreements in Brazil labor management relations. The left-wing minority, nevertheless, was able to maneuver the approval of a resolution condemning "unhuman foreign exploitation" in this period of Brazil's increasing industrialization. Two resolutions dealing with trade union unity and agrarian reform were also adopted.

During the plenary sessions, however, the militant left-wing minority which always came early and stayed late had a field day. Motions condemning intervention into Cuba's internal affairs and lauding the Cuban Revolution were adopted. Other motions advocating commercial and diplomatic relations with all nations were approved as were motions condemning exploitation of Latin American countries by North American firms.

Manuel Pavão of ORIT, David Sternback of the AFL-CIO, and Eric Kissel, General Secretary of the International Federation of Commercial, Clerical and Technical Employees, addressed sessions of the convention and were well received. Jean Marilier, who was introduced as Secretary of the WFTU trade secretariat of metalworkers, spoke at the final session and received an ovation from the left-wing claque.

Comment: Both the non-communist majority and the left-wing minority are proclaiming the convention a success. The conservatives believe the convention marked the ascendancy of São Paulo in the Brazilian labor scene and naively believe they dominated the left-wing minority during the final session. The left-wing minority are pointing to their success in dominating the plenary sessions,



and informed trade union leaders believe they purposefully went along with "mild" resolutions adopted at the final session in order not to jeopardize their future chances for a central Brazilian trade union federation. (A detailed despatch is in the process of preparation.)

For the Consul General:

Ralph J Burton

Ralph J. Burton
American Consul

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PRIORITY (Security Classification)

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 1082 (DESP. NO.)

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 9, 1960

REF : CERP C-1 MAY - 9 1960 (DATE)

For Dept. Use Only: ACTION COM-12 REC'D 5/12 | INFO DEPT ARA:S ICA-11 E-4 AAA-5 SC OTHER USIA-16 OSD-2 Wmd-35 Navy-20 Air-38 CIA-16 OCR-2 TA-3 FAA-3 NSA-4 AG CAB-6 INDEX IN-7 AAA-4 TAR-2 FAA

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 2 (April 23-May 6, incl)

1. Initiation of Braniff Jet Service to Brazil
2. Brazilian Delegation to Shipping Conference Meeting in New York
3. Coffee
4. Currency Issued
5. Free Exchange Market
6. Three New Executive Groups Established in Development Council
7. New Industry Tax Exemption Bill Being Considered
8. New Oil Well in Bahia
9. Bidding on Rio-Belo Horizonte Pipeline
10. Dollar Exchange Auctions

* * *

1. Initiation of Braniff Jet Service to Brazil:

With the landing on April 28 of a Boeing 707-227 at Cumbica military airport in São Paulo, Braniff International Airways inaugurated regular jet service from the United States via Panama and Lima. The arrival of the flight was delayed one day as a result of the pilot's decision to hold the plane at Lima awaiting better conditions of visibility at the São Paulo airport. Cumbica is being used by Braniff for its once-a-week jet operations (and by BOAC for its Comet IV European service) until the extension and improvement work on Rio's Galeão international airport is completed (now estimated at August 1) and until the new Viracopos jet airport at Campinas, São Paulo is opened to traffic (also estimated at August 1). Although there were some delays on the part of the Civil Aeronautics Directorate in authorizing the Braniff jet schedule submission, which made for some last-minute uncertainties,

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the Embassy understands that the Brazilian Air Force authorities at Cumbica were most helpful and cooperative in making arrangements for the new service.

Pan American hopes to begin jet service to Brazil in early June with a non-stop New York-Brasilia flight once a week using Boeing 707-320 equipment. VARIG expects delivery on its two Boeing 707-420's to be completed in June, with service between Brazil and the United States to follow shortly thereafter. (UNCLASSIFIED)

2. Brazilian Delegation to Shipping Conference Meeting in New York:

On May 5 Heitor Pessoa, Commercial Director of Lloyd Brasileiro, and Fausto Basto, the officer in the Exchange Department of the Bank of Brazil responsible for shipping matters, departed for New York to attend a meeting of the lines members of the Brazil-US shipping conference. According to the local representatives of the two US lines involved, the meeting is intended to be a showdown over the increasingly serious problem of rebates, particularly on the movement of coffee. The US lines claim that the European members of the Conference and Lloyd Brasileiro are giving substantial rebates with a consequent demoralizing effect on normal cargo movement. It would appear that the course of the meeting will be affected by the private discussions going on between the US lines and Lloyd Brasileiro concerning the possibility of an agreement on a freight pool. (OFFICIAL USE ONLY)

3. Coffee:

April coffee exports amounted to 1,290,000 bags or more than 200,000 bags less than April 1959 exports. However, exports for the first ten months of the 1959-60 coffee marketing year (July 1 - June 30) stand at 15,067,000 bags or over two million bags more than during the corresponding period of the 1958-59 marketing year.

IBC published two resolutions, one establishing an incentive program for industrializing "expurgo" coffee, i.e., for extracting oil and caffein and utilizing the residue. The other resolution set up regulations for the establishment of soluble coffee plants in Brazil. (See Rio's Quarterly Coffee Agricultural Report, May 1960, now under preparation). (UNCLASSIFIED)

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4. Currency Issued:

According to official information, Cr$2,296 million in paper money was issued during April, placing the total outstanding at the end of the month at Cr$157,908 million. This was the first currency issue since the end of 1959 when the total outstanding was Cr$154,621 million. (UNCLASSIFIED)

5. Free Exchange Market:

The cruzeiro continued stable in the free exchange market during the biweekly period under review. Quotations ranged from Cr$189.00 to Cr$190.00 (check buying), approximately the same quotations as during the preceding two-week period. On May 6 the rate was Cr$189.00 to the dollar. (UNCLASSIFIED)

6. Three New Executive Groups Established in Development Council:

The press announced the formation of three new executive groups within the Development Council to foster Brazil's economic development: GEMAG (Executive Group for the Modernization of Agriculture), GEAMPE (Executive Group for the Assistance to Medium and Small Industries) and the Group for the Development of the Paraíba do Sul River Basin. The decrees establishing the executive groups are to be published soon in the Diário Oficial, which is now being printed in Brasilia. (UNCLASSIFIED)

Comment: The establishment of these groups demonstrates the Administration's determination to continue to stimulate the development of important segments of the country's economy (Section V, Despatch 648, December 23, 1959). The press suggested that GEMAG could serve as the basis for a "second Program of Goals", to be carried out presumably by President Kubitschek's successor. The formation of a group to assist medium and small industries had been under study for the past six or eight months (Section III-B-4, Despatch 648), while the Group for the Development of the Paraíba do Sul River Basin will reportedly concentrate on coordinating and fostering industrial activities in the four most heavily industrialized states: São Paulo, Minas Gerais, Rio de Janeiro and Guanabara. Other executive groups in the Development Council are: GEIA (automotive vehicles, including tractors), GEACE (electric computers), GEIMAPE (machinery) and the Coordinating Council for the Shipbuilding Industry (formerly GEICON). (OFFICIAL USE ONLY)



7. New Industry Tax Exemption Bill Being Considered:

It was reported that the State Government of Guanabara was considering a bill which would empower the Governor to exempt from taxes for a period of ten years new industries to be established in the suburban and rural districts of the State of Guanabara. The bill, which is now being studied by Chamber subcommittees, would exempt new industries occupying an area of not less than 30,000 square meters from the payment of (1) building taxes, (2) construction and mechanical installations licenses and (3) property sales taxes. (UNCLASSIFIED)

Comment: The old Federal District had no such tax exemption law for new industries, but it is the opinion of the sponsors of the above-mentioned bill that some incentive must be given to assist in stimulating industrial development in the new state to avoid stagnation and to bring in additional revenue to make up for anticipated reduced Federal Government support. It is reported that the state industrial group, Federação da Indústria, is planning to sponsor a substitute bill which would provide for tax exemptions also for already established industries. (UNCLASSIFIED)

8. New Oil Well in Bahia:

Petrobrás announced that a new oil well discovered in Alagoinhas, Bahia, appeared to present "characteristics of great production" besides permitting "the discovery of a new oil field where 30 or 40 wells could be drilled." The press reported that Petrobrás plans to develop quickly the "new field", which lies at a depth of 1,900 meters and has a thickness of 10 meters. (UNCLASSIFIED)

Comment: Alagoinhas lies about 140 miles due north of the city of Salvador and if the field proves out it will be the northernmost field in the Bahian Recôncave. Petrobrás did not indicate the type or quantity of oil found, although it may be expected that it has the usual waxy consistency which characterizes Bahian oil. Petrobrás appears to be playing down the discovery until more tests can be made. (OFFICIAL USE ONLY)

9. Bidding on Rio-Belo Horizonte Pipeline:

Through advertisements appearing in the Belo Horizonte press on April 30 and in the Rio press on May 1st, Petrobrás invited bids on the construction of the Rio-Belo Horizonte pipeline which will supply crude oil to the 25,000 bbl. Petrobrás refinery to be

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built in the Belo Horizonte area (WER 6). Bids on the 450-kilometer pipeline, which will have a capacity of 50,000 bbls. per day, must be received by May 16 (Embassy's G-144, April 29)
(UNCLASSIFIED)

Comment: Four days later the Carioca press published stories in which National Petroleum Council President Fleiuss denied that authorization had been given for the construction of the pipeline. He went on to say that bids were opened for the purpose of collecting additional data to supplement Petrobrás studies. It still has not been indicated how Petrobrás will finance the construction of the pipeline and refinery, and presumably the Council needs cost and time estimates to complete plans.
(OFFICIAL USE ONLY)

10. Dollar Exchange Auctions:

During the period April 26-May 7, two exchange auctions were held under Instruction 193. The Carteira de Cambio, as it has been doing since the issuance of the instruction, reduced the price for the sale of dollars by Cr$1.00 from the preceding week's price. For the week ending May 6 the price was Cr$221.00 per dollar. In the two auctions covered by this report, $3,635,000 were sold in Rio and São Paulo supplementary to the "regular" sales, which totalled $7,140,000. (UNCLASSIFIED)

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
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For the Ambassador,
LeRoy E. Colby
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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 1095
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. May 10, 1960
MAY 19 1960

REF : CIERP C-2

	ACTION	DEPT:
20 For Dept. Use Only	COM-12	INFO CERP 1 ERC 8 E-2 ICA 11 AMB-4 USIA 10 AEM/
	REC'D 5-18-60	OTHER CIA-10 TR-2 FRB 3 NSC-4 TAR 2 AGS 2 I 7 ARC

SUBJECT: MONTHLY ECONOMIC SUMMARY - APRIL 1960

FILED
JUN - 6 1960

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LMS

ITEMS

1. Introduction
2. Domestic Trade and Commercial Activity
3. Foreign Trade and Commercial Policy
4. Finance
5. Industry
6. Petroleum
7. Minerals
8. Transportation and Communications
9. Labor
10. Coffee and Agricultural Developments
11. Economic Indicators

* * *

1. Introduction:

The over-all economic picture in Brazil changed but little in April from the preceding month, despite the formal transfer of the capital from Rio de Janeiro to Brasilia on April 21 and indications that the inflationary trend, slowed down considerably since the first of the year, might veer upward at any time.

On the positive side, business in general was reported to be very good although credit became very tight; there were no signs that the rate of industrial production was slackening; progress was made toward fulfillment of the Administration's Program of Goals; unemployment apparently presented no major problems; few strikes of any consequence were noted and few wage adjustments were made as the season (October-March) for such adjustments had terminated; and good agricultural crops were in prospect.

On the other hand, while April coffee exports were only slightly (about 8%) behind those of April a year ago, total

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exports for the first four months of 1960 were almost 700,000 bags, (almost 12%) less than during the corresponding period in 1959; although the cruzeiro was relatively stable during the month, the average free market rate was several points above last month's; the cost-of-living in the new State of Guanabara (formerly the Federal District) as reflected in preliminary statistics rose as much in April (2.8%) as it had during the three previous months; the first currency issuances since December were made, suggesting that additional issuances would be made in May and subsequent months; it was expected that provision for pay increases to both military and Federal civilian employees would be made before long and there was talk that a general increase in minimum wages might be in the offing.

There was considerable activity in connection with foreign trade. The climate in Brazil for trade with any country which could offer satisfactory terms remained unchanged. Significant actions related to trade on the part of communist countries were the Czech and Yugoslav exhibitions held in Rio, the visit of the Russian trade delegation and the defection of the chief of the Hungarian Commercial Office in Rio de Janeiro.

Two U.S. trade and goodwill missions visited Brazil during the month.

Two cabinet ministers (Agriculture and Labor) and the Director General of the Department of Posts and Telegraphs resigned and it was officially announced that Augusto Frederico Schmidt had been appointed Brazilian Ambassador to the European Economic Community.

2. Domestic Trade and Commercial Activity

Throughout April business continued to be good, credit became very tight and the rate of increase in the cost-of-living edged upward.

It was reported that business throughout the country was generally considered good during the month except in Bahia where business was suffering the consequences of heavy rains and floods. In São Paulo the opening and supplying of Brasilia spurred local production, especially of paints, pharmaceuticals and foodstuffs. In Rio de Janeiro the heavy demand for lubricating and Diesel oils was said to be due to the highway expansion program. In Porto Alegre, the rationing of electric power for 4-5 hours per day apparently had not materially affected sales during the month.

Credit, which had begun to tighten during the latter part of March, tightened even more in April and banking sources were

expecting this condition to prevail for several more months. Collections were for the most part normal with some payment delays being noted in the interior. However, reports from Salvador indicated that large amounts of "tobacco" credits were still outstanding and banks were extended as a result of having financed firms affected by the rains and floods.

In Pernambuco the textile industry was prospering. In the industrial south the continued heavy movement of goods from factory to distributor could possibly be attributed to anticipation of further minimum salary increases and as a hedge against another general price rise.

Preliminary statistics obtained informally from the Getulio Vargas Foundation showed the increase in the cost of living in the State of Guanabara to be 2.8% in April, the largest increase since December. The general feeling appeared to be that sharp increases in the cost-of-living were in the offing.

3. Foreign Trade and Commercial Policy:

During the month there was considerable activity related to the increasing of trade between Brazil and other countries, including with the U.S. and the Soviet Bloc. There were indications that Brazil was willing and ready to trade with any country, provided satisfactory terms could be arranged. No public statements were noted which could be termed against this prevailing sentiment.

The Brazilian Executive Commission on trade with Russia, now designated in abbreviated form CEBRUS, was reported to be holding weekly meetings at Itamaraty to make concrete plans for trade under the Brazil-USSR agreement signed last December. On April 27, a seven-man Russian delegation arrived in Rio de Janeiro to have talks with CEBRUS on trade arrangements. The group's stay was originally supposed to be about ten days, but talks were expected to continue considerably beyond that length of time. The delegation was to visit Volta Redonda, São Paulo and the state of Rio Grande do Sul.

Polish offers to sell a 30 million dollar steel plant to Brazil with favorable credit terms were announced in one newspaper article.

Considerable interest was shown by the press in statements attributed to Gyorgy Lázár, former chief of the Hungarian Commercial Office in Rio de Janeiro, who reportedly asked for political asylum in Brazil a few days before the arrival of the



Russian trade delegation. Mr. Lázár is said to have told a local organization, which passed the story on to the press, that Hungary regularly violates the provisions of trade agreements with other countries, including that with Brazil, by clandestinely re-exporting goods sent to Hungary. He was reported to have specifically stated that only one million dollars worth of Brazilian coffee imported into Hungary in 1959 remained in that country for consumption and that 2-1/2 million dollars worth was re-exported to countries outside the Bloc.

The "First Yugoslav Exposition", consisting of a pictorial display of facets of Yugoslav industrial, social, economic, political, scientific and industrial life, was held in the downtown Santos Dumont airport passenger terminal. At the nearby Museum of Modern Art there were exhibited a fine collection of Czech glassware and a display of the publicity methods used by Olivetti, which opened a large typewriter factory near São Paulo several months ago.

Two U.S. trade and goodwill missions visited Rio and Brasilia near the end of the month: a group of Baltimore business executives and the representatives of the Pan American Commission of Tampa, Florida. Both made contacts with commercial groups and received good and favorable press coverage.

Mr. H. Douglas Keefe of the Department of Commerce arrived in Rio to make arrangements for the visit of the U.S. Trade Mission scheduled to make a six-week visit to Brazil commencing May 18.

4. Finance:

Preoccupation with the move to Brasilia obscured almost all developments in the financial field during April except the sales of dollars beyond the regular amounts offered at auction in accordance with SUMOC Instruction 193. Credit was reported to be tightening and there were other signs that April would mark the end of the relative calmness that had prevailed with respect to financial problems since the beginning of the year.

In the dollar sales under Instruction 193 for imports in the general category a total of $7,787,000 was sold during April in Rio and São Paulo. Approximately $4 million of these sales were made on April 19, leading observers to wonder whether the pressure on the government's dollar reserves might not force a cancellation of the Instruction. However, a smaller extra-auction sale the following week led to reports that credit for the financing of agio purchases was becoming short. This would



relieve some of the pressure on reserves but would create credit problems for all potential borrowers.

Special credits for financing the move to Brasilia and the inauguration and presumably drawings on the funds made available for flood relief in the Northeast were added to the Government's regular expenses. These were probably major factors in causing the first issuance of paper currency during the year to date, an action noted with apprehension by the opposition press. A total of Cr$3,296 million was issued during the month.

5. Industry:

During April there was no indication of slackening of pace in Brazilian industrial development. The Administration continued to push ahead with its Program of Goals and to pay close attention to the secondary goal of utilizing, to the greatest extent possible, Brazilian materials. Warning signs were noted of possible future electric power shortages in the Belo Horizonte area and in the region served by the São Francisco Hydroelectric Company. Power rationing began in Porto Alegre.

In São Paulo state Huber-Warco do Brasil, an affiliate of Huber American Inc., of Marion, Ohio, inaugurated a plant for the production of road-scrapers. A Japanese textile company, Tsuzuki of Nagoya, was reported to be on the point of establishing an affiliate textile company (Companhia de Tecidos de São Paulo) in São Paulo with 10,000 machines. It was also reported that high grade phenol was being manufactured in Brazil for the first time near São Paulo by a subsidiary of the Bunge & Born corporation of Argentina. It was announced that the National Alkali Company at Cabo Frio, Rio de Janeiro, had commenced to manufacture soda ash (March Economic Summary) and that Ron Bacardi S/A of Cuba had begun construction of a rum distillery in Recife.

In Brasilia the display of Brazilian-made vehicles occupied the largest amount of space in the exhibition showing progress being made toward the Program of Goals. The Brazilian- made (65%) Alfa-Romeo passenger car, "JK", was inaugurated the same day the new capital was. Willys Overland de Brasil was reportedly expanding its production of the newly launched Aero-Willys passenger car and from Paris came a news despatch stating that SIMCA was definitely planning to install a plant near Belo Horizonte. GEIA announced that more than 23,000 automotive vehicles had been manufactured in Brazil during the first quarter of 1960.

Admiral Lúcio Meira, President of the Economic Development Bank, was quoted in the Carioca press as emphasizing the need

to expand technical training programs to provide skilled workmen for the nation's rapidly increasing industrial program. Mercedes Benz do Brasil publicized its in-service training program for ... workers in its plant, carried out in cooperation with SENAI, the Federal agency responsible for industrial training programs.

Progress toward the construction of three new steel mills, USIMINAS, COSIPA and Aço Vitória, was reported in the press during the month.

Westinghouse Electric International announced it had signed a $4 million contract to supply by the end of this year three 7,500 KW generating units for the city of Manaus in the Amazon Valley. A drought in Rio Grande do Sul was reported to be the chief cause of the rationing of electric power 4-5 hours per day in the city of Porto Alegre. Until June last year power in that area was furnished by an American and Foreign Power Company subsidiary, whose properties were expropriated; electric services are now the responsibility of the state power authority. An engineer of the São Francisco Hydroelectric Company predicted that the additional 65,000 KW's to be installed next year may not be enough because of increases in population and industry in the area of Northeast Brazil served by the company. Electrical engineers went on record as saying that a power shortage in the Belo Horizonte area was inevitable this year because (1) the Peixoto-Belo Horizonte transmission line would not be ready, (2) the Mannesmann steel mill would no longer make power available to the area as it did last year during the drought and ensuing power shortage and (3) two of the movable Diesel generators imported from Cuba by the American & Foreign Power Company last year to assist in alleviating the power shortage were now being used in Brasilia.

6. Petroleum:

The petroleum scene in April continued to reflect expansion plans, prosperity and satisfaction with the activities of Petrobrás.

Plans moved forward toward establishing a Petrobrás refinery in the Belo Horizonte area and connecting it with the port of Rio de Janeiro by a pipeline in accordance with the Petroleum Goal under the broad Presidential program of economic goals, as recommendations were made in a National Petroleum Council meeting to speed up technical studies to find out if these installations are economically feasible. Petrobrás called for bids on the construction of the pipeline (G-144, April 29 and Despatch 1082, May 9), presumably to ascertain cost and time factors to advance

technical studies. At the Petroleum Council meeting it was observed that Petrobrás was expected to introduce to the Brazilian market within 45-60 days (i.e., some time in June) lubricating oils refined in Petrobrás' Mataripe refinery, and the Council was expected to draw up a new price schedule for lubricating oils.

In connection with the inauguration of Brasília on April 21, it was noted that Shell was completing the construction of 15 large service stations on the new Rio-Brasília highway and had opened two stations in the main area of the capital itself.

Late in the month a press story datelined São Paulo, reporting the visit of a group of São Paulo city councilmen to the oil shale mine near Pindamonhangaba, stated that the Russian technicians contracted by the Companhia Industrial de Rochas Betuminosas would "soon commence" the construction of a plant to produce gas from the oil shale found in that region (March Economic Summary and São Paulo Despatch 396, April 28).

The four largest of the six privately-owned Brazilian refineries (União, Ipiranga, Manguinhos and Amazonia), having a combined authorized refining capacity of 65,000 barrels per day, were reported to have made profits amounting to a total of Cr$1.7 billion (1) in 1959, of which the largest, União, had profits of Cr$783 million (São Paulo Despatch 384, April 18).

The promotion to Brigadier General of Colonel Idálio Sardenberg, President of Petrobrás, was made public during the month. Since Sardenberg's promotion was made over a number of senior colonels (he was 58th on the list), it has been surmised that the promotion is recognition for a job considered well done with Petrobrás.

Early in the month Petrobrás issued a press release denying that Brazil was considering entering a "petroleum pool" with other Latin American countries which sent representatives to a meeting held in March in Mexico City under the auspices of PEMEX, the Mexican state petroleum entity (G-139, April 19).

(1) $1.00 equals Cr$189 at the current free market rate of exchange.

7. Minerals:

Brazil's future for iron ore development and exports looks somewhat brighter than it did a year ago. Both Brazilian and foreign interest in the development of the country's iron ore resources has been stimulated by SUMOC Instruction-192 (giving iron ore exports the benefit of the free market rate of exchange) and by developments in other producing areas on which the iron ore importing countries have been relying as dependable sources of supply.

8. Transportation and Communications:

In the field of transportation and communications, developments connected with inauguration of Brasilia provided highlights in the highway, aviation and telecommunications sectors, while the most important single event in the railroad sector was the publication of the 1959 annual report of the Federal railroad System, which showed a 42 percent increase in the deficit over 1958. Of significance in the area of waterborne transport was the signing of contracts with Yugoslav and Spanish shipyards for the construction of four large passenger vessels for the coastwise service.

On April 18, three days before the inauguration of Brasilia, Pan American initiated once-weekly DC-7 service to the new capital from New York via Caracas. The flight terminates in São Paulo after a stop at Rio de Janeiro. At the close of the reporting period, the proposed northbound stop at Brasilia had been temporarily suspended (the northbound flight serving Brasilia would originate in Buenos Aires). PanAm's weekly southbound flight provides the only international service in that direction, although VARIG's Caravelles have been stopping twice weekly at Brasilia going-north since the reduction in the length of Rio's international airport as a result of construction work caused sharp fuel-load limitations on the French-made jet. PanAm also has submitted schedules for weekly service to Brasilia in both directions by its Boeing 707-320 "intercontinental" jets. At first the carrier hoped to begin this service on May 3 but the date of inauguration was subsequently postponed to June 7. By the end of the month, the Civil Aeronautics Directorate had not acted upon the schedule submission. Again with respect to jet service to Brasilia, VARIG was rumored, at the close of the reporting period, to be planning to begin Brasilia-New York service with its 707-420's (the "intercontinental" model with Rolls-Royce engines) in mid-June. Connections with Rio and the south would be made with Caravelles. With respect to big-jet service between the United States and Brazil, Braniff managed to get somewhat of a jump on its competitors when on April 28 it began once-weekly service with Boeing 707-227's to São Paulo (Cumbica military airport) via Lima and Panama. Braniff has been officially designated for a route which would permit access to Brasilia, but so far it has taken no action with the Brazilian authorities on the question.

As part of the Brasilia inauguration festivities, the 750-km highway linking Belo Horizonte and the new capital (BR-7) was formally inaugurated on April 17. Construction and paving of the new road, which provides at present the best land link with the coast via the Belo Horizonte-Rio highway, cost about 4.5 billion cruzeiros for the approximately 570 kilometers constructed by the Federal Highway Department and about one billion cruzeiros for the



134 kilometers built by the Minas Gerais Highway Department. The remaining 50 kilometers were constructed by NOVACAP. Traffic on the new highway is reported to be heavy. In another government action in the highway sector, President Kubitschek signed a law opening a credit of seven billion cruzeiros, valid for three years, for the paving of the Rio de Janeiro-Bahia road (BR-4), thus beginning the fulfillment of a long-held hope of the communities along this very important north-south line of communications.

On the same day that the Belo Horizonte-Brasilia highway was inaugurated, President Kubitschek formally marked the beginning of service over the RCA-installed micro-wave relay system between Rio de Janeiro and Brasilia via Belo Horizonte. The system, which will eventually furnish 120 voice channels between Rio and Brasilia is supplemented by Siemens-installed, short-wave radio facilities which, at the end of the month, were providing eight voice channels. Communications between the new and old capitals were still precarious as the reporting period closed; the principal limiting factor was the insufficiency of terminal facilities in Brasilia. Another significant event in the communications sector during April was the resignation of two key officials in the Posts and Telegraph Department: the Director General of the Department and the Director of Telegraphs. The resignation of the former was politically motivated, according to published accounts; that of the latter appeared to have been, at least in part, a gesture of support for his chief. The new Director General of the Department is the former Director of the regional DCT office in Salvador and is, contrary to the normal practice of having a military officer at the head of DCT, a civilian.

The major news in the railroad field was the publication by the Federal Railroad System (Rêde Ferroviária Federal) board of directors of their report for 1959. The report, which was accepted at an April 30 meeting of stockholders (i.e., representatives of the government entities holding Rêde stock), announced that there had been during the year (a) a 19 percent increase in freight movement measured in net ton-kilometers; (b) an increase in total receipts to 11.785 billion cruzeiros (up 17 percent from 10.052 billions in 1958); (c) [illegible]; (d) an increase in total expenditures to 24.771 billion (up 29 percent from 19.192 billion in 1958); (d) a corresponding increase of the deficit to 12.986 billion cruzeiros (up 43 percent from 9.140 billions in 1958); (e) a reduction of about two percent in the number of persons employed; but (f) an increase of 25 percent in personnel costs, which costs represented almost 60 percent of the total expenditures of the Rêde. It should be noted that the figures for the Viação Ferrea do Rio Grande do Sul which became part of the Rêde in June 1959, are not included in the above statistics;

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if the financial results of the VFRGS for 1959 are taken into account, the total deficit reaches 15 billion cruzeiros.

In a long, frank and sober statement accompanying the report, the Rêde directors declared that, although too low freight and passenger rates and high personnel costs were important elements in the unhealthy situation of the government-operated railways, the deficit resulted less from those factors than from the low traffic density characterizing the rail system as a whole. The report recommended, without being specific, a strong effort to eliminate uneconomic branch lines, increased investment funds for equipment and for right-of-way improvement, steps to reduce the heavy burden of suburban passenger traffic, and, above all, basic decisions by the government on its overall transportation policy, with special attention to the balance between rail and highway transport. The report made no effort to blink the facts, first, that the Rêde has not lived up to its expectations; and, second, that there is no immediate prospect of substantial improvement.

In the maritime sector, the month was marked by the signing by the Ministry of transport of contracts with Spanish and Yugoslav shipyards for the construction and delivery within 18 months of four passenger vessels (two from each country) for use in the coastwise service. Each of the vessels will have a capacity of 538-550 passengers. Payment (5.1 to 5.5 million dollars per ship) will be made through the Brazilian-Spanish and Brazilian-Yugoslav payments agreements.

There were discussions during the month of the possibility of the construction by the Brazilian Navy yards in Rio de Janeiro of smaller passenger ships to be used between the shallower-draft harbors not to be served by the bigger vessels. All the ships in question are intended to help meet the large unfulfilled demand for passenger service along the coast.

9. Labor:

There were few events of direct economic significance in the field of labor during the month of April.

Only a few wage agreements between labor unions and employers' associations expired during the month of April, with the result that the 40% salary increase obtained by the Rio de Janeiro Teachers' Union was one of the very few pay raises reported in the press during April.

European immigrants who are skilled workers can easily find employment in Brazil, but freer intra-European migration plus



higher wages in Europe than Brazil are causing a decline in interest in migration to this country, according to welfare agencies which aid immigrants. Japanese immigrants, however, are still attracted to Brazil.

Some of the employees of Companhia Brasileira de Energia Elétrica, a subsidiary of the "American & Foreign Power Company" which furnishes electricity to Niteroi and other cities in the state of Rio de Janeiro, went on strike during April, claiming that they had not received full payment of the wages due them; bus drivers in the same state also struck for higher wages. Neither dispute had been settled at the end of the month.

The reclassification plan for Federal workers was not signed in Brasilia on the inauguration date of the new capital as had been predicted in the Rio press (Congressional action had not been completed) although it was generally believed that the bill would be enacted in the near future. Likewise, action to increase the pay of the members of the Armed Forces was expected to be taken before too long.

Fernando Nóbrega, Minister of Labor, Industry and Commerce resigned on April 18 and was replaced by Juan Batista Ramos, a Federal Deputy from the State of São Paulo (Bi-Weekly Economic Review No. 1).

10. Coffee and Agricultural Developments:

On the whole, April was a fairly favorable month in regard to coffee and agricultural developments.

Coffee exports during the month reached 1,290,000 bags, some 200,000 bags under April shipments a year ago. Exports for the first four months of this year were running almost 700,000 bags (nearly 12%) less than during the corresponding period in 1959 although total exports for the first ten months of the 1959-60 marketing year (July 1 - June 30) were well ahead (over 2,000,000 bags) of exports made during the same period in the 1958-59 marketing year.

Two significant resolutions were published by the Brazilian Coffee Institute (IBC), one providing regulations for establishing an incentive program for the industrialization of "expurgo" coffee (Quarterly Coffee Report, Agric. Despatch 131, May 9, 1960). The other set up regulations for establishing soluble coffee plants.

During meetings held by IBC during the month IBC President Renato Costa Lima reiterated that as long as he was in charge no excess coffee would be burned (March Economic Summary and WER 15)

and the need for the importation of more tractors for coffee growers was emphasized. There now appears to be a possibility that the June 30, 1960 cut-off date, beyond which no tractors may be imported into Brazil, may be extended; such an action, if taken, would probably be due to unanticipated delays in implanting an agricultural tractor manufacturing industry in Brazil under GEIA (March Economic Summary).

The general agricultural crop outlook was reported to be good. Despite the damage done in low lands by heavy rains and floods during March and early April the Northeast was expected to have an unusually good harvest.

During the month under review Minister of Agriculture Mário Meneghetti resigned, reportedly over differences of opinion with the governor of Rio Grande do Sul over wheat policy (WER 15) and he was temporarily replaced by the Labor Minister (See Section 9, Labor). At month's end it was not yet known who would be the new Minister of Agriculture.

* * *



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11. Economic Indicators:

Free Market Dollar Rate in Rio de Janeiro (Check Buying Rate)
(in cruzeiros)

1959	Month's Average	Month's High	Month's Low	Change from Last Month's Average
January	145.44	150.00	140.00	↑ 6.44
February	141.58	145.00	139.00	- 3.86
March	139.60	141.00	138.00	- 1.92
April	138.32	139.00	133.00	- 1.28
1960				
January	187.34	194.00	185.50	-12.20
February	184.51	186.50	181.50	- 4.00
March	187.80	191.00	184.00	↑ 3.29
April	190.16	192.40	188.45	↑ 2.36

Source: Rio Stock Exchange

Average Agios Paid in Rio de Janeiro for US Dollar in the General Category
(cruzeiros per dollar)

1959	High	Low
January	259.30	197.50
February	292.00	240.60
March	288.50	246.00
April	260.10	240.00
1960		
January	198.00	181.30
February	201.20	186.60
March	237.10	210.00
April *)	224.00	222.00

Source: Rio Stock Exchange

*) Embassy's Note:
Agios were approximately the price set by the Bank of Brazil for extra-auction sales.

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Total Currency Issued at End of Month (Millions of Cr$)

	1959	1960
January	116,804	154,616
February	116,804	154,615
March	120,993	154,612
April	122,885	157,908

Source: Amortization Office, Ministry of Finance.

Cost of Living in Rio de Janeiro (1948 = 100)

1959	Food	Cloth-ing	Rent	Furni-ture	Hygi-ene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	501	348	498	321	398	413	561	470	4.2
Feb.	570	376	504	351	411	500	580	514	9.4
Mar.	576	387	513	369	414	522	580	523	1.8
Apr.	590	395	521	385	457	522	580	538	2.9
1960									
Jan.	809	476	601	488	623	632	767	691	.8
Feb.	807	480	609	512	623	652	767	696	.7
Mar.	808	498	614	522	623	652	824	705	1.3
Apr.*)	836	508	620	534	660	699	824	725	2.8

*)-Preliminary figures

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (in US$1,000,000's)

Imports	Dec. 1959	Jan. 1960	Jan. 1959	Jan/Dec 1959	Dec. 1959	Jan. 1960	Jan. 1959	Jan/Dec 1959
					(Percentage of Total)			
Total	115.4	104.8	121.5	1,374.5	100%	100%	100%	100%
USA	29.3	34.6	48.4	422.1	25%	33%	40%	31%
C.B.*)	3.1	3.4	3.0	49.3	3%	3%	2%	4%
Exports	(US$1,000,000's)							
Total	95.4	82.7	97.7	1,282.0	100%	100%	100%	100%
USA	37.4	36.8	46.3	592.1	39%	44%	47%	46%
C.B.*)	6.2	5.4	3.2	55.3	6%	7%	3%	4%

Source: Econ. and Financ. Statistical Service, Ministry of Finance.

*) See Page 15

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Coffee Exports in 60-kg Bags

Coffee Year 1958-59 (July 1 June 30)	Month	Cumulative
July	868,810	
August	1,172,929	2,041,739
September	1,040,443	3,082,182
October	1,538,438	4,620,620
November	1,416,416	6,037,036
December	1,056,521	7,093,557
January	1,410,933	8,504,490
February	1,707,229	10,211,719
March	1,258,871	11,470,590
April	1,406,995	12,877,585
May	1,181,410	14,058,995
June	772,195	14,831,190
1959-60		
July	1,891,166	
August	2,179,884	4,071,050
September	1,689,183	5,760,233
October	1,189,878	6,950,111
November	1,757,117	8,707,228
December	1,261,685	9,968,913
January	1,027,428	10,996,341
February	1,460,026	12,456,367
March	1,320,803	13,777,170
April	1,290,000	15,067,170
May	-	-
June	-	-

Registrations for 1959/60 crop on April 30:
42,100,000 bags.
IBC states 1960/61 crop will be more than:
27,000,000 bags.

Source: Brazilian Coffee Institute (IBC)

*)(Page 14)
C.B. refers to the Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Communist China, Rumania, USSR, Albania and Bulgaria.

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Page ____ of
Encl. No. 1095
Desp. No. Rio de Janeiro
From ____

For the Ambassador

LeRoy E. Colby
LeRoy E. Colby
Economic Officer

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Contributors:
Sections 1,2,5,6,10 ... LEColby
Section 3 ... GSPierce
Section 4 ... RGWalker
Section 7 ... EIBrown
Section 8 ... JHCrimming
Section 9 ... DPMann
Section 11 .. LEColby,
RGWalker,
HKM/MCoyle,
REAdcock,
REA/LXallouz,
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AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil

32
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 13, 1960
DATE

REF : CERP Requirement Section C, Item 2.

For Dept. Use Only	ACTION	DEPT.
	REC'D 5/24	INFO OTHER

COM-12 DEPT IAC-8 AAH-4 E-3 ECA-11
CIA 10 TAD-2 TAR-3 FRB-3 AMB-4 HEW-8
HEW-2 IN-7 USIA 6 OSD-4 Army-6 Navy-3 CINCLANT

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - APRIL, 1960

SUMMARY

Merchants reported good business with a most satisfactory volume of sales in April, 1960. Although plenty of maritime transportation from southern, eastern and northeastern ports was available there developed a slight shortage of sugar and coffee in the local market. The meat supply situation has been tighter, forcing an increase in the price of beef. Fish in this period was also scarce. Local banks continued their credit policy during April; there are signs that it will be restricted in the future. The general cost of living in Belem is estimated to have risen around 6% over last month. New stores opened in Belém during April and banks with headquarters in Minas Gerais are announcing the installation of branches in this city.

The State of Pará financial situation seems to be gradually improving. Local sources are giving financial support to farming, cattle raising and industry. The cruzeiro strengntened a little during April, and the demand for US dollars has been steady. Local Customs auctioned smuggled merchandise valued at 5 million cruzeiros. The Belém population is showing dissatisfaction towards the sharp increases in prices of food, rentals, and utilities.

The State Legislature is taking up the approval of a bill, originated in that house, regarding the development of sugar cane culture and industry in this State.

Imports during April were negligible; exports were active, with Brazil nuts in first place. Domestic shippents to and from Belem were processed normally.

Due to the fast population increase in Belém, the light and power concessionaire "Força e Luz do Pará S/A" is considering the urgent need to construct a new power plant in Belém.

SPVEA has made official delivery of a launch with hospital equipment to "Pioneiras Sociais" of the State of Amazonas. The launch received the name of "Sarah Kubitschek".

Domestic Trade and/

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DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Business in general has been reported fair during April, 1960. According to leading businessmen in Belem, the sales volume during this period reached to an unexpected high, far above the levels obtained since the beginning of the current year. The stock of merchandise from southern, eastern and north-eastern sources, was replenished normally during this period, due the regular arrivals of private and government owned vessels carrying considerable assorted cargo for northern ports. There was noted a slight shortage of sugar; coffee had to be rationed to avoid a complete shortage of this product in Belém. The wheat flour situation has been remedied with the arrival of a vessel from the Argentine bringing 2,000 tons of raw wheat for Ocrim do Brasil S. A. (Moinho Farsense).

The supply of fresh meat in Belém was at its lowest during April. It is said that the ranchers in the State of Goiás that were furnishing beef to the distributing companies in this city, are now sending most of their production to Brasilia (Brazil's new capital), leaving only a small percentage to be brought to Belem market. The regional sources of cattle for slaughtering, that is Marajó Island and the Lower Amazon are beset by unfavorable weather, thus forcing the ranchers to reduce the number of cattle delivered. In consequence of this, the price of beef in Belém is reaching 130 cruzeiros a kilogram. Due to a recurrent seasonal phenomenon the fishing production during April was negligible; the price of fish, however, continued unaltered.

Banking sources inform that credit to business has been maintained through April. However, there are indications that the credit situation will be tightened for the coming months.

During April the cost of living in Belém suffered an increase of around 6% over the level recorded for the previous month. Four articles of daily need, hulled rice, lard, butter, and sugar, increased from 25 to 30, 140 to 160, 220 to 260 and 18 to 25 cruzeiros a kilogram, respectively. Other foodstuffs have also been slightly increased. Interurban bus fare (Belém-Icoaraci, around 9 miles) has been approved at 10 cruzeiros per person, one way, the previous charge being 6 cruzeiros.

A steady commercial activity has been noted in Belém since the beginning of 1960. New stores are inaugurated each month, mostly in the lines of radio-phonographs, electrical appliances, household equipment, furniture and ready made clothes. There are two more banks with headquarters in Belo Horizonte, State of Minas Gerais, preparing and remodeling buildings in Belém to install their local branches in the near future.

FINANCE

The Finance Department of the Pará State Government reported a high level of revenue during April, 1960. This is attributed to more efficient collecting of state taxes and also to the Brazil nut business. Brazil nuts are now reaching unexpected prices, and the taxes collected on this product are a sub-

 substantial source of/



substantial source of additional income for the State.

Local banks continue to extend financing to farmers and cattle growers, and industry in general in Pará. The Amazon Credit Bank is organizing a plan for 1960 to assist in the development of farming and cattle breeding, after receiving from SPVEA the annual "Development Allocation".

The situation of the US dollar in the exchange free market during April, was the following: April 1st purchase Cr$187.50 selling Cr$192.50; April 30th purchase Cr$184 selling Cr$189 to one US dollar. The rate fluctuation in this period was Cr$183.50 for purchase and Cr$188.50 for sale, the lowest; Cr$187.50 for purchase and Cr$192.50 for sale, the highest, to one US dollar.

In April, the local Customs guards caught a smuggled shipment coming from Paramaribo consisting of perfumes, watches and nylon articles valued at 5 million cruzeiros. This merchandise has already been sold at auction.

Individuals are finding the personal financial situation getting worse each month. Lower and middle income groups complain against rising house rentals, higher prices of foodstuffs, utilities and bus fares, as well as uncontrolled increases in prices of drugs and prescriptions.

Local banks report that domestic and foreign collections were normal during April and that demand for US dollars continued steady in that month.

AGRICULTUAL DEVELOPMENTS

The Pará State Legislative Assembly is discussing a bill dealing with the matter of developing the growing of sugar cane in the State of Para. The bill also provides full support for the industrial processing of sugar cane products and sub-products, which at present are considered negligible. The bill proposes the allocation of a special fund to finance sugar cane planting, processing of sugar cane products, as well as means to instruct farmers and workers how to operate such a business. Everything indicates that the bill will be unanimously approved.

IMPORTS AND EXPORTS

Practically there were no imports to Belém during April. About a dozen 1960,Ford, Chevrolet and other American make automobiles arrived at this port, coming from U. S. as "transfer of property". Export business was active and a considerable tonnage of Brazil nut, black and white pepper, lumber, wild hides and skins, massaranduba and balata gum, alligator leather, was shipped to U. S., Europe and Argentine ports thorugh the port of Belém.

Interstate incoming and outgoing shipments were active during this period, as a result of regular arrivals and departures of coastal freighters to and from Belém.

Electric Power/



ELECTRIC POWER

The president of the "Força e Luz do Pará S. A." Engineer Firmo Dutra, recently made a full report on the present activities of this light and power concessionaire in this city. He explained that with the rapid population growth in Belém, the present power plant capacity (15,000 KVA) is not capable to meet the requirements of the population. Even with the installation of a third turbine by the last quarter of 1960 and a fourth unit in the next year, the total output at that time (30,000 KVA) will not be sufficient to meet home and industrial power needs. Dr. Firmo Dutra emphasized that, as long the hydroelectric potential of the Curupi river is not transformed into industrial energy, the construction of another thermal plant for Belém must be urgently considered. Right now, to avoid a total eclapse in the power delivery, "Força e Luz do Pará" has cut light in several streets in Belém during the nights, maintaining however, connections to the dwellers.

SOCIAL WELFARE

On April 26, SPVEA made official delivery to "Pioneiras Sociais" at Manaus, Amazonas, of a hospital-launch named "Sarah Kubitschek". This launch will be used by "Pioneiras Sociais" to care for the poor people along the banks of the Amazon river, and its tributaries in the State of Amazonas.

A. José DeSeabra
American Consul

c.c.: American Embassy, Rio de Janeiro, State of Guanabara, Brasil.



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PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AmConsulate, Curitiba

50
DESP. NO.

MAY 13 1960
May 13, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP Section 2

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	REPJ IRC-8 ICA-11 E-3 ARA-4 XMB-4 ARMY
	REC'D 5-25-60	FOR OTHER CIA-10 USIA-10 IAR-2 AG-8 LAB-6 IN-7 TR-3 FRB NAVY-3 AIR-3

SUBJECT: ECONOMIC SUMMARY FOR APRIL 1960

I SUMMARY

General economic activity in the Consular district increased somewhat during the past month. There was a slight increase in coffee exports through Paranagua and lumber exports also picked up.

A lock-out by bus company owners deprived Curitiba of its chief means of transportation but it was reported that the lock-out had little adverse effect on commerce or industry. The city government threatened to expropriate the bus companies.

Talk of expropriation of the local telephone company, an I.T.& T. subsidiary, continued. A strike against the company was averted by a last minute wage settlement. There were demands by workers in other industries for large wage increases.

Commercial activity picked up during the end of the month with a heavy influx of visitors (estimated at 50,000) for the Eucharistic Congress.

Money in the Curitiba market remains tight.

II AGRICULTURE

1. Coffee

Coffee exports increased slightly over March, amounting to 308,000 bags. Local banks continue to refuse financing of shipments from Northern Paraná, only 250,000 bags being shipped from the coffee-growing zone to Paranagua. An additional 250,000 bags were shipped to other Brazilian ports for internal consumption.

The Paraná Federation of Rural Associations has asked the Brazilian Coffee Institute

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ACTION ASSIGNED TO:	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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832.00/5-1360
FILED
JUN 23 1960
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Coffee Institute to set the percentage of exportable coffee at 70% (now 60%) and return "expurgo" coffee immediately to producers to avoid storage costs. "Expurgo" coffee, used as fertilizer, amounts to about 10% of the total coffee crop. Northern Paraná coffee growers are also demanding a change in the "coffee dollar". They want to receive 50% of their payment at the present rate of exchange Cr$ 76,00 to the $1.00) and 50% at the free market rate. They are barely breaking even now, while coffee growers elsewhere (São Paulo) are losing money. The state of Santa Catarina wants the I.B.C. to permit the shipment of coffee through the Ports of São Francisco do Sul and Itajaí while Paraná continues to agitate for the opening up of Foz do Iguaçú to coffee exports. The argument is that Foz do Iguaçú, a fluvial port near Paranaguá, Uruguay and Argentina, can ship the product at much lower cost because of its location. SOURCES: All papers.

2. Lumber

Exports of lumber to Argentina were resumed during April. A Paraná delegate at a conclave in Buenos Aires said Argentina had agreed to buy 10 million feet of Brazil pine during the month. Prices were reduced, however. Argentina will pay $10 less per thousand feet for grades 3 and 4 and a new type, "tipo platino" composed of 40% of grades 1 and 2, 40% of grade three and 20% of grade 4 will sell for $100 per thousand feet. The quota regime will remain intact. SOURCES: "Estado do Paraná, "April 13,1960;"Diário do Paraná"April 8,1960, 4/12, 4/14/60; "Folha do Comércio" April 4, April 18, 1960.

III. LABOR.

1. Paraná Labor Unions Meeting

Paraná labor unions met in Curitiba. Social and labor legislation, the cost of living and transportation problems were discussed. Opposition was expressed to the Federal Labor Ministry's interferance regarding regulations for labor union elections. (Despatch on the meeting will follow). SOURCES: "O Dia" April 8, 19, 1960; "Gazeta do Povo", April 30, 1960; "Diário do Paraná", April 13, 28, 1960.

2. Railway Pensioners

Payment of old age pensions to railway workers of Rede Viação Paraná-Santa Catarina was resumed several months ago, but until the end of April the monthly installment had not been received, the blame being put on the Bank of Brazil which had not transfered the money from Rio. A number of the pensioners who had come to Curitiba to receive the payments were said to have slept in the parks since they had brought only enough money for round trip passage. It has now been promised that pensions will be received by May 11. The pensioners cause has been taken up by local student groups, labor unions, etc. SOURCES: "O Dia", April 23 and April 30,1960; "Diário do Paraná", April 19,1960; "Estado do Paraná", April 3, 7, 15, 17,1960.

3. Wage increases

a) A threatened strike by employees of the Companhia Telefonica Nacional was avoided



was avoided by a last minute agreement the terms of which would permit the I.T.& T. subsidiary an increase in rates but only if the company can prove to the satisfaction of the City government it will still have to abide by the provisions of the salary increase. The increases range from 25 to 40%. Another grievance in addition to salary, was working hours. The workers allege that Federal labor legislation sets a 6 hour a day, 6 day week for telephone operators and that CTN has never abided by the terms of the legislation. The new agreement stipulates that the 6 hour day will take effect "within a reasonable period of time.

COMMENT:

While the salary increase would apparently serve to strengthen the company's contention that it is operating at a huge deficit and that a substantial increase in rates is essential, the city government has shown no disposition to listen and there are no indications that the tariff increase will be given.

b) Tannery Workers have demanded a 47% increase in wages. Employees are agreeable to a 20% increase over present wages retroactive to April 1,1960. There has, as yet, been no strike threat.

c) Bakery workers have been demanding a 40% increase and although employees had originally promised 30% they have not delivered because they are waiting for an approval of an increase in bread prices (see agricultural summary). SOURCES "O Dia", April 2, 7, 9 and 10, 1960; "Diário do Paraná", April 8, 1960.

d) Banking Employees are demanding a 7% yearly increase for all employees, a 5 day week and cost-of-living adjustments every 6 months. Circulars have been distributed to all bank employees listing the demands and enlisting support from all functionaries. The President of the local Bank employees union recently returned from the U.S after a 3 month stay as a grantee. He said he was impressed by the high standard of living in the U.S., mentioned the 5 day workweek bank employees in the U.S. enjoy (in contrast to the 44 hours U.S. workers put in, Brazilian bank employees work only 33 hours) and said Americans he spoke with were impressed by the far-reaching Brazilian social legislation. SOURCES: "O Dia" April 13,1960; "Diário do Paraná" April 20, 1960.

IV TRANSPORTATION AND COMMUNICATIONS

1. Curitiba Bus Strike

When he was elected, the mayor of Curitiba, General Iberê de Mattos, promised that bus fares would not be increased, but the bus companies have had different ideas. In March, the companies threatened to remove the buses unless they were granted a 20 to 30% fare increase. Rising costs for maintenance, wages and spare parts were given as justification for the increase. On April 26 the long threatened lockout took place. The companies withdrew their buses (220) and hid them in neighboring cities and in the state of Santa Catarina, the object being to make seizure of the vehicles more difficult.



difficult. The mayor suggested expropriation of the enterprises and a number of the buses were "sequestered", i.e., seized by the city government. However, most of the buses remained out of service because the owners had removed the fuel injection pumps. Trucks, taxis and army and state government vehicles were used in transporting passengers.

A 60 day truce, engineered by the Archbishop of Curitiba and the governor of Paraná was agreed upon. The Archbishop's interest stemmed principally from the Eucharistic Congress which began on May 5, bringing an influx of about 50,000 people into Curitiba.

COMMENT: The city's determination to do nothing politically unpopular, such as allowing an increase in fares, and its willingness to resort to expropriation does not auger well with regard to the Telephone Company's request for an increase in rates (see below). SOURCES: All newspapers.

2. Telephone Company

A Curitiba city councilman has formally proposed the expropriation of the Companhia Telefonica Nacional, a subsidiary of the International Telephone and Telegraph Company. The action follows on the city's rejection of a request by the company for a 400% increase in rates. The company's economic position deteriorated further as a result of a wage increase granted to all employees after the threat of a strike. Local Communist and left-wing elements have been agitating for expropriation. However, the Council for the Coordination of Paraná Economic Classes has come out against expropriation of any private enterprise. The Council is composed of leading members of the local business community.

It seems unlikely that the issue will be resolved in the near future. SOURCES: "O Dia", April 13,1960; "Diário do Paraná", April 1c,1960; "Estado do Paraná" April 14,1960.

3. Highways

It has been estimated that the new road between Curitiba and São Paulo (BR-2) will result in a saving of 1.5 billion cruzeiros per year in transportation costs and will pay for itself in 6 years. The road will cost 9 billion cruzeiros and President Kubitschek claims it will be inaugurated in September.

COMMENT: The Governor of Paraná, in a conversation with a member of the Consular corps is reported to have said the road will not be ready before December.

SOURCES: Private conversations and "Gazeta do Povo", April 5,1960; April 10,1960; "Diário do Paraná", April 12,1960; "Estado", Florianópolis, April 1,1960 and April 6,1960.

V DOMESTIC TRADE AND COMMERCIAL POLICY

1. Prices: Butter rose from Cr$200,00 to Cr$240,00 per kilo and is expected to go

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expected to go higher, the result of increased costs for animal feed, dairy maintenance and rain damage to pastures.

Bread prices are expected to rise in anticipation of an increase in wheat flour prices.

2. Black Beans

Heavy rains in Northern Paraná may cut down the black bean crop and cause a shortage. Absence of rain in southwestern Paraná may have the same effect on the same crop. Black beans are a favorite Brazilian dish. SOURCES: "Diário do Paraná", April 1, 10 and 22/60; "Estado do Paraná", April 5, 7 and 8, 1960.

VI Foreign Trade and Commercial Policy

1. Interamerican Trade Relations

A local editorial (Diário do Paraná) claims that the United States, after the Second World War, paid more attention to the development of African and Asian trade relations than to Latin America. This it is claimed, may be partial justification for anti-American sentiment. However, the editorial points out that there appear to have been significant changes in U.S. foreign economic policy and a greater emphasis on Latin American problems can be expected. SOURCE: "Diário do Paraná", April 12,1960.

2. Brazilian Goods for U.S.A.

The Paraná Federation of Industries informed its members that an American trade mission, presently in Rio, is interested in establishing business connections for Brazilian goods. Local wood and leather industries were urged to subrit their offers through the Federation.

Fulham Brothers, Inc. of New York, shrimp and fish importers, advised the Brazilian Embassy in Washington that it is interested in importing shrimp and lobsters and would even go so far as to give financial and technical assistance to Brazilian firms which would be able to supply Fulham's needs.

COMMENT: If an export trade in shrimp does develop it will set something of a precedent since present exports of the product from Brazil are virtually non-existent.

3. Polish Parliamentary Delegation (con't.)

The visit of the Polish Parliamentary Delegation in March continued to cause newspaper comment, some of it unfavorable. It was alleged, for example, that while Paraná is a heavy purchaser of Polish goods, especially machinery and chemicals, Poland does not import any Paraná coffee, its supply being obtained from Santos and Rio de Janeiro

Paraná Economic

Paraná economic circles are said to have demanded that Poland obtain at least 25% of its Brazilian coffee from Paraná. Satisfaction was expressed at the interest the Polish showed in soluble maté and the product is supposed to be exhibited at the Poznan fair. SOURCE: "Gazeta do Povo", April 2, 1960.

George M. Scanlan

for the Consul
George M.Scanlan
American Vice Consul

cc: Supervising Consul General
American Embassy, Rio

AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Recife, Pernambuco, Brazil. — 31 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 17, 1960. DATE

REF : CERP, Section C, Item 2.

For Dept. Use Only	ACTION / INFO / OTHER	DEPT.
	ACTION	COM-12
	REC'D	5/31
	INFO	AEP-1 *IAC-8 *IAN-4 F-3 *ICA-11 H/m-2
	OTHER	CIA-10 H SIA-10 IAR-2 *IR-3 FRB-3 XMI

SUBJECT: ECONOMIC SUMMARY FOR APRIL 1960. AC-C IN 7 *IAB 6 OSD/A army-6 Navy-3 air-6 CH-4 HEW-2 FCC-1

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A. Education: Recife Mayor Launches Ambitious Schooling Program

VII. MISCELLANEOUS
A. Statistics

20 MAI 1960

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LWS

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I. SUMMARY

Weather conditions during the month of April returned to some degree of normalcy - so did economic conditions. The credit and money market definitely tightened during the month. The demand for agricultural financing and money to pay income taxes makes it appear that the money market will tighten further. The sugar market remained firm; cane harvesting was slowed by the heavy rainfall. Trading sources reported that the remainder of Pernambuco's sugar crop has been sold while cotton dealers, except in Ceará, have been able to dispose of their stocks with ginning now completed. Ceará's still unsold cotton ("a good volume") is scheduled for export.

Despite the vicissitudes of Mother Nature, business, at least in the coastal metropolitan areas, was reported as being "quite satisfactory". The long ailing textile industry is enjoying one of its most prosperous periods in recent years. Textile spokesmen even express optimism over sales and profits for the entire year.

In other developments, at least 50 million more tons of phosphate ore have been located in Pernambuco. A railway freight hike was scheduled to become effective on May 1 much to the discomfiture of those interests serviced by the Rede Ferroviaria do Nordeste. Commercial television is just around the corner in Recife with the scheduled opening of Jornal do Comercio's TV station in late May or June. A regional labor conference of the North and Northeast was held in Recife with the participation of Vice President Goulart and presidential candidate Lott. A radical program was announced by the City of Recife for the solution of educational problems for the city's underprivileged children.

II. GENERAL

A. Floods - Continued

During the early part of April, unusually heavy rains continued to batter the interior regions of the Northeast. Seventy percent of Pernambuco's inland towns were reported to have either been hit directly by floods or had been isolated for several days by high waters. Ninety percent of the interior water reservoirs and dams were also reported to have either damaged or washed out completely, which could be the most severe blow with the approach of the dry season. The Federal Government promised to rebuild Ceará's Orós dam, the site of the spectacular washout last month; more than one billion cruzeiros were allocated for the job. To assist agriculture get back on its feet, Cr$100,000,000 was promised. Rio Grande do Norte reported serious economic losses in two of its more lucrative sectors - carnauba wax and salt; many of the carnauba palms in the Açu River basin had been uprooted while many salt mines had practically been destroyed. ("Jornal do Norte", April 7). During flood



relief operations, the United States lost two helicopters in Piauí: one was a complete loss after striking a power line and falling into the Piauí river; the second was permanently bogged down in an inaccessible swamp (complete with carnivorous Piranha fish, as salvage crews discovered) following a power failure.

COMMENT: Flood relief became a heated political issue when the Federal Government originally declared only three of the six innundated states as "disaster relief areas." This area was later, tardily, expanded after anti-administration governors continued their accusations of discrimination and reaped substantial political benefit.

III. MINERALS

A. More Phosphate Deposits

On April 26, the Brazilian Ministry of Agriculture announced that at least 50 million more tons of phosphate deposits have been located in Pernambuco. These deposits are in addition to the reserves held by Fosforita Olinda S. A., important Brazilian phosphate processor, which also controls more than 50 million tons of removable phosphate. Fosforita Olinda's have previously been considered the largest in South America. deposits

IV. TRANSPORTATION AND COMMUNICATIONS

A. Freight Rate Hike by Northeastern Railway Network

Freight rate increases of from 10% (rice, meat, and sugar) to 300% (salt) were scheduled to be placed in effect on May 1 by Federal order for the Rede Ferroviaria do Nordeste, a 1,400 mile railway system servicing Pernambuco, Paraíba, Rio Grande do Norte, and Alagoas. Phompt telegrams were dispatched by local businesses to the President and appropriate Federal officials protesting the increases. Those affected claim that at this critical time in the economy of the Northeast (recuperation from floods, et al), the higher rates could be permanently crippling to interior economic activities.

B. Television Arrives in Recife

The television station of the "Jornal do Comercio", Recife, has started experimental broadcasts in preparation for its official debut on May 31. The station's transmissions have been received as far south as Argentina, Uruguay, and Porto Alegre, as proudly reported by the parent newspaper which is getting the jump on its arch competitor, Assis Chateaubriand's Diario de Pernambuco, whose TV station will not be on the air until later this year.



V. LABOR

A. Regional Labor Conference

The First Congress of Workers of the North and Northeast was, after two postponements, kicked off by Vice President Jango Goulart and presidential aspirant Henrique Teixeira Lott. Four hundred delegates from 56 unions attended. The three day conference discussed such matters as the elevation of the minimum salary, methods of fighting inflation, the regulation of the right to strike, and social security improvements. One motion, moved from the floor, was a request for congress and the President of the Republic to nationalize all distributors of petroleum products. (Diario de Pernambuco, April 29.)

COMMENT: In order to avoid "a political flavor" the Governor of Pernambuco, Cid Sampaio (UDN) and supporter of Janio Quadros, was not permitted to speak. Marechal Lott, in answer to a question, once again stated that he was opposed to legalizing any party controlled by foreign interests (i.e. - the Communist Party of Brazil - PCB).

Out of town delegates to the conference became indignant when it was learned that the conference would not pay their hotel and other expenses. The Conference later reconsidered but only after a bitter note had been injected into the meeting.

VI. SOCIO-ECONOMIC

A. Education: Recife Mayor Launches Ambitious Schooling Program.

With the enthusiastic support of such diverse groups as the local communist elements and the Rotary and Lions Clubs, Recife Mayor Miguel Arraes instituted a plan to utilize facilities such as country clubs and recreation centers as school houses with teachers being provided (paid) by local businesses while the curriculum and books - as well as the choice of the teachers - will be controlled by the City. This will be a plan for elementary education; a recent survey showed that only 43% of Recife's primary school age children are being exposed to formal education. The "blitz against illiteracy" was formally initiated with the opening of a free school in one of Recife's underprivileged boroughs. Twenty teachers are being paid by four local companies, two of which (Bates and Pepsi Cola) are American subsidiaries. Appropriate ceremonies were held on May 1 to celebrate the stride taken in the cause of public education.



VII. MISCELLANEOUS

A. Statistics

Attached, as enclosure 1, is a comparison, in cruzeiros, of the market price of various northeastern agricultural products for the year 1958, 1959, and 1960, during the month of April.

Edward T. Walters
American Vice Consul

1 cc - Supervising Consul General, AmEmbassy, Rio de Janeiro

Enclosure: As stated.

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(Classification)

Page one of
Encl. No. one
Desp. No. 31
From Recife, Brazil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR APRIL 1960 IN COMPARISON WITH APRIL 1959 AND APRIL 1958.
(All items are cruzeiro prices on the official commodity exchange during the week indicated.)

COMMODITY		FIRST WEEK	SECOND WEEK	THIRD WEEK	FOURTH WEEK
Sugar, Crystal, 60 kilos.	1960	710F	710	710	710
	1959	756	756	--	--
	1958	540	540	550	550
Cotton, Sertão, type 5, 15 kilos.	1960	1,340	1,340	1,340	1,340
	1959	1,440	1,340	1,350	1,350
	1958	615	625	635	635
Cotton, Matá, type 4, 15 kilos.	1960	1,250	1,250	1,250	1,250
	1959	1,000	1,030	1,060	1,110
	1958	610	620	620	630
Castor beans, 15 kilos.	1960	180	180	190	200
	1959	100	107	115	125
	1958	100	100	110	110
Coffee beans, 15 kilos.	1960	250	--	--	--
	1959	400	--	--	--
	1958	--	--	--	--
Manioc flour, 50 kilos.	1960	400	--	--	--
	1959	475	450	500	475
	1958	--	unavailable		--
Black beans, 60 kilos.	1960	2,300	2,600	2,600	2,600
	1959	820	875	900	875
	1958	--	unavailable		--
Corn, 60 kilos.	1960	400	400	400	400
	1959	360	400	400	400
	1958	--	unavailable		--

Source: Indicador Comercial, Recife, Brazil.

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, São Paulo — 419 DESP. NO. — May 17, 1960 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF :

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	ARA-4	INFO RM/R-2 REP-1 IRC-8 ICA-11 E-3 FBO-1 SY-2 SD-1	
	REC'D 5-25-60	OTHER CIA-10 USIA-10 COM-10 AG-8 TR-3 OSD-4 ARMY-4	

SUBJECT: Santos Weekly Report

Transmitted herewith for the information of the Embassy and the Department is the weekly report from the American Consulate at Santos, dated May 12, 1960.

DEPARTMENT OF STATE
BUREAU OF
INTER - AMERICAN AFFAIRS
JUN 6 1960

Ralph J Burton
for William P. Cochran, Jr.
Consul General

832.00/5-1760

Enclosure:
Santos Weekly Report,
dated May 12, 1960

cc: Amembassy, RIO

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 31 1960

1960 MAY 25 PM 1:00

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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FORM DS-662
8-1-50

Enclosure No. 1
São Paulo Despatch No. 419

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OPERATIONS MEMORANDUM

TO: American Consulate General, São Paulo **Date:** May 12, 1960

FROM: American Consulate, SANTOS

SUBJECT: Weekly Comment on Events in Santos

REF:

The Principal Officer regrets that his absence from Santos May 2-7 to attend the biennial Consular Conference at the Embassy in Rio de Janeiro prevented his preparation of the Weekly Comment covering the period April 29-May 5.

I POLITICAL - Negative.

II LABOR - Negative.

III ECONOMIC

1. General Foods Purchases Large Quantity of Brazilian Coffee (UNCLASSIFIED)

After a period of rumors and speculation, by May 1 it became known in Santos that the General Foods Corporation, the world's largest coffee roaster, had contracted from the Instituto Brasileiro de Café (IBC) to purchase 750,000 132-pound bags of coffee for US$26.30 per pound, for soluable. In addition, General Foods agreed to purchase, within the next few months, an additional 750,000 bags of regular blend on the open market at a minimum price of US$33.77. The entire transaction reportedly will involve about US$3,000,000.00.

Comment: (OFFICIAL USE ONLY)

The deal has caused an international commotion. According to a reliable source in the coffee business here, although local shippers are not overly surprised at the transaction (the third of its type within recent years between General Foods and the Brazilian Government), many of the local brokers are piqued that they have been unable to negotiate similar transactions with the IBC, since they have customers who are anxious to buy on the same preferred terms as General Foods. According to the same source, the members of the International Coffee Agreement are upset that the low price allowed General Foods may reflect upon the international price structure, and IBC President Renato Costa Lima is presently

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MAY 16 1960
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presently visiting other South and Central American coffee-producing countries to placate their concern. Another source of worry to the coffee trade is that some of the coffee may be used as other than soluable, which could badly disorder prices.

It is generally agreed in coffee circles here that a powerful factor allowing General Foods to swing the deal was its ability to put up 20,000,000 much-needed U.S. dollars in advance with the Brazilian Government; and that the transaction will benefit Brazil since it may produce the effect of displacing, at least in the short run, some competing African coffee.

2. Caffein Exported From Port of Santos (UNCLASSIFIED)

On May 2 some 240 sacks of caffein totaling 6,144 kilos left Santos aboard the Lloyd Real Holandes vessel Enaland, consigned to the Haarden N.V. Chemische Fabriek in Holland.

Comment: (UNCLASSIFIED)

This caffein is produced by the D/A Industries Geraldo F. Rademaker and is reputedly the first shipment to be exported from Santos since before the Second World War.

3. Congestion of Santos Docks (UNCLASSIFIED)

On May 11 the reporting officer was told by Dr. Jose Meneses Berenguer, local head of the Santos Dock Company, that nearly a dozen ships, including three tankers, are presently awaiting berths in port. Dr. Berenguer states that from September through March berths were readily available alongside in Santos, but since the recent agitation of the Santos warehousemen (see Weekly Comment of April 7 et seq.) the port has been congested.

V CONSULAR

1. General (UNCLASSIFIED)

Despite the disruptions occasioned by the Consulate's move to new quarters over the weekend of April 30-May 1 (see Administrative item 1), consular operations have continued normally during the past two weeks and there is nothing especial to report.

Comment: (UNCLASSIFIED)

On May 2, the first day the Consulate was open for business, amidst stacks of furniture and piles of unsorted files, the reporting officer processed and issued non-immigrant visas.

/V ADMINISTRATIVE

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V ADMINISTRATIVE

1. Consulate's Move to New Quarters (UNCLASSIFIED)

After thirty-three years of occupancy in a steadily-deteriorating structure, pursuant to authorization granted by the Department on April 30 the Consulate moved to the third floor of a brand-new and modern office building located at 101 Rua XV de Novembro.

Despite an inept performance from the movers, the Consulate and its USIS unit managed to have its furniture and equipment physically transferred into its new offices on April 30, although the reporting officer was obliged to manhandle personally, in the rain, his two safes from the old location to the new.

Before moving, the Consulate received from the administrator of its old premises receipts for the Consulate's rental through April 30 and a termination document which, although not entirely satisfactory, appears to relieve the Consulate of the likelihood of any future claims against it from its previous landlord.

At the date of writing the Consulate and USIS are settling into their new offices, which appear eminently satisfactory from all points of view.

Comment: (UNCLASSIFIED)

The reporting officer is grateful to FSO Leland Ryle, who was detailed to Santos during the former's visit to the Embassy in Rio de Janeiro for the May 2-8 Consular Conference, for admirably assuming charge of the Consulate during a difficult period.

2. Consulate Receives a New Official Sedan (UNCLASSIFIED)

Just as the Consulate was moving into its new quarters, it took delivery of a 1960 four-door Chevrolet sedan assigned to the post as its official vehicle.

Comment: (UNCLASSIFIED)

This automobile replaces a 1957 Ford sedan, somewhat the worse for wear, whose sale is now being processed.

VI PSYCHOLOGICAL

1. Chessman Execution Stirs Santos (OFFICIAL USE ONLY)

The oft-postponed and much-debated execution of Caryl Chessman on May 2 provoked an outburst of deep emotion in Santos. The execution was the universal topic of local conversation on the day of Chessman's death and for several days thereafter. On May 2 the

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Consulate received more than a half-dozen telephone calls, mostly scurrilous, and the Binational Center was threatened with a stoning, which, however, did not materialize. By a week after Chessman's death the previous week's intense local excitement had died down, but the reporting officer fears the case has bequeathed a legacy of ill-feeling in Santos, which will continue to hang over U.S.-Brazilian relations for some time to come.

Comment: (UNCLASSIFIED)

Press reaction to the execution was unanimously and vehemently adverse. Most articulate Santistas hold stubbornly to the opinion that the case, rather than vividly demonstrating the patient and well-nigh inexhaustible recourses of American due processes of law, was actually a horrible prolongation of the judicial agonies of a gifted and misunderstood individual vainly battling for human dignity.

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FROM : Amcongen SÃO PAULO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 20, 1960
DATE

REF : CERP C - General Interest

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	
	REC'D 5-23-60	INFO OTHER

SUBJECT: Biweekly Economic Review (May 6 - 19, 1960)

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2. Credit Tightens - Business Drops
3. Credit Opened to Pay Wage Increases
4. Uncertain Prospects for Meat Packers
5. Santos Port Congestion
6. São Paulo Accounts Produce Surplus
7. São Paulo Takes Steps Against Leaf Blight in Rubber Plantings
8. Automotive Industry Concerned Over Delay in Extending Free Entry Privileges
9. French Company Manufactures Fast Dyes in São Paulo
10. Price Controls on Rice Removed
11. Labor Leaders Visit São Paulo

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1. Russian Commercial Mission Visits São Paulo (UNCLASSIFIED)

The Russian Mission that had been discussing with Brazilian authorities details of the trade agreement between the two countries has been in São Paulo for a week, where it visited trade associations, various industrial plants, and coffee plantations (see Congen despatch 418 of May 17, 1960). Towards the end of their visit it was rumored that the Russians were negotiating with the Jafet interests to buy up their iron and steel plants.

Comment: The most important iron and steel activities of the "Jafet Group" are carried on by the company Mineração Geral do Brasil Ltda. In December 1957 the Federal Government appointed army supervisors in that and six other companies of the Jafet Group to protect loans totaling Cr$1.2 billion secured by a mortgage on the group's industrial property. END UNCLASSIFIED

BEGIN OFFICIAL USE ONLY. This action, [illegible] financial assistance, was taken to forestall the sale of the iron and steel interests of the group to American interests, which were rumored to be negotiating with the Jafet Group at that time. The Federal action was on the grounds that the iron and steel industry was of "National Interest". It is not believed that Brazilian Army and civilian officials have changed their attitude. Furthermore, with the heavy government financial interest in the organization and the supervisors installed therein, such a transaction as

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rumored is difficult to perceive. The rumor, therefore, is believed to be unfounded. END OFFICIAL USE ONLY

2. Credit Tightens - Business Drops (UNCLASSIFIED)

During the past 30 days credit facilities have gradually become tighter and the harder money situation is affecting business. Easter trade was very good in São Paulo at the retail level, but post Easter business on the wholesale level failed to pick up as in other years. Thus, sales tax revenue fell off from Cr$5.2 billion in March to Cr$5 billion in April, whereas in other recent years there had been a rise in sales tax collections.

Tightening credit is attributed mainly to the increased sum of dollars sold for imports at the foreign exchange auctions at 150 days' date. Close to US$10 million dollars extra foreign exchange was bought by São Paulo importers during the seven weeks ended May 17. This required the outlay of some Cr$2 billion. The tight money situation is expected to prevail until mid August. In August money is expected to flow back to the market from new crop coffee financing in July. END UNCLASSIFIED

BEGIN OFFICIAL USE ONLY. São Paulo financial circles do not believe that the Federal Government will be able to hold down issues of paper currency to current low levels during the remainder of the year, and expect currency issues to rise and ease credit when financing of the new coffee crop is undertaken. They feel that while the government may be interested in maintaining the status quo, it will not adopt a deflationary policy such as was undertaken when Lucas Lopes was Minister of Finance. END OFFICIAL USE ONLY

3. Credit Opened to Pay Wage Increases (UNCLASSIFIED)

To meet salary increases of State employees granted in January (see item 6 of Congen despatch 247 of January 15, 1960), the Governor of the State of São Paulo opened a credit of Cr$10,274,488,000.00 (roughly US$50 million) by Decree No. 36,583 of May 14, 1960. According to this decree the funds to meet this payment will be obtained by utilizing the reserve of Cr$6 billion set aside for that purpose in the 1960 State budget, and by undertaking credit operations to cover the remaining Cr$4.2 billion.

4. Uncertain Prospects for Meat Packers (OFFICIAL USE ONLY)

The approach of the winter off-season, when pastures dry up and cattle lose weight, raises the question of whether a meat supply crisis will recur this year, similar to that in late 1959 which led to agitation for expropriation of American-controlled packing companies at São Paulo. According to the president of one of these companies, the packers can probably get through the coming off-season without undue difficulty if the current system of partial controls continues. However, if anticipated price rises lead to imposition of more comprehensive controls, there may again be supply difficulties due to refusal of cattle raisers to sell at low prices. This could lead to political repercussions. A portent is the recent submission by a State Deputy of a legislative proposal calling for expropriation of the foreign-owned packing houses (Congen despatch No. 417 of May 17, 1960),

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followed on May 18 by a speech in the State Assembly by another deputy advocating federal intervention in the foreign-controlled packing companies. The foreign companies regard these proposals more as straws in the wind than as serious dangers. However, they have employed a public relations firm and plan to present their case actively to government officials and the public. (Congen despatch No. 423 of May 20, 1960.)

5. Santos Port Congestion (UNCLASSIFIED)

The congestion at the Port of Santos remains unaltered from that reported two weeks ago (see item 1 of despatch 407, May 6, 1960). It had gotten somewhat worse because two days of heavy rain hampered cargo handling, but improved again since May 13. There are some 20 vessels awaiting docking space, but aside from wheat vessels requiring special unloading facilities, cargo ships are waiting only about two days to unload. Vessels loading cargo for export are given priority and these have been docking without delay. Additional dock labor has been hired and the congestion is expected to be eliminated in a short time.

6. São Paulo Accounts Produce Surplus (UNCLASSIFIED)

The São Paulo Secretary of Finance announced that the accounts of the State for the year 1959 were closed with a surplus of Cr$73,444,744.80. This surplus is to be used to cover expenditures under the Plan of Action (see Congen despatch No. 180, November 19, 1959). The public debt of the State at the end of 1959 stood at Cr$42.2 billion. This figure includes a floating debt of Cr$25.6 billion, of which Cr$20.4 billion was for bills payable (restos a pagar) which include accounts from previous years.

Comment: The surplus compares with a deficit of Cr$4.4 billion in 1958, and surpluses of Cr$223 million in 1957 and Cr$514 million in 1956. In 1959 the floating debt increased by Cr$6.5 billion over the 1958 figure of Cr$19.1 billion. This increase in the floating debt covers payments still to be made, but already debited against budgetary allocations in determining the budgetary surplus.

7. São Paulo Takes Steps Against Leaf Blight in Rubber Plantings (UNCLASSIFIED)

The local press reported a directive of the São Paulo Secretariat of Agriculture quarantining indefinitely the rubber plantations on the Atlantic seaboard in South São Paulo. This measure was taken because the disease Dothidella ulei P. Henn, commonly called leaf blight, appeared for the first time in this state. Measures also are being taken to stamp out the disease.

Comment: Inquiry at the Rubber Planting Service of the State of São Paulo disclosed that the above information is essentially correct. The interdiction was put into effect mainly as a safety measure. Apparently some of the clones imported from the Far East were found to be infected and the Service immediately decided to stop using those clones, replacing them with clones from North Brazil inspected by the Agronomical Institute of the North (Brazil) and the Biologic Institute of the State of São Paulo. By carefully eliminating infected clones and diseased plantings, the Service expects to stop the spread of the leaf blight and completely eradicate the disease.



8. Automotive Industry Concerned Over Delay in Extending Free Entry Privileges (UNCLASSIFIED)

Manufacturers of motor vehicles and auto parts in São Paulo are concerned with the continued delay of the Federal Chamber of Deputies in acting upon a government bill submitted in 1958 to extend the free entry privileges of Law 2993 of December 6, 1956, to June 30, 1960. That law had exempted equipment for the manufacture of materials and products for the automotive industry from customs duties and consumption tax if imported by June 6, 1959.

In a bid for an early solution, the trade association of the automotive industry decided to bring the matter to the personal attention of the President of the Republic. A note was also sent to every Federal deputy stating that further delay or refusal to approve the bill would cause extreme hardships to the auto parts industry in particular and to the motor vehicle industry in general. It pointed out that many auto parts makers, confident that the bill would be approved, had imported equipment that was cleared through customs under bond pending approval of the bill. Some of the smaller manufacturers would find it very difficult to pay these duties now. In addition, they would be at a disadvantage with manufacturers who had imported their equipment before June 6, 1959, and who, consequently, had been protected by Law 2993.

9. French Company Manufactures Fast Dyes in São Paulo (UNCLASSIFIED)

Companhia Franco Brasileira de Anilinas S.A., of São Paulo, started manufacturing fast dyes not heretofore produced in Brazil. Nine types of sclasol (indigosol) and 12 types of solanthrene (indanthren) dyes are produced at a plant in Jacareí (S.P.) officially inaugurated on May 12. Output of the concentrated fast dyes is scheduled at approximately 200 metric tons annually. Main raw materials used are sodium, sulfuric acid, chlorine, and nitrobenzene, obtained locally, and benzanthrone and aminoanthraquinone, which are still imported from abroad. Companhia Franco Brasileira de Anilinas S.A., a company formed in 1956, is a subsidiary of Compagnie Française des Matières Colorantes, of Paris, France. Total value of the investment in the local plant is reported to exceed Cr$300 million.

10. Price Controls on Rice Removed (UNCLASSIFIED)

COAP, the State Food Supply and Price Control body, voted on May 19 to liberate the price of all rice in the State of São Paulo. This move was made in deference to Rio Grande do Sul producers whose cost of production and price supports reached a level which impeded the sale of their rice in the São Paulo market. Also, COAP stated, the freeing of the prices in São Paulo will serve to obviate large shipments of rice abroad from Rio Grande do Sul which could result in an increase in prices of all types of rice.

Comment: As production is up in both Rio Grande do Sul and São Paulo, the removal of the price controls on rice is not expected to result in a large increase in retail prices.



11. Labor Leaders Visit São Paulo (UNCLASSIFIED)

Six labor leaders headed by Juul Poulson, general secretary of the International Union of Food and Drink Workers, visited São Paulo during the weekend May 7-9. The group was returning from the Inter-American Conference of Food and Drink Workers which was held in Lima, Peru, April 25-29. While in São Paulo the group met with leaders of São Paulo food and drink workers unions, and visited a brewery, flour mill, a spaghetti factory, and a coffee plantation. They were also offered a reception by the Consulate General's Labor Officer which was attended by some 50 local labor leaders, and the Secretary of Labor for the State of São Paulo, Paulo Marzagão. In addition, they held a press conference arranged by USIS and received favorable coverage by the local press.

Besides Poulson the group included Max Greenberg, president of the Retail, Wholesale, and Department Store Union (AFL-CIO); Morton Brandenberg, president of the Distillery, Rectifying, and Wine Workers' International (AFL-CIO); Harry Poole, executive vice-president of the Amalgamated Meat Cutters and Butcher Workmen of North America (AFL-CIO); David Sternback, associate Inter-American representative AFL-CIO; and Andrew C. McLellan, Inter-American representative of the International Union of Food and Drink Workers.

Comment: Unfortunately, the group arrived on a weekend. As a result, it was impossible for them to make contacts with a large number of local union leaders from the food and drink industry in the interior of the State of São Paulo. Therefore, the Consulate General's Labor Officer strongly recommends that future groups of labor leaders be scheduled during the work week when visiting São Paulo.

William P. Cochran, Jr.
Consul General

Contributors:

SCLyon - Item 4
JFShea - Item 11
FTraeger - Item 10
ADVenture - Items 7, 8 and 9

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 1157 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — May 23, 1960 DATE — MAY 25 1960

REF : CERP C-1

For Dept. Use Only	ACTION	DEPT.
	CDM-12	INFO REAI ARA-15 IRA 11 E-6 AARA 5 EUR 5 AID 6
	REC'D 5-28-60	OTHER USIA 10 OSD-2 ARMY-35 NAVY-30 AIR 30 CIA-16 OCR-2

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 3 (May 7-May 21, incl.) IN-7 7R FAS 3 AMS

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1. Arrival of Official US Trade Mission
2. Commercial Groups' Efforts to Prevent Continuation of COFAP
3. Coffee Exports
4. Movement to Raise Minimum Wage
5. Labor Union Campaign for Freedom from Government Control
6. Installation of Coordinating Council for Shipbuilding
7. Industry
7. Local Hotel Industry Opposition to Hilton Entry
8. Change in Foreign Exchange Allocations
9. IMF Approves Drawing by Brazil of $47.7 Million
10. Activities of Soviet Trade Mission

*****

1. Arrival of Official US Trade Mission:

The last four members of a five-man trade mission sponsored by the US Department of Commerce arrived in Rio de Janeiro on May 18 to begin a six-week visit to Brazil. The mission, headed by Charles A. Lewis of the Department of Commerce, will spend about ten days in Rio de Janeiro and São Paulo and will make shorter visits to Brasilia, Belo Horizonte, Recife, Salvador, Curitiba and Porto Alegre.

The press in Rio de Janeiro has been giving good and generally friendly coverage of advance planning and arrival of the trade mission.

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2. Commercial Groups' Efforts to Prevent Continuation of COFAP:

The National Confederation of Commerce has sent to Congress an appeal against the Kubitschek administration's request for legislation to extend the life of COFAP, the Federal Price and Supply Commission, which is scheduled to expire on June 30. The São Paulo Federation of Commerce also has written the President opposing extension of COFAP's existence. The two groups argued, among other things, that the price control organization has been completely useless, harmful to the economy and to the people, a means of unfair competition by the Government against private business, and a source of scandal. (UNCLASSIFIED)

Comment: The protests by the commercial associations are similar to those they have made upon the occasion of every extension of the legislation governing COFAP. Despite the essential accuracy of most, if not all, of the charges, it is doubtful that in an election year the organization will be abolished, especially if the administration makes an effort to push its request for extension. (OFFICIAL USE ONLY)

3. Coffee Exports:

Coffee exports for the month of May amounted to 637,660 bags through May 17. During the same period in 1958, exports were 655,073 bags.

Total coffee exports for the 1959/60 marketing year (July 1-May 17) thus amounted to 15,720,436 bags. Exports during the 1958/59 marketing year (July 1-May 17) amounted to 13,532,658 bags. (UNCLASSIFIED)

4. Movement to Raise Minimum Wage:

A movement to raise the legal minimum wage appears to be getting under way, with various labor leaders in the states of São Paulo, Minas Gerais, and Guanabara making public statements in support of such action, and with the nationalist, leftist daily Ultima Hora campaigning on its behalf. The figure of Cr$10,000 per month is being suggested as an appropriate new minimum wage for workers in the cities of Rio de Janeiro and São Paulo, where the legal minimums are presently Cr$6,000 and Cr$5,900 respectively.

Vice President Goulart and Labor Minister Batista Ramos have both made statements giving their support in principle to



the movement, but without mentioning any specific date. Batista Ramos reportedly promised a group of São Paulo labor leaders that he would make a "thorough study" of the matter. (UNCLASSIFIED)

5. Labor Union Campaign for Freedom from Government Control:

The Declaration of May 1 by the presidents and three other highranking officers of Brazil's three major trade union confederations, which called for a "drastic revision" of the labor laws in order to free unions from Government supervision and control, is causing an increasingly lively debate among labor leaders throughout the nation, with progressive and pro-democratic elements generally voicing approval and Communists attacking it as an attempt to destroy the labor movement.

One of the key proposals in the Declaration called for a system of free and direct collective bargaining between labor unions and employers, with a check-off of union dues by employers gradually replacing the present government-collected "union tax" as the source of union funds. In their efforts to discredit the Declaration, the Communists are concentrating their fire on the proposal to eliminate the union tax gradually, and are deliberately misinterpreting it as a scheme to cut off union funds immediately, thereby killing the labor movement.

An article in Ultima Hora of May 13 alleged that the US Government has promised to pay the presidents of the three confederations $100,000, thereby making it possible for them to "swim in a sea of dollars" while all around them the union movement withers and dies for lack of funds. The Labor Attaché has sent a letter to the publisher of Ultima Hora stating that the charge is without any basis in fact; the letter has been published.

The presidents of the three confederations have begun an extensive speaking tour in which they are personally explaining their declaration to union leaders and members and answering Communist criticism of it. Their campaign began at an open meeting of the São Paulo Commercial Workers Union, with additional meetings scheduled within a period of a few weeks at Porto Alegre, Belo Horizonte, Recife, Niterói and Rio de Janeiro.

Dr. Allyrio de Salles Coelho, Director of the National Department of Labor, informed the Jornal do Brasil that he supports collective bargaining, and thus appeared, in a limited way, to be supporting the Declaration. (OFFICIAL USE ONLY)



Comment: It is not yet possible to evaluate the results of the Declaration. Much controversy has been stirred up in labor circles. It is reported that neither President Kubitschek and the PSD nor the PTB wish to discuss the problem of gradual abolition of the union tax until after the forthcoming election, and apart from Dr. Coelho no important government official has made any statement regarding the Declaration. (OFFICIAL USE ONLY)

6. Installation of Coordinating Council for Shipbuilding Industry:

As a result of a presidential decree of May 10 definitively establishing the Coordinating Council for the Shipbuilding Industry (CCICN) as the successor of the Executive Group for the Shipbuilding Industry (GEICON), Minister of Transport Amaral Peixoto formally installed the new group on May 17. The membership of the Council is essentially the same as that of GEICON, as is its basic aim: the oversight of the program to provide Brazil with a ship construction capacity of about 150,000 DWT tons annually. The principal change is the subordination of the CCICN to the Minister of Transport; GEICON has been responsible to the Council of Development. At the installation ceremony, Amaral Peixoto declared, according to the press, that the shipbuilding industry "needed more governmental support" than the automobile industry. (UNCLASSIFIED)

COMMENT: The Embassy has been authoritatively informed that the change from GEICON to the CCICN was made almost entirely as a result of Amaral Peixoto's desire to control the supervisory body for the shipbuilding industry. (OFFICIAL USE ONLY)

7. Local Hotel Industry Opposition to Hilton Entry:

In a letter to President Kubitschek based on a May 8 decision of its board of directors, the National Confederation of Commerce expressed opposition to any official financing for the construction of hotels in Brazil by the U. S. Hilton group. The CNC stated that it would be unfair and indefensible for the government to extend to foreign groups facilities which it had denied to domestic enterprise. The letter was prompted by reports that Hilton, who is planning [illegible] in Brasilia, Rio de Janeiro and São Paulo, was to receive financing from the Economic Development Bank. In a related attack, the president of the Rio de Janeiro Federation of Hotels claimed that the credit-card system which would undoubtedly be associated with the Hilton hotels in Brazil would result in dollars which should be spent in Brazil staying in the United States. Persons associated with or friendly to the Hilton group immediately rejoined that the installation of Hilton hotels in Brazil would be of great importance in the stimulation of the tourist and hotel industries, as had been the case in other countries. The pro-Hilton elements pointed out that any Brazilian Government assistance would be made to the Brazilian firm building and owning the hotel and not to the Hilton

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Company which would only be leasing and operating it. The Hilton spokesman also defended the credit-card system, explaining that it would not divert dollars from Brazil. (UNCLASSIFIED)

Comment: To permit the financing of hotel construction, the charter of the Economic Development Bank would have to be amended, a step which Hilton representatives have urged upon President Kubitschek. At present, however, the Hilton associates are looking to the Federal Savings Bank or the Bank of Brazil for financing; both institutions are said to have financed hotel construction in the past.

In association with other private groups (including Pan American World Airways, whose hotel subsidiary also has plans for construction in Brasilia, Rio and São Paulo) the Hilton interests are pressing for the appointment of a tourism coordinator, directly responsible to the President. This coordinator, who would presumably supersede the year-old ineffective Brazilian Tourism Commission, would be responsible for policy recommendations in the tourism field -- for example, concerning BNDE financing of hotels.
(OFFICIAL USE ONLY)

8. Change in Foreign Exchange Allocations:

The Bank of Brazil has announced that $80,000 will be transferred weekly from the general category to certain agricultural auctions in Rio and São Paulo. For the country as a whole, the transfer will be equivalent to approximately $287,000 weekly. (UNCLASSIFIED)

Comment: In practice, this is tantamount to an increase in the total dollar allocations. This is accounted for by the fact that, pursuant to SUMOC Instruction 195, the actual foreign exchange allocation for general category imports is four times the nominal allocation and the fact that the market has not been absorbing all of the foreign exchange allocated pursuant to Instruction 195. Therefore, whereas there will be no effective reduction in the dollar allocations for general category imports, there will be an effective increase in the amount of approximately $287,000 for other categories of imports. (OFFICIAL USE ONLY)

9. IMF Approves Drawing by Brazil of $47.7 Million:

The Brazilian press gave considerable publicity to the International Monetary Fund's approval on May 20 of a drawing of $47.7 million by Brazil.
(UNCLASSIFIED)

Comment: Some of the newspapers reporting on the IMF decision portrayed accurately the fact that the IMF approved only a six-month drawing and issued a public statement clearly pointing out that the IMF did not approve that



drawing because of any Brazilian stabilization efforts. The IMF statement emphasized that its approval was based essentially on the fact that Brazil recently increased its quota at the IMF. Most Brazilian newspapers played up the IMF approval, however, as a victory of Brazil over the IMF (which had rejected a Brazilian drawing in 1959) and as proof that the IMF now "realizes" that President Kubitschek's financial practices have been sound.
(OFFICIAL USE ONLY)

10. Activities of Soviet Trade Mission:

The press has given ample coverage to the activities of the Soviet trade mission since its arrival in Rio de Janeiro on April 27. Major events during the group's stay were the signing of a definite agreement between Prodinterg and the Brazilian Coffee Institute for the Russian purchase of about 555 thousand bags of Brazilian coffee and the signing of another agreement for the purchase by Brazil of 150 thousand tons of Russian wheat.

Sergei Chenchikevsky, chief of the Soviet delegation, is reported to have stated during a visit to the Furnas hydroelectric project that there might be examined, in the near future, the possibility of Russian technical assistance to Brazil. He pointed out that the USSR had a great deal of experience in large hydroelectric projects. The press showed considerable interest also in a statement that Chenchikevsky was said to have made in São Paulo that his country intends to make investments around the world and that it is prepared to study Brazilian proposals for long-term Russian investments, at low interest rates, in large projects. It was later officially denied that such a statement had been made.

According to the press, difficulties are being encountered in the Soviet mission's negotiations for the sale of crude oil to Brazil because of unsatisfactory technical characteristics of the oil. (UNCLASSIFIED)

Comment: If the Russians, in fact, are unable to furnish crude oil that is acceptable to Brazil, it may be impossible to find other products to replace this major commodity in the agreement reached in Moscow in December, 1959. Under the basic agreement, crude oil imports during the next three years were scheduled at an annual rate of 600 thousand tons, valued at $10 million.

The amounts of coffee and wheat to be exchanged correspond to the amounts provided for in the Moscow agreement. (UNCLASSIFIED)

Approved:
William A. Fowler
William A. Fowler,
Counselor of Embassy
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For the Chargé d'Affaires a.i.:
John Hugh Crimmins
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First Secretary of Embassy

JHC



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REAdcock/LEYalleus - Item 8
DMann - Items 4,5
JHGrimmins - Items 6,7
HKMay - Items 8,9

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 439 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. 832.00 — June 1, 1960 DATE

REF : CERP Section D, Item IV-A-1 and despatch 180, November 19, 1959

For Dept. Use Only	ACTION REC'D 6/6	DEPT.	Com-2 IRC-8 Rep-1 E-7 ICA-11
		INFO	Com-10 AG-8 I-7 FR-3 FX-3 Am-3 Am-4 Cu-2 Hew-2 CAB-6 FRB-5 Army-4 Navy-3 AIR-6

SUBJECT: São Paulo Government Plan of Action

832.00/6-160

A progress report on the São Paulo Government Plan of Action (see despatch 180, November 19, 1959) was made by the coordinator of the Plan to show the nature of financial allotments authorized under the Plan since its approval on November 17, 1959, through May 23, 1960.

Total expenditures envisaged under the Plan for 1959 and 1960 come to Cr$33,764 million. Allotments already authorized amount to Cr$20,320 million, broken down as follows:

EXPENDITURES PROVIDED BY PLAN AND AMOUNTS ALREADY AUTHORIZED
(Millions Cruzeiros)

Funds	Plan 1959 & 1960	Allotments Authorized 1959 Budget	Credits 1959/1960	1960 Budget	Total
I. Investments for the Betterment of Man	10,681	2.030	506	3.505	6.041
A. Education, Culture & Research	4.601	400	203	1.879	2.482
B. Justice & Public Security	2.230	780	118	369	1.267
C. Public Health & Social Welfare	3.365	800	135	931	1.866
D. Water & Sewage Systems	485	50	50	326	426
II. Infra-Structure Investments	15.199	2.370	4.138	5.629	12.137
E. Power	5.532	920	3.545	--	4.465
F. Railroads	2.400	450	--	1.264	1.714
G. Highways	5.750	1.000	500	3.980	5.480
H. Municipal Bridges	1.028	--	--	160	160
I. Airports, Ports & Navigation	489	--	93	225	318
III. Investments for Agriculture & Industrial Expansion	7.884	--	1.093	1.049	2.142
J. Warehouses & Silos	235	--	110	--	110
K. Food Supply	510	--	510	--	510
L. Network of Experimentation for Agriculture & Cattle Raising	1.539	--	373	1.049	1.422
M. Agricultural Expansion Fund	2.256	--	--	--	--
N. Fund for Expanding Basic Industry	1.125	--	--	--	--
O. Fund for Financing Sales of Production Equipment	1.125	--	--	--	--

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Funds	Plan 1959 & 1960	Allotments Authorized			
		Credits			
		1959 Budget	1959/ 1960	1960 Budget	Total
P. Participation in Heavy Basic Industry	1.000	--	--	--	--
Bank of the State of São Paulo	100	--	100	--	100
TOTAL	33.764	4.400	5.737	10.183	20.320

For 1960 the Plan calls for expenditures in the total amount of Cr$24.9 billion, of which Cr$13.2 billion is provided for in the 1960 State budget. Budgetary expenditures already authorized in 1960 by the Executive come to Cr$10.1 billion, as shown in the above table. Special credits already authorized in 1960 total Cr$2.7 billion. No action has as yet been taken to regulate the four "Funds" included in the table under items III-M, N, O and P. Money for these funds, totaling Cr$4.5 billion for 1960, is to be obtained from credit operations, and this sum accounts for more than half of the special credits still to be authorized in 1960.

According to the press, regulations concerning the operation of a fifth fund, a fund for the construction of University City, are to be issued on June 3 by the Governor of the State, which will make available Cr$1 billion included in the State budget for that purpose.

William P. Cochran, Jr.
Consul General

Source:

State Diario Oficial, May 26, 1960;
Correio Paulistano, June 1, 1960.

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 442 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — June 3, 1960 DATE

REF : CERP C - General Interest

For Dept. Use Only	ACTION	DEPT.
	REC'D 6/6	INFO OTHER

ACTION: COM-12
DEPT: REV-1 ANA-5 IRC-15 CCA-11
OTHER: ARMY-35 NAVY-20 AIR-20 CSD-2 CCS-2 USIA-10 CIA-11 IN-7 TR-3 FIN-3 AGR-4 AT-1 TAD-2

SUBJECT: Biweekly Economic Review (May 27 - June 2, 1960)

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1. Matarazzo Sells Shares to the Public
2. São Paulo Presses for Corn Exports
3. Santos Port Congestion Alleviated
4. Oil Not Found in São Paulo
5. São Paulo Trade Unions Campaign for Increased Minimum Wages

1. Matarazzo Sells Shares to the Public

The S.A. Industrias Reunidas F. Matarazzo, one of the largest industrial empires in Brazil, has ceased to be a closed corporation and for the first time is offering shares to the public. Preference shares are being offered at a fixed dividend of 12 percent a year, paid semi-annually, with the right to an annual bonus of not less than five percent to be determined at the annual meeting of the shareholders. One-third of the corporation's capital of Cr$4.8 billion (about US$25 million) is to consist of preference shares and each group of five preference shares is to be entitled to a vote at the general shareholders' meeting.

Comment: If this issue of stock to the public is a success, it may set a pattern for other closed corporations equally in need of additional working capital due to inflationary pressures.

2. São Paulo Presses for Corn Exports

The São Paulo Secretary of Agriculture asked the Federal Foreign Trade Department (CACEX) to set an initial quota permitting the exportation of 5,000,000 bags of corn. He made this request on the grounds that corn production would be discouraged to the point of creating a shortage next year if exports from the current bumper crop are not authorized. The current crop, he said, was 55 percent larger than last year, as a result of which prices fell from Cr$520 a bag in November 1959, to Cr$370 a bag in April 1960.

3. Santos Port Congestion Alleviated

According to the press, the port congestion at Santos (see item 5, despatch 421 of May 20, 1960) has been alleviated and docking operations are now practically back to normal.

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4. Oil Not Found in São Paulo

For several days the São Paulo press had been playing up a report that petroleum gas (and even crude oil) was coming out of a privately drilled well in the São Paulo municipality of São Pedro. After investigating the drillings Petrobras engineers announced that the well was producing methane gas and that there were no signs of petroleum in that region.

5. São Paulo Trade Unions Campaign for Increased Minimum Wages

Leaders of 15 São Paulo trade union federations, and the São Paulo State Trade Union Council (CST) have officially launched a campaign for an increase in existing minimum wages. On June 1 they sent a communication to Minister of Labor, Industry, and Commerce, Sr. João Batista RAMOS, spelling out the reasons why they believe present minimum wages should be revised upward.

Although the Consolidated Brazilian Labor Laws stipulate that once established minimum wages are valid for three years, the law permits a change if factors of an economic nature have profoundly altered the economic and financial situation. In their communication to Minister Ramos the trade union leaders point out that during the period from January 1, 1959, when the present minimum wage went into effect, to April 30, 1960, the cost of living has risen some 52 percent. As a result of this spiraling inflation workers who earn the present minimum in the City of São Paulo of Cr$5,900 actually have real wages of only Cr$3,800. Therefore, in order to meet the worker's basic needs as regards food, housing, clothing, transportation, etc., the São Paulo union leaders argue that the present minimum should be at least Cr$9,500, and as high as Cr$10,000 a month in order to cover the increase in the cost of living during the period from now until the new wages are decreed.

The union leaders also pointed out to the Labor Minister that they believe that the practice of paying five different minimum wage rates in the State is obsolete and should be eliminated. Minimum wages in São Paulo range from Cr$5,900 a month in the capital city to as low as Cr$5,200 in the outlying areas of the State. Their suggested solution calls for two rates, one for the capital city and one for the rest of the State with only a small differential.

Comment: Minister Batista Ramos promised a group of São Paulo labor leaders he would make a study of the matter provided he had an official communication from trade union leaders urging a revision of existing minimums, such as has now been made. The Consulate General's labor officer would agree that exceptional circumstances do exist, and that an increase in minimum wages is entirely justified. However, past experience in Brazil clearly shows that when the hue and cry for new minimum wages commences employers immediately raise prices to meet the increased cost, so that by the time new minimums are decreed benefits to the workers have been reduced considerably.

William P. Cochran, Jr.
Consul General

Contributor: JFShea - Item 5

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 45
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 3, 1960
DATE

REF : CERP C-2

Eur-3

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	*Com-12 6-15	INFO	Rep-1 *ara-4 *ICA-11 *IRC-8 E-3
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SUBJECT: Monthly Economic Report - May, 1960.

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1. Summary
2. Industry and Investments
3. Agricultural Development and Policy
4. Petroleum
5. Transportation and Communication
6. Labor
7. Finance
8. East-West Trade.

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1. Summary:

The over-all economic picture for Bahia has remained approximately the same as that indicated in our April report. The local market is very tight. One indication of this is the reluctance of the banks to take up the Banco do Brasil notes. Some have been purchased for as low as 92% of face value of the notes. A few local banks are receiving financial help from their head offices outside of the State. The deposits of a local branch of an American bank have reportedly held up only through active solicitation. The principal local factors behind this general tightness appear to be the following: absence up to now of GACEX, or any other substantial buyers in the cocoa market; tobacco is still in the packing stage prior to large scale shipments abroad; lag of payments from Petrobras and other government entities.

On May 16, 1960 GACEX announced the new cocoa plan, which is basically the same as last year's, except that it includes an advance in the purchase price. Tobacco packing is now in full swing and large-scale shipments should start soon. Payments both locally and in the interior have improved over the past month, although the situation still cannot be described as good. The number of bank protests and threats of protest concerning non-payments have reportedly diminished.

There appears to be a continued trend towards industrialization of the State as will be noted by the items contained in paragraph 2 - Industry and Investments.

PBMcCarty:GHasselman:csp
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2. Industry and Investments:

a) The newspaper A TARDE reports that Mr. Jean de la Roche, United Nations representative in Brazil, arrived in Salvador recently. He was invited by the Comissão de Planejamento do Estado (State Planning Commission) and was advised of the State Government Development Plan which includes the utilization of United Nations technicists and specialists in agricultural and industrial problems. During his meeting with the Governor he reportedly discussed the possibility of a loan of technicians, mainly to supervise the studies which are being conducted at this time concerning the proposed installation of a metallurgy mill in the Reconcavo area of Salvador.

b) French engineer Hermile Lucas also recently visited the Usina Funil, a hydroelectric station located downstream from the town of Ubatã in the Rio de Contas, about 175 kilometers from the city of Salvador. Reportedly he was impressed by what he saw. Mr. Lucas represents Merlin Gerin, a French company supplying electrical equipment for the construction of the installation. The electric plant is part of a plan organized by the Bahia State Government in 1953 for using hydroelectric power from the Rio de Contas (Contas River). The installation will be operated by the Centrais Eletricas do Rio de Contas S/A, whose office is located at "Edificio Suerdieck" 10th Andar, Avenida dos Estados Unidos, Salvador, Bahia. A mixed private-government company, it's capital consists of 1,200,000,000 cruzeiros, of which the Bahian State Government has pledged Cr$500,000,000, the Federal Government Cr$640,000,000 and private individuals and municipalities Cr$60,000,000. The Usina Funil is expected to go into operation in November 1961 and it's purpose in the first stage will be to supply electricity to the following towns: Jequié, Ipiau, Ubatã, Itabuna and Ilheus, and, later, the towns of Itajuipe, Ubaitaba, Uruçuca, Buerarema, Ibirataia, Ibicarai and Coaraci — all in the State of Bahia. The work is being financed by the Banco Nacional do Desenvolvimento Económico. At this time the dam is more than fifty percent completed and the equipment, all of it French, has arrived in Brazil.

c) Sr. Orlando Ferreira Alves, chief engineer of Divisão de Obras da Casa Popular arrived in Salvador recently to meet with the Governor in connection with the proposed construction of "popular" houses at Itapoan a suburb of Salvador. The Bahia State Government, through the Secretariat of Finance of Bahia, has alloted to the "Divisão de Obras da Casa Popular" the sum of 5,200,000 cruzeiros which is it's contribution to the construction of 50 "popular" houses in Salvador. An additional unspecified amount of money will be granted by the State Government when the construction of these houses is completed. A contract will also be signed with the city government for the construction of an additional 100 houses at Itapoan.

d) A contract was signed recently between the Banco Hipotecario Lar Brasileiro and the Companhia de Hoteis Plaza for the construction of the Hotel Plaza in the city of Salvador. According to plans, the new Hotel will be 5 stories high and will have 104 rooms,. It will be situated on the Avenida Sete de Setembro (Vitoria), one of the better sections of the city. It is alleged that the enterprise

will cost Cr$133,000,000 and will be completed within 12 months, a most unlikely schedule. Salvador has realized for some time that a severe hotel shortage exists. Recent activity along this line should greatly improve tourist trade as well as business opportunities for Bahia.

e) The Industria Resegue de Oleos Vegetais S/A, of São Paulo, a castor oil manufacturing concern, will build a factory at São Tomé de Paripe, 16 kilometers by railway and 19 kilometers by highway from Salvador. This factory is expected to be in operation in the near future and will occupy an area of 30,000 square meters. The amount of investment and production capacity is not known. The equipment will be of national manufacture.

f. The newspaper A TARDE, in it's issue of May 13, 1960, reported that Sr. Alfredo Egidio de Souza Aranha, a São Paulo industrialist and President of the Banco Federal de Credito, recently visited Salvador to establish contacts with Bahian industrialists for the purpose of building a cement factory at Itaparica Island, situated on the bay side of Salvador.

Cement is in short supply in Bahia and currently additional supplies are being brought down from the State of Pernambuco. Cimento Aratu is the only cement factory presently operating in the State of Bahia. Their capacity at present is 8,000 bags per day but will be increased to 12,000 bags next year when a new kiln goes into operation.

g. Notes of recent airport arrivals included Mr. Norton Archer, American citizen, and Superintendent of the Rural Texas Company. Mr. Archer was in Salvador for the purpose of studying the possibilities of installing a tannery industry in this city. It is not known what reaction he received from his visit.

3. Agricultural Development and Policy:

Cocoa.

a) Exportation of the crop will remain solely in the hands of CACEX.

b) CACEX will buy all cocoa available at the prices of Cr$3,500 per bag (60 kilos) for type "Superior" and Cr$3,440 for type "Good Fair".

c) No deadline has been set for the registration of sales to CACEX, but delivery must be effected within 75 days of the signing of the sales contract.

d) A 30% fine will be levied against the seller for non-delivery within the required period.

e) At the time that the sales contract is signed, CACEX will deliver a sales certificate to the seller.

Although the established prices of Cr$3,500 and Cr$3,440 constitute a

considerable increase in comparison to last year's prices of Cr$3,030 and Cr$2,970 respectively, higher costs greatly reduce the margin of profit to the seller. Considering the higher cost for bagging, handling, and transportation, plus the fact the seller must now pay 5 1/2% sales tax, which was absorbed by CACEX last year, one local exporter stated that he could expect to net only about Cr$165,00 more per bag, assuming that prices in the interior remain the same, which is questionable. Prices being paid to producers range around Cr$685,00 per arroba (15 kilos).

The fact that CACEX intends to issue sales certificates would lead one to believe that the special cocoa rediscount facilities with the Bank of Brazil will be re-established. These facilities for the local banks were allowed to lapse last June and were not renewed.

Some of the mid-crop cocoa is starting to trickle into the port of Ilheus now, but it will not arrive in quantity for another 30 days. Estimates for the total mid-crop (May-September) have been scaled down from 1,600,000 - 1,800,000 bags to 1,400,000 - 1,600,000 bags, as it is now apparent that damage to the crop from the recent rains, although not serious, was somewhat greater than first thought. Present weather conditions of intermittent rain and sun are ideal. A few farms started harvesting cocoa before the first of May. The early part of the harvesting would appear to be quite normal. However, for the harvest around July, and perhaps late June, there appears to be some shortage of pods. In late August and in September again there appears to be a very large number of pods for harvest providing they come through the cold months of June, July and August satisfactorily. For some unexplained reason the pods for harvest in late June and July seem to be less than usual. It is presumed that this is the effect of some of the very bad weather which Bahia had during the first three months of the year.

There is evidence that conditions are improving in the cocoa zone. From what can be determined more farmers are taking better care of their plantations than in better care of their plantations than in previous years. It is believed that this will have a good effect not only for the farmers and workers involved, but for the cocoa production of Brazil.

Castorseed. The picture here remains gloomy. The lack of extended periods of sunshine in the growing areas continues to delay the drying process that follows harvesting and there by delaying shipment of seed to the city. The local oil manufactures are receiving only about a quarter of their needs and are finding themselves unable to meet shipping dates agreed upon earlier with purchasers abroad. One local source commented that he had seen nothing to compare with the present situation in more than 20 years.

The overall size of the 1960 crop is still believed to be good (perhaps 60,000 - 70,000 metric tons) but it now appears that it will not be available here in quantity for processing into oil until July or August, rather than March or April, as originally expected.



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Tobacco Leaf. Price pressure from abroad has been brought to bear on the lower tobacco grades (Feira and Mata Norte). Although all indications are that the entire stock of these grades will be purchased by the traditional buyers, i.e., both East and West Germany and North Africa, a few sales made by over-eager exporters at low prices (about $0.60 per kilo) have established a price level for these grades from which any recovery this year is doubtful. The outlook for the good grades (Mata Fina and Mata Sul) is more promising. Sales abroad are just getting under way and are being made at prices comparable to last year's ($1.10 to $1.20 per kilo). The main purchasers of these grades, Holland and Denmark, appear willing to pay the prices asked, as the booming Western European economies have led to an unprecedented demand for the products of the cigar industries of these two countries.

Now that virtually the entire crop has been purchased from the growers, the trade's considered opinion of this crop in relation to last year's is that the better portion of the crop is about the same size but higher in quality than last year. The poor part of the crop is both larger and lower in quality than last year. The over-all crop is larger (about 270,000 bales at 75 kilos each) as compared to 230,000 - 270,000 bales last year.

Agricultural-Industrial School at Maragogipe, Bahia. A recent agreement was signed between the Federal and State governments for the establishment and maintenance of an agricultural-industrial school at Maragogipe, in the State of Bahia. The school will be maintained for five years, will consist of student body of 200 students and reportedly Cr$34,000,000 will be expended for the purpose.

Poultry Raisers Cooperative. A group of amateur poultry raisers have created the Sociedade Cooperativa Mista de Abastecimento da Bahia for producing eggs and chickens in the city of Salvador. They intend to install, with the cooperation of the city government, a poultry farm with 5,000 chickens. Also, a poultry farm in every section of the city with at least 500 chickens in each. It is the intention of the Cooperativa to increase the egg and chicken production, which is badly needed in Bahia.

Agricultural-Livestock and Industrial Exposition at Itapetinga. An agricultural-livestock and industrial exposition was inaugurated on May 9 and will continue to June 5, 1960, in the town of Itapetinga, southwest of Salvador. The exposition is promoted by the Departmento de Produção Animal da Bahia (Animal Production Department of Bahia) which is subordinate to the Secretariat of Agriculture, Industry and Commerce of Bahia. It is also sponsored by the Associação Rural de Itapetinga (Itapetinga Rural Association). Itapetinga is a prosperous town located on the highway connecting Ilheus and Conquista and is well known in this area as an important livestock raising center.

4. Petroleum:

a) The local press reports that Professor Pinto de Aguiar, Secretary of Finance of the Municipal Government of Salvador has been consulted by Federal

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authorities concerning the possibility of his appointment as Director of PETROBRAS. It is further reported that Professor Pinto de Aguiar is inclined to accept the invitation.

b) The local newspaper Diario de Notícias reports that the oil well which was discovered recently at Sauipe, Alagoinhas, State of Bahia, is producing about 2,800 barrels of oil per day (See Economic Summary for April, 1960). This well has raised high hopes for the new field of Sauipe. If the field possesses the hoped for potential, Petrobras feels confident that within a short time they will reach President Kubitschek's goal of a national production rate of 100,000 barrels per day. The location of the field is advantageous in that only 10-12 miles of pipe-line would have to be laid to tie it into the network that links the producing areas with the marine terminal at Madre de Deus.

5. Transportation and Communication:

a) It has been reported that the Viação Ferrea Federal Leste Brasileiro, a federal railway operating in this State, has not received its subvention from the Federal Government for some time. As a result it is finding it difficult to maintain adequate service. The Bahia Chamber of Commerce has requested that the Minister of Public Works and Transportation intervene in order that the problem may be remedied.

b) The Comissão Especial de Construção e Pavimentação, a special commission concerned with the building and paving of the highway connecting Retiro, a suburb of Salvador, with the Port of Salvador, was created on May 9, 1960 by the Governor of Bahia. The commission has been given supervision of the building and paving of the highway (See Economic Summary for January and February, 1960).

c) The last remaining obstacle in the way of improving the port of Salvador has finally been eliminated. This problem was created by "feirantes" (sellers of fruits and vegetables) in the local market known as "Água de Meninos" which is situated at the south end of the port, the only logical place for the dock areas to extend. The market is situated close to the water and the fruits and vegetables are brought in by small sailing vessels. By mutual consent, the Companhia Docas da Bahia (Bahia Dock Company) has agreed to move the "feirantes" to another area in the bay known as "São Joaquim". The Company has also assumed the obligation of dredging and cleaning a new access channel for the inward and outward movement of the small sailing vessels supplying the "feirantes".

The plan to enlarge the facilities of the Bahia Dock Company includes the following: (1) construction of 240 meters of wharf for ships with a depth of 10 meters; (2) extension of the north-south breakwater in the north direction by 270 meters; (3) railway connection from the docks to the Leste Brasileiro railway station; (4) increase in the capacity of actual warehouses Nos. 3,4,5,9 and 10; (5) construction of four additional warehouses which will be numbered 11,12,13 and 14; (6) construction of a new headoffice of the Dock Company and an up-to-date passenger station.

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The above should greatly improve the port situation in Salvador. Loading and discharging is now conducted on a very close margin and often ships must wait in the bay for docking space or load their cargo from lighters.

6. Labor:

a) According to a decision rendered by the Regional Labor Court on May 13, 1960, a new salary schedule for the Bahia broadcasting station employees was established which gives a 30% salary increase to those who are earning up to Cr$5.000,00 monthly and 20% increase for those receiving over that amount.

b) The local President of the Sindicato dos Telegraficos (Telegraphic Union), Sr. Ivo Andrade is now in Rio to take part in meetings concerning their new salary schedule. According to the local press the telegraph companies have offered an increase of 35% to the radio operators and 25% to the messengers, but these rates were unacceptable. The Sindicato has proposed increases of 60% for the radio operators and 50% for the messengers.

c) The Bahia State Government has appointed a Comissão Especial to organize a new wage schedule for State employees. It is reported that the proposed increases will average between 30 and 50%. The wage schedule must, of course, be submitted to the Governor for approval.

The above reports indicate that a rash of across the board salary increases may be expected in the near future. It is believed that the steady increase in the cost of living in Bahia makes the foregoing inevitable and unavoidable.

According to the State Internal Revenue Department, 608,543,921 cruzeiros were collected during the first five months of 1960 which constitutes an increase of 143,984,318 cruzeiros over the same period in 1959.

8. East-West Trade:

Exports to Soviet Block Countries during the month of May were as follows: To Poland, 3020 tons of cocoa beans, 1,016 tons of sisal fiber; to Czechoslovakia, 350 tons of sisal fiber and Hungary 30 tons of dry hides and 15 tons of ouricury wax.

In accordance with the cooperation plan of the Comissão de Mecanização da Agricultura (COMAG), forty Polish MAZUR tractors-D-40 recently arrived at the port of Salvador from Poland. They will be sold to Bahian growers at low prices, with payment over a period of three years financed by the Banco Nacional de Desenvolvimento Economico.

James M. Flanagan
James M. Flanagan
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE

49
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 7, 1960
DATE

REF : 1957 CERP - Section requirements: Section C, Item 1

JUN 7 1960

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ACTION Com-12
DEPT. Rep-1 *Ara-4 *IRC-8 *ICA-11
REC'D 6-15
INFO OTHER Cia-10 Ag-8 Tar-2 *TR-3 FRB-2
IN-7 *Lab-6 OSD-4 Army-6 Navy-4 Air-4 XMB-4 USIA-10 CL-4

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - May 1960

1. Agricultural Developments
2. Domestic and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance
7. Labor

SUMMARY

The weather has been reported favorable to crops, although some districts in the western part of the State report lack of rain. Volume of sales is holding up well, with cruzeiro amounts considerably higher than last year owing to inflated prices. Rio Grande do Sul trade mission explores Paraguay market for local manufactures. Power rationing is continuing at reduced levels for industrial plants. Demand for loans continued strong, and local banks reportedly have been able to accomodate prime requests on short term basis. In an effort to improve the State's unfavorable economic situation, Governor Brizola met with commercial and industrial leaders and analyzed the present predicament of Rio Grande do Sul.

1. Agricultural Developments:

a. Wheat - The wheat situation remains generally unsatisfactory to all parties. President Kubitschek originally vetoed the 4 year debt moratorium extension recently granted growers by the Federal Legislature; the President, however, has now withdrawn his veto and has requested the Legislature to reject it. Although growers are now receiving payment from the Bank of Brazil, they were unsuccessful in getting more than Cr$840.00 per 60 kilos of wheat. On the other hand, flour mills have not received permission to raise prices, and some of the largest mills are reportedly operating at a loss of up to Cr$120.00 per bag. In addition, a new law has changed distribution quotas for imported wheat from a stated percentage of mill capacity

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to actual regional consumption. As this State's consumption is less than quotas based on a mill capacity, millers are disturbed, particularly the small operators who formerly were able to do good business from selling quota rights received for over-stated capacity.

b. Rice - With the harvest of this year's crop almost completed, estimates now run as high as 22,000,000 fifty-kilo bags of rough rice, against 18,500,000 bags predicted last month. No money has yet been received by IRGA from the Federal Government for rice purchases because of a dispute over minimum prices for polished rice. Price ceilings in the North remain unchanged, but it is expected th at owing to political pressure these ceilings will be removed. It is generally agreed that the minimum price to growers was set too high, and IRGA may be forced to buy more of the crop than has been usual in the recent past. In this connection it is recalled that in 1951 market and price conditions were such that IRGA was obliged to purchase 42 percent of the crop for that year. Financing of up to Cr$2 billion is expected by Bank of Brazil which will handle about 10 percent of the crop. To keep rice moving, growers have been willing to take less than the minimum price from mills and dealers, and without IRGA in the market, prices are weak. World prices for polished rice are reportedly well below present local prices. It is felt, therefor, that a surplus of 2 to 3 million sixty-kilo bags of milled rice from this year's bumper crop may have to be placed on international markets by CACEX for whatever it will bring, the deficit being covered by a cruzeiro bonus to growers.

c. Soybeans - Small amounts of soybeans, now being harvested, are beginning to appear at the mills. This commodity is not presently subject to government price control and growers who received Cr$420 per 60-kilo bag last season are asking Cr$700 and getting Cr$650 for their first shipments. The crop is reportedly good. With domestic prices firm and a growing demand, there is little incentive for exports. Local trade sources now estimate the current crop at 170,000 metric tons available for commercial use, and that crushers in this State will use about 152,400 metric tons of soybeans this year.

d. Agricultural Production - In a recent meeting to discuss the State's unfavorable economic situation Governor Brizola pointed out to commerce and industry leaders that the failure of the wheat crop has been due to a shortage of guaranteed seed and blamed the Ministry of Agriculture for this lack. The Governor also stated that the State's agricultural production from 1948 through 1958 has been relatively stable, although some crops showed a downward tendency, and that since 1954 the growth of population has exceeded the farm production. In an effort to improve the situation the Governor is trying to form a combined front to obtain additional funds from the Federal government for agricultural assistance, roads, etc.



e. Dutch Farmers - (Ref. Consulate's despatch No. 45, item f, May 5, 1960). The Dutch mission has reportedly finished its studies about the coastal area of the State and the possibility of bringing Dutch farmers to that area. The Mission will complete its report on the situation here after its return to Holland.

2. Domestic Trade and Commercial Activity:

Sales reports are favorable, with volume holding up to last year's levels and cruzeiro amounts considerably above a year ago. Collections of trade bills are reported as relatively unchanged from preceding month, both locally and in the interior.

State sales for April 1960 (latest figure available) showed a slight decline from the previous month. Comparative figures, in thousands of cruzeiros, for March and April 1960, and April 1959 are as follows:

March 1960	April 1960	April 1959
20,817,636	18,763,322	15,297,864

3. Foreign Trade:

The local press announced that the Rio Grande do Sul trade mission which recently visited Assuncion, Paraguay met with considerable success and that contacts with Paraguayan businessmen have been promising. In talks with local businessmen, however, they expressed the view to a Consular officer that successful trade with that country will necessarily depend on improved transportation facilities and a development of satisfactory terms of trade between this part of Brazil and Paraguay. If these conditions are met, local manufacturers of electrical equipment, such as refrigerators and radios, appear confident that they can compete successfully on a price and quality basis with other suppliers. Shoe manufacturers, on the other hand, seem less confident. The general conclusion among these sources seems to be that it is too soon to anticipate a significant development of trade between these two regions.

Contraband - According to press reports a considerable amount of window glass is brought in illegally from Uruguay. This glass is reportedly manufactured in Uruguay by the same foreign group who controls the manufacture of glass in Brazil. The Uruguayan glass is said to cost 43 percent less than the Brazilian product.

4. Industry and Investment Developments:

A German group is interested in selling and financing "Henschel" trolley busses for the city of Porto Alegre. It is reported that the price quoted is lower than that of the competition, including

the United States. The mayor submitted the offer to a special committee for study and decision. Negotiations for the importation of trolley busses by the local municipal government have been delayed because of unsatisfactory financial guarantee offered by the government.

5. Transportation and Communications:

Telephone Problem - The State Government is studying new proposals for an improvement of Pôrto Alegre telephone service submitted during the month by the Companhia Telefônica Nacional. Governor Brizola has also stated that the State is studying the possibility of forming a mixed company with government and private capital, in which CTN would have an opportunity to participate. The authorities expect to make a decision before the end of June.

State Electrification Program - The recent power rationing in this State was partly removed early in May because of an improvement in water levels in the interior. However, rationing is continuing on a reduced scale for industrial plants.

It is reported in the local press that a new 24,000 kw. plant is to be installed in Pôrto Alegre, the completion of which is scheduled for next year. The equipment for this plant is of Czechoslovakian origin. State authorities estimate that with the completion next year of the plant now under construction at Charqueadas and with this new Czech installation, the State will add 78,000 kw. to generating capacity in the Pôrto Alegre metropolitan area. Both these new plants are of the thermal-electric type, and would reduce the dependence of the area on the hydroelectric facilities. Authorities have blamed the water shortage at the latter for the recent rationing requirements.

6. Finance:

Exchange - The cruzeiro remained relatively steady in the free market during May, averaging Cr$187.40 per U.S. dollar (check buying rate), compared with Cr$191.52 in April.

At the U.S. dollar auctions for commercial imports during the month of May the general and special category premiums dropped somewhat as compared with the preceding month. The general category averaged Cr$217.77 against Cr$222.80 in April, and the special category averaged Cr$490.95 against Cr$511.00 in April. The Czech agreement dollar in May averaged Cr$186.33, and the Polish Cr$186.50, in the general category.

Money Conditions - According to reliable sources demand for loans continued strong, but money did not tighten to the degree expected. On a strictly short term basis, local banks apparently



have been able to accommodate prime requests. With income tax payments starting late in June, a further decrease in availability of loanable funds is anticipated by banks.

7. Labor:

No strike took place in May, although the inflationary spiral caused increases in cost of living and workers' dissatisfaction was manifest with present salary levels. Collective bargaining has continued by the important Pôrto Alegre commercial employees union for an increase of 40 percent (down from 50 percent) over present salaries. Employers appear inclined to grant some increase but have not yet decided as to the amount.

A threatened general strike was set for May 23 by the same groups and for the same reasons (high cost of living and maladministration of social benefits) associated with a March strike (ref. item 7, desp No. 39 of April 6,1960). Last minute intervention by responsible authorities caused a postponement of this strike threat to June 23.

Percy Warner
American Consul

cc. Amembassy RIO



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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 1202
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 8, 1960

REF : CERP C-2 JUN - 8 1960

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ACTION REC'D 6/13 — AAA-5

INFO — DEPT. ARA-2 REP 1 IRC-15 ICA-11 E-2 EUR-2
OTHER USIA-10 OSD-2 Army-35 Navy-20 Air-20

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 4

CIA-16 OCD-2 COM-12 TAR-2 TIR-3 FAB-3
XMB-4 AG-8 IN-7 NAB-6 FAA-5 CAB-6

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2. Congressional Investigation of Iron and Manganese Ore Situation
3. Coffee
4. Public Debate on Condition of Federal Railway System
5. Progress on Rio International Airport

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JUN 14 1960

832.00/6-860

* * *

1. Results of Soviet Trade Mission:

Negotiations between the Russian Trade Mission, which arrived in Rio on April 27, and Brazilian officials have ended with the signing of contracts for the purchase by the USSR of 11,800 tons of coffee valued at $8.24 million, and the purchase by Brazil of 150,000 tons of wheat ($10.3 million), 100,000 tons of diesel oil ($2.3 million), and 600,000 tons of crude ($7.5 million). The Brazilian purchases total $20.1 million. In addition to these contracts, an agreement on payment and banking procedures was signed between the Bank of Brazil and the USSR Central Bank, and entered into effect on May 18.

The diesel and crude oil contracts were signed after the departure of the main body of the Trade Mission and the issuance of the Foreign Ministry communiqué on May 31 (Embdes 1196, June 6). The agreement on crude--eventually signed on June 3--was delayed by difficulties over the technical characteristics of the oil offered by the Russians (EWER 3, Embdes 1157, May 23). According to the press, the crude, delivery of which is to be completed by

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June 30, 1961, is to be transported by Brazilian-chartered tankers. (UNCLASSIFIED)

Comment: The negotiations, which were intended to implement the comprehensive agreement signed in Moscow in December 1959, did not produce results with respect to other commodities listed for exchange under the terms of that agreement: equipment for the oil industry, metals, machinery and fertilizer on the Russian side, and cacao beans, vegetable oils and hides on the Brazilian side. The amount of wheat contracted for corresponded to the quantity proposed in the December talks and the value of the diesel and crude oil was very close to the value for petroleum and derivatives to be imported by Brazil during 1960 under Moscow accord. The contract for crude signed in Rio provided, however, for a six months' extension of the delivery period, that is, until June 30, 1961. Moreover, a further 8,200 tons of coffee must be supplied by Brazil this year if the terms of the December agreement are to be met.

The results of the Soviet-Brazilian negotiations received very limited coverage in the press. (OFFICIAL USE ONLY)

2. Congressional Investigation of Iron and Manganese Ore Situation:

Upon the initiative of highly nationalist Deputy Gabriel Passos (UDN, Minas Gerais), a special Congressional committee has been set up to study the iron and manganese "problem" in Brazil. According to its very comprehensive terms of reference, the nine-man Committee is supposed to investigate, among other things, the activities of the Hanna group and of its associates in Brazil; the present and future possibilities of the government-controlled Companhia Vale do Rio Doce (CVRD) in the light of competition from other national and international groups engaged in iron ore development; and the advantages and disadvantages of the export of iron and manganese ore. The creation of the committee follows agitation in nationalist, leftist and Communist circles directed against the plans of Hannaco to develop deposits in Minas for export. In addition to using arguments of the "iron-ore-is-ours" variety, the Hanna attackers have alleged that the CVRD would not be able to compete against the American company. Both kinds of claims have been refuted in editorials in the conservative press. These have pointed to the vast Brazilian reserves of iron ore, the urgent need for large-scale increases in exchange earnings from ore exports, the key role of foreign investment in making those increases possible, and the means available to the government to protect the CVRD position.



A few days before the congressional committee was established, Hanna announced the sale of its St. John del Rey gold-mine properties to a Brazilian group headed by Fernando de Souza Mello Viana, who had earlier represented French and German interests in the competition to develop iron ore exports. The Hanna group, which plans to restrict itself to its iron ore holdings, is reported to have a 25 percent, non-voting participation in the new gold mining company and stands ready to lend it up to $1 million for rehabilitating the property. (UNCLASSIFIED)

Comment: The members of the Congressional committee have not yet been appointed, and the composition of the group will determine in large part the tenor or its investigations and findings. Although it is possible that the committee could serve a useful purpose by demonstrating the need for foreign capital in any large-scale increase in iron ore exports, -- and forthright testimony by agencies of the executive branch would be most effective in this respect--the chances at this time seem to be that the six-months investigation will be hostile to foreign interests. This certainly is the intention of the ultra-nationalists and leftists who will be represented on the committee and who will keep the pot boiling against Hanna.

The Embassy has been reliably informed that the CVRD, in making its fears of competition from Hanna officially known, has cited the fact that the American group, in seeking future markets for its Brazilian ore, has approached the CVRD's own customers. Testimony before the Congressional committee by the CVRD opposed to the entry of Hanna would add considerable strength to the anti-Hanna forces. (OFFICIAL USE ONLY)

3. Coffee:

Coffee exports during the month of May 1960 amounted to 1,531,141 bags, which compares with 1.1 million bags exported in May 1959.

Total exports for the current marketing year (July 1, 1959 to May 30, 1960) amount to 16,613,917 bags as compared to 13,977,585 bags for the same period of the marketing year July 1, 1958 to May 30, 1959. (UNCLASSIFIED)

Comment: The May 1960 coffee exports are considered a ten-year record for the month. The average exports for May over the ten-year span were 973,595 bags. (UNCLASSIFIED)



4. Public Debate on Condition of Federal Railway System:

The prestigious Engineering Club of Rio de Janeiro has arranged a series of eight weekly meetings--the first on June 3--for the purpose of discussing the parlous state of the Federal Railway System (Rêde Ferroviária Federal) and suggesting steps which might be taken to improve the situation. The debates, in which Rêde officials and private engineers in the railroad field will participate, will use as their point of departure the Rêde's annual report for 1959 (Weekly Economic Review 15, April 11)..... which pointed out the necessity for a full reexamination of railroad policy in order to seek solutions to the continually worsening financial condition of the federal system.
(UNCLASSIFIED)

Comment: The initiative of the Engineering Club represents the first positive step toward the badly needed reappraisal of present policy toward rail--and, by immediate extension, highway--transportation. Heretofore the reaction to the alarm raised in the Rêde's report has been limited to praise for the Rêde directors' frankness and agreement that something certainly should be done. It is to be hoped that from the Club's discussions there will emerge meaningful proposals which may serve to stimulate the government authorities to action.
(OFFICIAL USE ONLY)

5. Progress on Rio International Airport:

On May 26 recapping of the south half (5300 feet) of Rio de Janeiro's Galeão International Airport began, and the newly extended and capped north segment was opened to traffic. The present estimate for completion of work on the entire runway is late July-early August; this represents a delay of about one month from the original schedule which called for opening of Galeão to full jet operation at the end of June. Pending the availability of Galeão, Pan American and VARIG will be using Brasilia as the Brazilian terminus of their Boeing 707 Intercontinental operations, with PAA's once-weekly service to begin southbound on June 7 and VARIG's thrice-weekly service to start on June 22. PAA will provide its own connecting DC-7 service with São Paulo and will use chartered Panair do Brasil equipment for the Rio de Janeiro link with Brasilia. VARIG's connecting flights will be made with its Caravelles. Meanwhile Braniff and BOAC will continue to use Cumbica military airport in São Paulo for their 707-227 and Comet IV operations until Galeão is ready to receive them.
(UNCLASSIFIED)



For the Chargé d'Affaires a.i.

John Hugh Crimmins

John Hugh Crimmins,
Transportation and Communications
Attaché

Approved:

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil — 36 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — June 11, 1960 DATE

REF : CERP Requirement Section C, Item 2.

	ACTION	DEPT.
For Dept. Use Only	COMIZ	INFO BEP-1 *IRC-4 *HAH-4 E-2 *ECAE-11 OTHER SIAH-10 THR-2 *TR-3 FAB-2 XMS-4 HE-8
	REC'D 6/20	

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - MAY, 1960 C-4 USIA-6 In-7 HAB-6 OSD-4 army-6 navy-3 FAA-2 HEW-2 CAB-6

SUMMARY

Price inflation during May 1960 has been responsible for the decrease in the volume of sales. Merchants are fearing more accentuated sales-resistance by the buyers since there is no indication that merchandises will at least keep to the present price levels in the coming months. Fresh meat in Belém during May was scarce forcing the price up to 150 cruzeiros for a kilogram of meat with bone and 200/220 cruzeiros for the same quantity of boneless beef. Fish, however, was available at reasonable prices. Credit to business was somewhat tight in this period. The supply of cooking gas (gas butano) is now assured with the installation of a gas terminal in Belém by the Companhia de Gás do Pará.

The financial situation of the Pará State government is improving each month on account of several factors, the most important being the systematic and active collection of state taxes, which in May reached 130 million cruzeiros. The Banco Comércio e Industria de Minas Gerais in Belém inaugurated its exchange section. Financing to industry and farming has continued normally; financing to business, however, was limited. During May the cruzeiro strenghtened a little on the free market, and at the end of month the dollar value was Cr$181.

Exporters of black pepper in this State have been approached about exports of this commodity to Russia; up to the present nothing has been decided.

The Pará State administration has ordered that surveys be made regarding the installation of a paper and cellulose plant in Pará.

Some road building machinery from the United States was received through the port of Belem during May. A local dealer received seventy eight (78) "ZETOR" wheeled farm tractors from Czechoslovakia.

Belém is now served by one additional airline. VASP of São Paulo, is operating a daily flight Rio-Belém with stop at Brasilia, using Convair planes. The Belem-Brasilia highway will have health stations along its 2,200 kilometers. SESP inaugurated in May the first one to serve the road.

Domestic Trade &

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REPORTER

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FILED
JUN 11 1960



DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Due to the sharp increase in prices of food stuffs and utilities verified during May 1960, local merchants report some holding back on the part of buyers resulting in a considerable decrease of the sales volume. Since each shipment of merchandise arriving from southern, eastern, and northeastern Brazilian ports, is subject to unexpected price increases, businessmen are fearing that a more accentuated reaction will be shown by the public.

During May, prices of food items went up tremendously, most likely those of butter, lard and sugar which went up from 260 to 300, 160 to 200 and 25 to 30 cruzeiros a kilogram, respectively, in about a month. According to local business circles there will be no shortage of sugar as it was foreseen, but everything indicates that price for this staple will go higher.

The fresh meat situation in Belém is a difficult one, as regular sources are unable to meet the demand. To make things worse, butchers are selling meat with bone at 150 cruzeiros a kilogram while boneless meat is sold at 200/220 cruzeiros a kilogram, without official approval. Supply of fish has been fair with prices varying between 25 to 65 cruzeiros per kilo.

Credit to business was reported tighter during May. However, commercial transactions have been maintained at the same level as in the previous months.

The Companhia de Gás do Pará (Paragas) with headquarters in Belém has now completed its "gas butano" terminal at Miramar. This will enable the company to store a larger quantity of gas butano, thus avoiding periodical shortages of this cooking gas in the State of Para.

F I N A N C E

The Pará State Finance Secretary reported that during May 1960, the State revenue went over 130,000,000 cruzeiros, which is considered a record for State taxes collection. It has been further indicated that while prices inflation is one factor contributing to this increase, exports of regional commodities and a more efficient tax collection system have been the principal factors accounting for higher State revenue. If this continues in the same way, the State government will be able to cover the deficit estimated for the current year's budget and present a considerable superavit.

The local branch of the Banco Comércio e Industria de Minas Gerais, inaugurated on December 19, 1959, organized and put into operation its exchange section in May 1960. Local banks are continuing to finance farmers and industry without restrictions. Financing to business, although not restricted, is being limited.

During May 1960/



During May 1960 the cruzeiro showed a slight reaction. Free market exchange in this period went as follows: May 1st purchase Cr$183 selling Cr$188; May 31st purchase Cr$181 selling Cr$185.50 to one US dollar. Demand for US dollars during that month was reported low in comparison to the previous months; foreign and domestic bank collections were reported normal.

FOREIGN TRADE

Through the Associação Brasileira de Exportação in Rio de Janeiro, the Soviet Trade Mission to Brazil, contacted the Para Chamber of Commerce about possible exports of black pepper to Russia. The reply was that the State of Para will have 3,500 tons of pepper earmarked for export in the current year, and depending on the terms of the contracts, the business might interest local exporters. In May there were exported 2 tons of black pepper to Japan on an experimental basis. Local exporters are inclined to believe that export of this commodity to Japan is bound to increase to a great extent. The Niponica Comércio e Industria of this city sent to Japan about fifty pounds of tucum (a palm fiber) to be examined and tested by Japanese industrialists. The commercial representative of Brazil in Toronto, Canada, addressed a communication to the Para Chamber of Commerce requesting a list of exportable products of this area, with names and address of exporters and samples of these commodities. It is further reported that the commercial representative in Toronto thinks there is the possibility of a sizable market for Amazonian products in Canada.

INDUSTRY DEVELOPMENTS

The Pará State government is seriously interested in installing a paper and cellulose factory in the State of Para. In connection with this matter, the governor has recently appointed a committee composed of the State administration, members of the Para Chamber of Commerce, Para Legislature, and local economists, to make the necessary studies regarding the installation of such a plant in Para, and present a report within 120 days, mentioning measures and steps to be adopted. The report is to be submitted to the Governor by the end of August 1960.

IMPORTS AND EXPORTS

Import business although not active showed some movement during May 1960, especially in receiving machinery from United States destined to the construction of the highway Acre-Brasilia, and seventy-eight farm tractors from Czechoslovakia. Export business was active with considerable tonnage of regional commodities shipped to Europe, U. S., Argentine and Japan. There was also a big shipment to Iran made by a local firm consisting of 60,000 railroad ties in the value of US$85,745.00.

Interstate outgoing and incoming shipments were reported normal during this period.

Communication and/

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COMMUNICATION AND TRANSPORTATION

The Viação Aérea São Paulo - VASP, with headquarters in São Paulo, Brazil, has inaugurated a daily flight Rio-Brasilia-Belem with Convair aircraft. The inaugural trip was made on May 9, with the presence of southern journalists, Federal government officials and VASP directors.

The Serviço Especial de Saúde Pública - SESP, has a program to install health stations along the BR-14 Belem-Brasilia highway. The first one was installed at kilometer 92 in May 1960. This program is intended to serve the population now settling along that highway and also to assist travelers going up and down the road.

A. José DeSeabra
American Consul

c.c. : American Embassy, Rio de Janeiro, State of Guanabara, Brazil.

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FOREIGN SERVICE DESPATCH

FROM : AmConsulate, Curitiba

57
DESP. NO.

JUN 15 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 14, 1960
DATE

REF : CWRF II

For Dept. Use Only	ACTION REC'D 6-22	DEPT.	INFO	OTHER

SUBJECT: ECONOMIC SURVEY FOR MAY 1960

I SUMMARY:

With the beginning of May there was a substantial increase in retail trade in Curitiba resulting from a heavy influx of visitors for the National Eucharistic Congress.

The cost of living was reported to have increased by 10% during the first three months of the year, the increase giving substance to the demands by labor unions for a big increase in the minimum wage.

Coffee growers in Northern Paraná were still finding it impossible to obtain financing for shipments to coffee ports. Exports of coffee from Paranaguá increased somewhat but the port's warehouses remain stocked with more than 6 million bags.

The re-opening of wood exportation to Argentina, predicted for months, lit a snag when Argentine importers objected to the Brazilian Government's attempt to control exports to that country.

Credit purchasing power is completely unavailable at local banks.

II AGRICULTURE

1. Coffee

Coffee stocks in Paraná dropped to 6,366,000 bags as of May 31. In January the port held an estimated 8,000,000 bags. Shipments during May amounted to 1,634,000 bags.

One paper described the signing of the Brazil-U.S.S.R. coffee agreement as the opening up of a market with "unlimited dimensions" for coffee. It was thought the initial shipment of coffee is only a token gesture "it will penetrate a populous country".

The sale of 1 1/2 million bags of coffee to General Foods at a price $10 per bag below the official minimum [illegible] something of this sort, primarily because Paraná is anxious to get in on the deal. The State Secretary of Works said Paraná, with its more than 6 million bags in stock is certain to receive a share of the market but other circles were less optimistic.

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Paraná's Council

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LWS

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Paraná's Council for the Coordination of Productive Classes (COCEP) telegraphed Governor Lupion asking for the transfer of the IBC's offices from Rio to Curitiba. A Federal Deputy from São Paulo has presented a bill calling for the shift of IBC offices to São Paulo.

Weather for the coffee harvest has been nearly perfect, and considering that a few new coffee farms will be producing their first major harvest, Paraná's 1960/61 crop is now estimated at between 12.5 and 13 million bags. There will be no shortage of space for coffee in the interior of Paraná.

SOURCES: "Estado do Paraná": May 1, 4, 6, 16, 17, 25, 29.
"Diário do Paraná": May 5, 6, 7, 10, 11, 12, 15, 18, 28, 29.
Personal conversations.

2. Mate:

A trade mission recently returned from Venezuela reported that there are possibilities in that country for the sale of Paraná mate for use as a soft drink. The mission's enthusiasm is based on the popularity of a mate drink served at an exhibition of Brazilian products in Caracas. The Soviet Union is also said to be interested in mate, principally on the strength of some polite references to the product made by a member of the Russian Trade Mission to Brazil.

SOURCES: "Diário do Paraná": May 4, 17, 18 and 31.
"Estado do Paraná": May 22, 28, 29.
"O Dia": May 14 and 29.

3. Lumber

The Brazil-Argentina lumber deal by which 10,000,000 board feet of Paraná lumber was to be shipped to Argentina has not been consummated, Argentina objecting to the Brazilian Lumber Export Coordinating Committee's (CCEL) control of exports to Argentina.

SOURCES: "Diário do Paraná": March 7, 25.
"Estado do Paraná": March 16, 18 and 20.
"Gazeta do Povo": March 26.
"Folha do Comercio": March 30.

III LABOR

1. Minimum Wage. A Congress of Paraná's Syndicalized Workers passed a motion calling for a 100% increase in the minimum wage in Paraná (from Cr$4.500 to Cr$9,000). The Congress asked for a meeting of the Regional Minimum Wage Commission to study the possibility of setting a new minimum wage.

COMMENT: Two prominent labor leaders, in talks with the writer, said nobody seriously believes that a 9,000 minimum would be granted. They indicated that extremist elements had pushed for the motion and that nobody was in the mood to oppose it.

SOURCES: "O Dia"

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SOURCES: "O Dia": May: 24, 25, 26, 27, 29
"Diário do Paraná": May: 24,25,26,27,28
"Estado do Paraná": May 26, 29, 31.

3. Wage Increases

Curitiba' bus drivers were granted a 35% increase and will receive Cr$ 7.000 per month retroactive to May 1, 1960. Fare collectors will receive Cr$ 5.500.

Tannery workers were granted a 35% increase over January 1959 wage levels.

Food industry workers want a 35% increase and employees of Curitiba's most important flour mill "Moinho Paranaense", have already been granted such an increase.

State and municipal civil servants have also been demanding wage increases. The last increase granted city employees was in March 1959.

The Chief of the Paraná Stevedores Union was in Curitiba during the month trying to speed up the Union's "processo" against Paranaguá shipping lines, agents and warehouse companies who are alleged to owe 11 million cruzeiros to the Stevedores Syndicate, the arrears representing compulsory contributions to the union's pension fund and pay for overtime and vacations.

SOURCES: "Diário do Paraná": May 5, 6, 11, 12, 13, 26,27, 28.
"Estado do Paraná": May 5, 12, 18, 22, 25.
"O Dia": May 18, 24, 25,26,27,28
"Gazeta do Povo": May 4, 14, 15, 18 and 19.

IV INVESTMENT

One of the local newspapers (Estado do Paraná, May 29, 1960) carried an extensive article concerning a protest by National Trade Federation President MANUEL ALVES SILVA, against concessions granted the Hilton Hotel organization for the construction of hotels in Brasilia, Rio and São Paulo. The President of the Hotel Proprietors Federation also stated that he was opposed to preferential treatment by the Federal Government for the Hilton chain.

SOURCES: "Estado do Paraná" May 9,1960

V TRANSPORTATION AND COMMUNICATIONS

Airports - Asphalting of the runway of the Maringá airport (northern Paraná) is expected to be completed in September and will give that city the best airport in Northern Paraná.

The city of Rio do Sul, in Santa Catarina, will soon open its airport. The airport is expected to be of significance to the entire Itajaí valley district including Blumenau, Timbó and the surrounding area.

SOURCES: "Gazeta do Povo"



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SOURCES: "Gazeta do Povo": May 30, 1960
"Gazeta" : May 3, 1960

VI - DOMESTIC TRADE AND COMMERCIAL POLICY

1. The Cost of Living in Curitiba rose by 1.6% during the first quarter of 1960 according to a study by the Parana State Statistical Department. This compares with a 5% increase during the same period in 1959. Food prices showed the greatest increase, meat, eggs, flour and beans rising by 25% - 50%. The price of rice dropped 3%.

2. Retail Trade sparked considerably in early May the result of Mothers' Day and the Eucharistic Congress. The Congress brought an influx of 50,000 visitors. Sales of leatherware, wooden souvenirs and gift articles were said to have been very heavy.

SOURCES: "Estado do Paraná": May 1, 7 and 10.
"Diario do Parana": May 7, 13 and 19.

VII- FOREIGN TRADE AND ECONOMIC POLICY: The forthcoming visit of the United States Trade Mission (June 20-23) has created a considerable amount of interest in business and commercial circles and has received fairly extensive current in the local press, including current in newspapers in outlying regions. Meetings with local businessmen and with government and university leaders have been held and distribution of materials has been made.

SOURCES: Personal observation and all newspapers.

Edward L. Ruell
American Consul

cc: Supervising Consul General
American Embassy, Rio de Janeiro

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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO — 460 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C - General Interest

CONSULATE GENERAL OF THE UNITED STATES OF AMERICA

For Dept. Use Only	ACTION	DEPT.
	*AAA-5	AM/A-2 AEP-1 *IAC-15 E-SÃO PAULO-BRAZIL
	REC'D 6/20	INFO OTHER USIA-10 650-2 army-35 navy-20 air-30

SUBJECT: Biweekly Economic Review (June 3, 1960 - June 16, 1960) CIA-16 OCB-2

*TR-3 FRB-3 AMB-4 AG *Com-12 TAR-2 *AID-6

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2. Czech Commercial Mission Visits São Paulo
3. State Bank to Finance Peanut and Cotton Seed Producers
4. Cumbica Airport Closed June 24 Through 30
5. Russian Diesel Oil Arrives at Santos
6. Clones from North Brazil for São Paulo Rubber Plantations
7. Increase in São Paulo Telephone, Gas and Electricity Rates
8. São Paulo Telephone Operators Gain Six-Hour Day

1. American Trade Mission in São Paulo

The American Trade Mission to Brazil arrived in São Paulo on May 31 and remained there until June 9, when it left for Belo Horizonte. While in São Paulo the Mission held panel sessions at three of the leading trade associations, besides individual consultations at the Trade Information Center located in the Consulate General, and calls upon the Governor, Mayor and several industrial plants. The Mission received favorable and abundant press coverage and a cordial reception at the trade associations. The reaction so far in business circles is that immediate results cannot be expected, but that the visit should prove beneficial to mutual trade over the long term (a despatch is under preparation).

2. Czech Commercial Mission Visits São Paulo

A Czech Commercial Mission arrived in São Paulo on June 8 for a two-day visit (see despatch 450 of June 8, 1960), during which it called upon the Secretary of Transportation and the Federation of Industries of São Paulo. The visit was described as a courtesy call incidental to the negotiation of a new commercial agreement with Federal authorities at Rio de Janeiro.

DEPARTMENT OF STATE INTER-AMERICAN AFFAIRS

832.00/6-1760

CAA

JUN 24 1960

RECahn/dd
(See last page for contributors)

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ACTION ASSIGNED TO:		ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R	

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3. State Bank to Finance Peanut and Cotton Seed Producers

Governor Carvalho Pinto asked the Bank of the State of São Paulo to establish financing levels for peanuts and cotton seed that will ensure an adequate remuneration to São Paulo producers. He urged the Bank to take this action in order to counteract the price depressing effect on these raw materials of an order issued by the Federal Price Control authorities establishing what the trade termed an unrealistically low retail price for peanut and cotton seed edible oils.

Comment: The retail price order caused these edible oils to disappear from the shelves of retail stores. The action of the Governor shows two government authorities, one Federal and the other State, pulling in different directions. The State authority is trying to protect the income of the farmer, while the Federal authority is attempting to hold down the retail price of a food product in the face of rising production costs.

4. Cumbica Airport Closed June 24 Through 30

The airport at the Brazilian air force base at Cumbica, just outside São Paulo, is to be closed to commercial traffic from June 24 through 30, because of graduating maneuvers at the base. Cumbica has been used for jet plane landings in São Paulo, because no other facilities are available here for such planes. To avoid future difficulties due to air force needs of the field, the Viracopos airport, an hour and a half drive out of São Paulo City near Campinas, is being rushed to completion. Work is going on day and night to extend the landing strip to 3,200 meters, of which 2,600 meters are already paved. Efforts are being made to make Viracopos usable with minimum installations by August 1960.

5. Russian Diesel Oil Arrives at Santos

On June 10 a Danish oil tanker, under Brazilian charter, arrived at Santos from Batum to unload 17,000 tons of Russian diesel oil. This is the first shipment of petroleum products to be made under the commercial agreement between Brazil and Russia (See Embassy Rio despatch 720 of January 14, 1960).

6. Clones from North Brazil for São Paulo Rubber Plantations

The State of São Paulo has not yet received clones from the Goodyear and Pirelli plantations in the State of Pará to substitute the infected rubber clones from Far East Asia that had occasioned the appearance of leaf blight (see item 7, despatch 421 of May 20, 1960). The Agronomical Institute of the North, at Belem, Pará, refused to permit shipment of the clones to São Paulo, on the grounds that increased rubber plantings in São Paulo meant eventual competition with rubber producing centers of North Brazil, which would be detrimental to the rubber economy of the Amazon Valley. São Paulo Governor Carvalho Pinto telegraphed the Governor of Pará requesting his intervention, and later sent a representative to Belem to obtain release of the shipment, which has not yet been achieved.

0905

7. Increase in São Paulo Telephone, Gas and Electricity Rates

Interurban telephone rates were raised 15.5 percent on June 8 to meet increased operating costs occasioned by reduced working hours (see item 8). The local press also reported that urban telephone rates, as well as gas and electricity rates, would soon be raised to cover wage increases under discussion.

8. São Paulo Telephone Operators Gain Six-Hour Day

Some 3,000 telephone operators in the City and State of São Paulo will soon be working six hours a day. On June 9 the Brazilian Telephone Company agreed to abide by a decision of the Regional Labor Court which reduced the work day from eight to six hours. The Company's decision came after long and, at times, bitter negotiations with the São Paulo State local union of telephone workers which had threatened to strike to enforce the Labor Court's decision. Throughout the negotiations, the Company maintained that it could not reduce the work day without reducing salaries unless granted an increase in telephone rates. Faced with an almost certain strike, an increase in interurban rates was approved (see item 7).

The Union agreed to allow the Company 90 days to revise its daily working hours in order to put the six-hour day into effect.

Comment: The Union based its case on Article 227 of the Consolidated Labor Laws which provides for a six-hour day, 36-hour week for operators in the telephone, cable, radio telegraph, or radio telephone services.

William P. Cochran, Jr.
Consul General

Contributors:

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A. D. Ventura - Items 6 and 7

78

0906

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 1234
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 21, 1960
DATE

REF : CERP C-1 JUN 22 1960

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ACTION REC'D *ARA-5 6/28

INFO DEPT. E/M/R-2 REP-1 *IRC-15 E-6 *ICA-11 EUR-5 USTR-10 OSD-2 army-35 navy-35 U/CFA-1

OTHER COM-12 TAR-2 *TR-3 IAD-3 *INR-4 IC-8 IN-7 *AAB-6 *FAH-1 CIA-06

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 5 air-30 CIA-06 O.B-2

DEPARTMENT OF STATE
OFFICE OF
INTER-AMERICAN AFFAIRS
JUN 23 1960

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3. Currency Issue Increases
4. Coffee Exports
5. PanAm Inaugurates Jet Service to Brasilia
6. Last Large FRONAPE Tanker Arrives
7. Negotiations on New Brazilian-Czech Agreement

* * *

1. Developments in Hanna Campaign:

Although the formal designation has not yet been made, it now appears probable that the relator of the Congressional Committee investigating the iron ore situation (BWER 4, June 8, 1960) will be Gabriel Passos (UDN, Minas), the deputy who proposed creation of the committee. The presidency of the Committee has not yet been settled, but the leading candidates are, like Passos, extreme nationalists, at least. Meanwhile, the Jornal do Brasil continues its attacks on the Hanna project. It did appear somewhat daunted, however, by a long and detailed letter June 14 from the Brazilian coordinating engineer for Hanna, who rebutted point by point the arguments raised against Hanna's plans. In commenting on the letter, the newspaper, although reiterating its opposition to the entry of Hanna, made a point of denying that it was opposed to foreign capital or to any specific foreign company. It went on to say that it was interested only in guarding against injury to one company (i.e., the Companhia do Vale do Rio Doce - CVRD) by another, stronger enterprise. In a subsequent editorial, the Jornal do Brasil expressed the hope that the Congressional Committee would be guided by economic and not political considerations in its deliberations. (OFFICIAL USE ONLY)

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Comment: In the light of the composition of the committee, the hope of the Jornal do Brasil for a strictly economic approach by the Committee can only be a pious one, and it was quite probably intended as such by the newspaper, which, acting in the interest of the CVRD, has done much to further the campaign against Hanna. If economic criteria alone are used, the opposition to the Hanna project based on the threat posed to the continued profitable existence of CVRD would, even if completely true, represent the protection, at practically any cost, of a relatively inefficient producer.

The association in the anti-Hanna campaign of extreme nationalists, leftists and other advocates of statism in the economic sphere with business groups intent on protecting a privileged position--in the present case, the CVRD--repeats a pattern that has emerged in recent years, notably in the 1957 American Can case and the 1958 fight of domestic producers of railroad rolling stock against the administration of the Federal Railway system, and to a lesser extent in the attacks against Pan American Airways's holdings in Panair do Brasil (see Item 2, below).
(OFFICIAL USE ONLY)

2. PanAm Announces Partial Sale of Holdings in Panair:

On June 5, Pan American World Airways announced that it had sold to a group of Brazilian investors, including members of the present board of directors of Panair do Brasil, a large block of its stock in the Brazilian airline. According to the press release, the sale reduced PanAm's holdings in Panair from 48 percent of the total outstanding shares to 30 percent. The selling price of the stock--Panair's annual report for 1959 showed a loss of about 240 million cruzeiros--was not given. The sale received very little publicity and up to now no comment has appeared. (UNCLASSIFIED)

Comment: The Embassy estimates that this sale gives to the Brazilian stockholders associated with PanAm a small majority of the total Brazilian-held stock. Prior to this transfer, a group of anti-PanAm dissidents--some closely associated with PanAm's competitor, VARIG--held about 35 percent of the total shares, a circumstance which meant that the PanAm - supported board of directors of Panair really represented a definite minority of the Brazilian-owned stocks. This situation increased the already considerable hostility towards PanAm felt by nationalists (genuine and otherwise) and left elements. To attacks from those sources there have been added from time to time criticisms against PanAm's holdings in Panair by VARIG officers as well as by persons associated with that carrier. A nationalist proposal introduced into the Chamber of Deputies last year to limit foreign holdings in

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Brazilian air carriers to 20 percent of the total shares was endorsed by VARIG's president. The move by PanAm to reduce its participation to 30 percent, even though it almost certainly resulted in a financial loss, should have positive public relations effects. (OFFICIAL USE ONLY)

3. Currency Issue Increases:

Although the outstanding currency issue held steady at Cr$154.6 billion during the first three months of 1960, it had increased to Cr$161.4 billion as of June 4. This represents an increase of 4.4 percent over the total outstanding at the end of 1959. This compares with an increase during the first six months of 1959 in the amount of Cr$5.5 billion, or 4.6 percent over the end of 1958. (UNCLASSIFIED)

Comment: The issuance of paper currency through June 4, 1960 would have been very much greater had it not been for the compulsory purchases of six-month Bank of Brazil Letters by exporters, pursuant to SUMOC Instruction 192. It is estimated that exporters purchased such Letters in the amount of approximately Cr$6 billion through May. The purchase of such Letters by exporters will continue to have a counter-inflationary effect through June but will have little or no such effect thereafter, inasmuch as previously issued Bank of Brazil Letters will begin to mature on July 1 and the principal effect of the issuance of new Letters will be to permit the redemption of maturing Letters. (OFFICIAL USE ONLY)

4. Coffee Exports:

Coffee exports for the month of June through the 18th amounted to 829,661 bags.

Total exports for the marketing year July 1, 1959 to June 18, 1960 amounted to 17,443,578 bags, compared to 14,603,804 bags for the same period of the past marketing year.

Total exports for the July 1, 1959 - June 30, 1960 marketing year, are expected to be 17.6 to 18 million bags, the highest figure in eleven years. (UNCLASSIFIED)

5. PanAm Inaugurates Jet Service to Brasilia:

With the June 7 arrival in Brasilia from New York of a Boeing 707-321, PanAm commenced its regular once-weekly jet service between Brazil and the United States. At morning ceremonies in the new capital on June 8, the plane was christened "Clipper Brasilia" by

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the Archbishop of Brasilia, and shortly thereafter President Kubitschek, Vice President Goulart, several Cabinet members, Marshal Lott and other dignitaries were taken on a flight over Ilha Bananal on the Goiás-Mato Grosso boundary, where the President has ordered the forced-draft development of a tourist center. The plane left on its return trip to New York on the afternoon of the eighth. (UNCLASSIFIED)

Comment: According to all accounts, the festivities in Brasilia, particularly the Bananal excursion, were carried off very well, and President Kubitschek, who was in especially good form, appeared to enjoy himself hugely. (OFFICIAL USE ONLY)

6. Last Large FRONAPE Tanker Arrived:

The Presidente Deodoro, last of the series of seven 33-34,000 DWT tankers constructed in the Netherlands and Japan for the National Tanker Fleet (FRONAPE), arrived in Rio de Janeiro on June 10. The acquisition of the Japanese-built vessel raises the total FRONAPE tonnage to approximately 472,000 DWT, nearly half of which is represented by the seven President-class tankers. The only remaining FRONAPE construction contract which is outstanding is with Burmeister and Wain of Denmark and calls for six 10,000 DWT tankers for coastal service. (UNCLASSIFIED)

Comment: The increase in FRONAPE's ocean-going capacity represented by the "President" series, although sharp, does not by any means permit the state fleet to handle Brazil's oil transportation requirements. As a result, however, of a government decision of early May to apply to tankers SUMOC Instruction 181 and Decree 47225--which require the movement by Brazilian or Brazilian-chartered vessels of all imports benefiting from exchange subsidies--the FRONAPE capacity can be supplemented indefinitely by charters. The discriminatory aspects of the general Brazilian policy represented by the instruction and the decree and its application to petroleum imports have been protested by the Embassy. (OFFICIAL USE ONLY)

7. Negotiations on New Brazilian-Czech Agreement:

Negotiations have been under way for the past two weeks between the Brazilian government and a Czech trade mission headed by Vice-Minister of Foreign Trade Jaroslav Kohout. Vice Minister of Foreign Affairs Jiri Hajek was also with the Mission for some time but has returned to Prague. Members of the delegation were received by President Kubitschek and Foreign Minister Horacio Lafer in Brasilia. Minister Paulo Leão de Moura, acting chief of the

Economic and Commercial Department of Itamarati, has been chief Brazilian negotiator.

Kohout, in a press interview in Rio de Janeiro, is reported to have said that the object of the Czech group was to sign a new accord with an annual trade ceiling of $100 million in both directions to replace the present arrangement which has a $40 million ceiling. It was expected that the new agreement between the two countries would be signed within the next few days. (UNCLASSIFIED)

An interbank agreement between the National Economic Development Bank of Brazil and the Central Bank of Czechoslovakia has also been reported almost ready for signature. (UNCLASSIFIED)

Comment: Press coverage of the visit of the mission has been limited, probably because the volume of stories on trade missions and negotiations with various countries has about reached the saturation point locally. Details on the level of trade actually to be established under a new agreement are not yet known, but it is almost certain that the level will be higher than before. (OFFICIAL USE ONLY)

For the Ambassador,

John Hugh Crimmins

John Hugh Crimmins
First Secretary of Embassy.

Approved:

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs.

Contributors:
JHCrimmins - Items 1,2,5,6
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GSPierce - Item 7

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE — 53 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — June 21, 1960 DATE

REF : Consulate's despatch No. 49 of June 7, 1960

JUN 21 [illegible]

OSD-4 Army-4 May-3

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	ARA-4	RM/R-2 REP-1 ARC-2 E-3 ICA-11 USIA-10 NSA-4
	REC'D 6-28-60	INFO OTHER CIA-10 COM-10 TR-3 ERA-3 XMA-4 AG-8 LAB-6

SUBJECT: Governor Brizola Seeks Selutions for Economic Problems of Rio Grande do Sul

The local press has headlined recent contacts between Governor Brizola and Rio Grande do Sul commercial and industrial leaders for the purpose of analyzing and seeking solutions for the present predicament of Rio Grande do Sul. In an effort to improve the State's unfavorable economic situation the Governor called upon trade leaders and political groups to organize a combined front to obtain closer cooperation from the Federal Government and needed funds for development programs such as roads, agricultural assistance, etc. Data developed showed a rather static crop situation between 1948 and 1958, a period during which most important crops as a whole did not increase, and in some cases decreased. It was also pointed out that since 1954 agricultural production has not kept pace with the growth of population, with a resultant decline in living standards. The Consulate is endeavering to obtain statistical data on this and other points in the Governor's presentation and will send this additional information as soon as available. At the same time it was emphasized that Rio Grande do Sul products are usually subject to price ceilings in other markets, whereas commodities sold here are not subject to such ceilings. The Governor pointed out with concern to increasing unemployment in the State.

Governor Brizola defended his high tax policy and stated that this State has higher taxes than other Brazilian states because taxes had to be increased for development programs. The general consensus from these meetings seemed to be that this State has been unduly neglected in the Kubitschek Administration development program. This move by the Governor has been well received by the business community, although his efforts to close ranks have not been altegether successful for political reasons. Apparently the Governor has had some effect in the North, as indicated by the recent creation of a high level committee by the Federal Government to study the current economic situation here.

1960 JUN 28 AM 8 [illegible]

Percy Warner
American Consul

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 5 1960

cc.:Amembassy RIO

AJKirchhof/PWarner/zms
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FOREIGN SERVICE DESPATCH

FROM : AMCONSULATE, Recife, Brazil. 34
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 22, 1960.
DATE

REF : CERP Section C 2.

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	ACTION	DEPT.
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	RECD 6/29	OTHER CIA-10 TAH-2 *TA-3 FRB-3 XMB-4 AG-8 Army-6 Navy-3 NSA-1 USIA-10 HHFA-2 HEW-2

SUBJECT: ECONOMIC SUMMARY FOR MAY 1960. IN-7 4H B-6 OSD-4 CIA-4

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I. SUMMARY

SUDENE announced a five-year plan (1961-1965) for the controlled spending of 76 billion cruzeiros to institute basic economic reforms in order to rehabilitate the economically depressed Northeast. During the month SUDENE recommended (tantamount to approval) favorable exchange rates to aid three new industries import equipment for their projected factories in the Northeast.

The locally important textile industry is employing boom times; all production is being placed with little difficulty owing, probably, to a general restocking of inventories by buyers in anticipation of new salary raises and higher prices. The demand for general credit increased during the month and brought about a tightening of the money market. Good weather kept the sugar mills grinding away during the entire month and revised estimates for a total production of 13,000,000 bags in Pernambuco. The 1960-61 cotton crop, also because of favorable weather, may possibly be 20% larger than this year's crop. General business conditions were termed satisfactory. Lobster exports from Recife, in April, set a new record.

A new use for the crushed remains of castor beans has been discovered and is being utilized by SANBRA's new plant in Recife to produce livestock feed cake. The State of Pernambuco is in the market for 100 tractors to use in its agricultural program. On the labor front, Recife labor leaders joined in opposition to the May 1 Declaration issued by officers of the three national trade union confederations.

In Recife, the new U. S. manufactured trolley buses were finally brought into service. The drive, headed by the Mayor, to educate the masses continued to pick up popular momentum. The refusal of a development loan to Pernambuco was used as political ammunition by Governor Sampaio of Pernambuco during his campaigning with presidential aspirant Janio Quadros.

II. AGRICULTURE

A. Tractors To Be Purchased By Pernambuco

Returning from Rio de Janeiro on May 1, Governor Sampaio announced that he had obtained from SUMOC permission to buy $336,000 at the "official rate" for the importation of more than 100 tractors for various agricultural programs in Pernambuco. The tractors have already been contracted for.

B. Plug For Sisal

In urging that the production, financing, and marketing of sisal be included within the master plan of federal assistance by SUDENE, Snr. Agustinho Monteiro of the "Confederação Nacional do

Comercio", on May 20, presented the following information: 80% of Brazil's sisal crop is grown in Paraiba; and in 1946 2,700,000 kilos worth $1,052,947 were exported while in 1959 more than 100,000,000 kilos worth $17,634,787 were shipped to 22 nations such as West Germany (24 million kilos), the United States (23 million kilos), despite Holland, Belgium, Hungary, and Italy. This growth has been made/a void of technical assistance and credit. The Brazilian sisal "resistance coefficient", despite sub-standard planting, cultivation, and harvesting techniques is 60, compared to 40 for the East Africa crop or 42 for Indonesia's sisal.

C. New Livestock Feed Plant

The "Sociedade Algodoeira do Nordeste Brasileiro" (SANBRA), long in the cotton brokerage business in the Northeast, opened, in Pernambuco on May 2, a new plant to process castor bean by-products into a hi-protein palatable livestock feed ("lex proteico"). The SANBRA agricultural engineer said that their labs, with the assistance of U. S. firms, had been experimenting with the castor bean substance since 1956 to control certain naturally toxic elements in the castor bean seed. The plant has an annual production of 40 million kilos.

III. FISHERIES

A. Record Month For Lobster Exports

The month of April is normally not considered part of the lobster "season" by local fishermen. But this April the Port of Recife exported to the United States a record 22,367 kilos of lobster tails. This is the most that has even been exported during a one month period. Two companies, Pesca Alto Mar and INBRAPE, were the principal shippers. (Source: "Associação Comercial de Pernambuco, Boletim Semanal No. 19".)

B. Aid For The Fishing Industry

Colonel Gilberto Saturnino Alvim, superintendent of the "Caixa de Credito da Pesca", modestly admitted to a group of fishermen in Recife on May 11 that during his 4 month reign he has arranged for the importation of 30 million dollars worth of boats and fishing gear in international barter deals. Pernambuco has already received from these swaps 4 1-1/2 ton motor boats plus 15 11-1/2 horsepower motors. He further stated that Federal Vice President Jango Goulart was strongly backing him in the drive to strengthen and modernize the Brazilian fishing industry. Regarding INBRAPE, the local Japanese controlled fishing company, Cel. Alvim opined that the Ministry of Agriculture should control and inspect INBRAPE's operations more closely; he noted that all of INBRAPE's"deals" had been accomplished before he took over his present position.

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C. New Inspection Controls For Foreign Fishing Vessels Operating In Northeastern Brazilian Waters

The Japanese fishing company - Nippon Reizo - presently has a contract with the Brazilian Government which permits three of their vessels to harbor in Recife and fish Brazilian waters in exchange for selling their catches of tuna within Brazil. There have lately been increasing complaints about these refrigeration equipped ships returning to Recife after several weeks at sea with empty holds. The Commander of the Third Brazilian Naval District, suspecting that the Japanese have their catch of tuna to Trinidad where it is sold on a "free market" basis, informed the reporting officer that he now plans to place one of his sailors aboard each such foreign controlled vessel as a passenger and inspector. The Brazilian Navy also uses a total of six corvettes and sub-chasers to patrol the northeastern waters and the fishing industry.

IV. TRANSPORTATION

A. Trolley Bus Service Initiated In Recife

Exactly 46 years after the first street car was put into service in Recife, the new city owned trolley bus system was inaugurated by a variety of officials and curious onlookers on May 13. Although only one of the several projected routes for the 60 U. S. manufactured vehicles was in operation, all critics, by the end of the month, were enthusiastic about the new mode of public transportation. Operators of the omnibus fleets stated that they only desire a peaceful co-existence with the new public utility; there had been evidence of sabotage during the construction of the power network. The trolley buses represent a 2 million dollar investment for Recife.

COMMENT: It is understood that the manufacturer, Marmon-Herrington Co., Inc. of Indianopolis, has been unable to receive any payments from the Ex-In Bank because the local Recife banks have not yet agreed to guarantee the loan to meet the Ex-In loan conditions. Only one bank to date, the Recife branch of the First National City Bank, has volunteered to guarantee a portion of the loan.

V. LABOR

A. Wage Demands

The "Sindicato dos Telegrafistas" (Telegraphers Union) announced on May 18 that they would not accept a pay raise of 25% but would stick with their demand for a 60% raise. On May 4 the local union president (Helio Araujo) had traveled to Rio de Ja-

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neiro to help map strategy for a national strike or a possible "turtle" (slow down) operation. By May 31, the issue was still in doubt but the union had agreed to postpone their threatened strike.

The 60% figure was also being quoted by the shoemakers of Recife as the required salary increase. ("Diario de Pernambuco", May 18.)

The textile industry, enjoying an unusually prosperous year, was threatened by a union demand of a 70% pay raise. The industry had countered with a 10% offer. The union, on May 12, at the suggestion of the federal mediator, Edson Falcão, decided that they would accept a 30% boost.

On May 25 the State employees of Pernambuco were informed by Governor Cid Sampaio that, although sympathetic to their petition for higher wages, the State would be financially unable for some time to grant such increases. Despite this negative response, a general assembly of the State employees was scheduled for June 2 in order to agitate for the wage hike and a new employee classification system. ("Jornal do Comercio", May 25.)

B. Opposition To The May 1 Declaration

The "Jornal do Comercio" (May 25) reported that Pernambuco labor leaders were preparing to take issue with their Rio counterparts, Ari Campista, Holanda Cavalcanti, Sindolfo de Azevedo Pequeno, Mario Lopes de Oliveira, and Angelo Parmigiani, over the latters' May Day Declaration and attack on the "union tax" and "union fund" and federal control of the union movement. The move against the union fund, according to Pernambuco labor spokesmen, was sponsored by international groups ("Confederação Internacional das Organizações Sindicais Livres" and the "Organização Regional Interamericana dos Trabalhadores") who through subsidies and financial manipulation will attempt to control the Brazilian labor movement.

C. Trouble On The Docks

The workers of the Recife Port Administration made threatening sounds (May 9) regarding the implementation of concessions agreed to last December by the Port authorities. The following day the State Secretary of Public Works, Lael Sampaio, lectured the workers about threatening to strike against the Government and assured that the necessary studies were nearing completion which would permit the settlement of their grievances. The Governor, on May 31, read the legalizing decree that satisfied the workers' demands for reclassification and upgrading of their positions plus legalizing additional jobs.

The headquarters of the Merchant Marine Institute in Recife was

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the scene of several near riots on May 11, 12, and 13, as retired and disabled seamen demanded pension checks that were not forthcoming from Rio. Threatened with violence, the labor "delegado" finally received funds from the Bank of Brazil in response to his telephonic S.O.S.'s to Rio only to helplessly discover that the funds dispatched were sufficient to pay only a portion of the mob howling on his doorstep.

VI. INDUSTRY

A. New Site For Recife Steel Mill

The "Companhia Siderurgica do Nordeste" (COSINOR) staged a picnic on the 225 acre site of its future steel mill, 10 miles from Recife on May 7 to publicize its new venture. The COSINOR location will have access to a paved highway, a railway, and a river outlet to the ocean. The picking of the plant site as well as the design of the factory was handled by the German technical firm DEMAG for $100,000. The future plant capacity will be 120,000 tons of such steel products as nails, galvanized fencing, barbed wire, and hand tools. With the importation of 8.5 million dollars worth of equipment the total capital investment will be approximately one billion 800 million cruzeiros. It is expected that the company will soon offer stocks for public sale to raise part of the investment capital required.

At the same time another projected Pernambuco steel plant, AÇOSUL (Companhia Anglo-Luso-Brasileira de Aço), was delivering its plans for a steel park to SUDENE and CODEPE (Comissão de Desenvolvimento Economico de Pernambuco) as the first step to gain Federal and State assistance for its launching.

B. Import And Tax Concessions For Three Future Northeast Factories

The Deliberative Council of SUDENE, meeting on May 5, recommended that favorable exchange rates be granted to three firms for the purchase of needed equipment from foreign producers. The three companies - Plastibrás, Rum Bacardi, and Teonas & Cia. - are all being established in Pernambuco. Plastibrás will require 3 million dollars worth of equipment for the manufacture of plastic products for the automobile, electrical, and construction industries. (Plastibrás expects to consume 12,600,000 liters of ethyl alcohol yearly and hopes for a million dollar annual business; 2,800 man hours per month will be required from the recruited labor force). Rum Bacardi, to utilize 40,000 tons of molasses per year with a payroll of 600 employees, also received a recommendation that their importation of equipment be exempt from import taxes coupled with the more favorable rate of exchange. The firm Teonas & Companhia was granted $250,000 worth of exchange at the privileged rate

(Cr$100 = U.S.$1.00) for its projected steel pipe factory.

COMMENT: Teonas & Cia. would like to buy from the United States the remaining equipment required to establish its plant. The Consulate has forwarded a letter via the Department of Commerce to a U. S. firm ~~with~~ from which Teonas & Cia. has previously purchased equipment.

It has been reported that because of SUDENE's power to give favorable exchange rate, tax concessions, etc., Brazilian investors are becoming more interested in the Northeast.

VII. SOCIO-ECONOMIC

A. SUDENE - Master Plan Presented

At a special meeting of the Deliberative Council of the "Superintendencia de Desenvolvimento do Nordeste" held in Recife on May 4, SUDENE Director Celso Furtado presented his "Plano Diretor" for the development of the Northeast's economic resources for the five year period 1961-1965. The plan calls for the controlled investment of 76 billion cruzeiros during this period; two thirds of this sum will be destined for the creation of a transportation and energy network in the area. The development of water resources including irrigation, is third on the list of priorities. Other projects envisioned for SUDENE assistance and control are livestock, technical assistance to industry (including handicrafts), a system of agricultural storage and silage, mineral research, colonization, health, basic education, and mapping the region.

SUDENE, receiving 2% of the income from the Federal Income tax, will spend more than 15 billion of its own cruzeiros; the rest of the capital will be financed by funds normally allocated to other federal organisms that now operate under the "supervision" of SUDENE.

COMMENT: Celso Furtado in conversation with the reporting officer has pointed out that presently about 40% of the investments and money spent in the Northeast is federal money. He does not anticipate that there will be a large increase in the net federal spending in the nine states; SUDENE will just ensure that the money is logically spent for basic economic projects that will assist agricultural and industrial development. SUDENE's 5-year plans will nearly coincide with the Brazilian presidential terms; Dr. Furtado reports that he has been assured of continuing support by both of the leading presidential candidates for his apolitical economic ministry of the Northeast.

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The master plan does not incorporate "metas" (i.e. - definite goals to be achieved) but rather a continuing series of new objectives to be strived for as the former one is reached.

Although the plan was approved by the Deliberative Council on May 4 to permit its prompt transmission to Brasilia so that the congress may vote the funds for next year before they recess, there was a note of dissension expressed by several members such as sociologist Gilberto Freyre (representing the Ministry of Culture and Education) who protested that they had been given only two days to study the 300 page document before being asked to approve it.

B. Education - Mass Culture

The Movement For Mass Culture ("Movimento de Cultura Popular") kicked off last month by Recife Mayor Miguel Arraes continued to pick up steam. From May 16 to 21, the School of Philosophy of the University of Recife established a special week to celebrate, laud and explain this movement for cooperative public schools that will (and are) utilizing club houses for school houses with teachers being paid by local companies, and the city recruiting the teachers, supplying the books, etc. Fifteen of these educational plants are already in operation as a result of (reportedly) Mayor Arraes' preoccupation with the 350,000 illiterates (200,000 adults) of Recife. The schools are for both children and adults. University students are now making a survey of the city in order to locate other suitable sites for more of the schools. ("Jornal do Comercio", May 13.)

The Brazilian Army, aided by the State of Pernambuco, announced the opening of a school for 120 children of the local slum areas.

C. Recife Interest In Pre-Fabricated Housing For Slum Clearance

Recife Mayor Miguel Arraes, in response to his inquiries regarding pre-fabricated houses, public housing, and slum clearance projects, has received a prompt response from both the United States and France. In April, the American Consulate presented to the Mayor a complete library of technical booklets, catalogs, and pamphlets received from the Department of State. The French Consulate, on May 3, delivered to the Mayor not only literature but a live engineer imported from the "Centre Francois de Documentation Technique" of São Paulo. Mayor Arraes is interested in pre-fabricated housing which will require the minimum amount of steel and wood while relying on locally available cement.

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VIII. POLITICO-ECONOMIC

A. Loan Refusal Used As Political Issue

"I went ten times to Catete but returned each time with empty hands." So spoke Pernambuco Governor Cid Sampaio (UDN) as he campaigned in the interior with presidential aspirant Janio Quadros, on May 12 and 13. He told the public that he had sought a billion cruzeiros for a São Francisco River colonization project and regional industrialization. "But all was in vain. All the money was for Brasilia." ("Jornal do Comercio, May 17.) The Federal Government replied to the Governor's attack via the Chamber of Deputies where the PSD leader Abelardo Jurema, also a "Nordestino", reported that the Governor's requests would be satisfied through the SUDENE program. Later the story was leaked that Governor Sampaio, in conversations with President Kubitschek, had appeared to switch his allegiance from Quadros to support Marechal Lott in exchange for the loan.

COMMENT: In conversation with the reporting officer as well as inppublic statements, the Governor strongly denied that he had ever attempted such as "cheap" political mannuever.

IX. MISCELLANEOUS

A. Statistics

Attached, as enclosures, are comparative (1959-1958) statistics for some of the agricultural products exported from ~~the~~ Recife in 1959.

Edward T. Walters
American Vice Consul

Enclosure: As stated.

1 cc - Counselor for Consular Affairs, AmEmbassy, Rio de Janeiro

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EXPORTS AND SHIPMENTS OF HIDES FROM THE PORT OF RECIFE DURING THE YEARS 1959 AND 1958.

Destination	1959 Kilos
Holland	239,458
United States	17,837
Total Exports	257,295
Domestic Shipments	1,092,465
Grand Total	1,349,760
Total Exports and Shipments During 1958	1,151,118

EXPORTS OF ALCOHOL FROM THE PORT OF RECIFE DURING 1959 AND 1958

Destination	1959 Kilos
Uruguay	3,791,653
Total Exports in 1958	3,010,493

EXPORTS OF CARNAUBA WAX FROM THE PORT OF RECIFE DURING 1959 AND 1958

Destination	1959 Kilos
United States	40,189
Argentina	3,904
Total Exports	44,093
Total Exports in 1958	64,474

EXPORTS OF CANNED PINEAPPLES FROM THE PORT OF RECIFE DURING 1959 AND 1958

Destination	1958 Kilos	1959 Kilos
Total Exports	202,000	13,735

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EXPORTS OF PINEAPPLE JUICE FROM THE PORT OF RECIFE

Destination	Kilos 1958	Kilos 1959
Total Exports	18,400	16,800

SHIPMENTS OF COTONUT FIBERS FROM THE PORT OF RECIFE

Destination	Kilos 1958	Kilos 1959
Total Shipments	21,988	4,754

SHIPMENTS OF CASHEW NUTS FROM THE PORT OF RECIFE

Destination	Kilos 1958	Kilos 1959
Total Shipments	2,070,762	1,002,328

SHIPMENTS OF CORN FROM THE PORT OF RECIFE

1958 Kilos	1959 Kilos
nil	20,428

SHIPMENTS OF VEGETABLE OILS FROM THE PORT OF RECIFE

1958 Kilos	1959 Kilos
308,723	301,595



old

DEPARTMENT OF STATE INSTRUCTION

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(Security Classification)

FOR RM/R USE ONLY

NO.: A-1, August 2, 1960,

SUBJECT: Plano Diretor 832.00/6-2260

Reference: Condesp 34, June 22, 1960

TO: The American Consul, RECIFE

FROM COMMERCE

In item VII-A of Despatch 34, it was mentioned that Director Celso Furtado of SUDENE presented a "Plano Diretor" at a meeting on May 4, 1960.

It would be appreciated if the consulate could obtain and forward to the American Republics Division a copy of this plan.

HERTER

THIS DOCUMENT MUST BE RETURNED TO RM/R CENTRAL FILES

832.00/6-2260

REP

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Rev.
Cat.

[illegible] DETACHED

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(Security Classification)

832.00/6-2260

LWS

RW

DRAFTED BY: AJPoirier, Deputy Director
American Republics Division, BFC

APPROVED BY: E:REP:MHMitchell:bk 8/2/60

CLEARANCES: MyronStroebel/lk 7/28/60

Rep

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End forwarded to RM/R

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FOREIGN SERVICE DESPATCH

FROM : Amcongen, São Paulo

474
DESP. NO.

June 24, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF :

This Despatch must be Returned to the Embassy's Central Files

For Dept. Use Only	ACTION	DEPT.
	AMA-4	RM/R-2 REP-1 IRC-7 E-3 ICA-11 PER-2 030-4
	REC'D 6-28-60	OTHER CIA-10 NSA-1 LAB-6 COM-1 DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JUL 7 1960

SUBJECT: Santos Weekly Report

Transmitted herewith for the information of the Embassy and the Department is the weekly report from the American Consulate at Santos, dated June 23, 1960.

Regarding Item II-2 João de Morais Chaves has in the past been invited by the Embassy's Labor Attache and the Consulate General's Labor Officer to apply for a grant to visit the U. S. for three months under the Point IV labor leader training program. However, he declined alleging that three months would be too long a period to be absent from his trade union. He did, however, express a definite interest in a visit to the U. S. of one month or six weeks' duration. The Consulate General's Labor Officer is well acquainted with Sr. Chaves. He is undoubtedly one of Santos' better labor leaders. However, he is very ambitious and the Labor Officer feels he regards trade union offices as nothing more than a vehicle to a political career. Sr. Chaves is an ardent Janista and is devoting full time and attention these days in lining up the Santos trade movement for Janio Quadros.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

Enclosure

cc: Amembassy, Rio

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CONSULAR RECORDS

832.00/6-2460 HBS

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REPORTER

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NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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Enclosure No. 1 to
Sao Paulo Despatch 474
dtd

FORM DS-662
6-1-50

OFFICIAL USE ONLY

OPERATIONS MEMORANDUM

TO: American Consulate General, Sao Paulo **Date:** June 23, 1960

FROM: American Consulate, SANTOS VPR III

SUBJECT: Weekly Comment on Events in Santos

REF:

I POLITICAL - Negative.

II LABOR

1. General Strike Threat Fizzles; Moinho Paulista Paralyzed (UNCLASSIFIED)

For the last week or more labor circles here have been vehement in their support of the Sindicato dos Trabalhadores na Industria de Trigo, Milho e Mandioca de Santos, which has been fighting to prevent the Moinho Paulista in Santos from transferring 31 regular employees to Curitiba. The Forum Sindical de Debates (Santos City Central) has threatened a general strike on the part of all its 52 member unions, and the milling company employees have solemnly promised to "paralyze" the Moinho unless the company reconsidered its decision.

On June 21 the City Central decided to stage a monster workers' parade June 24 to start at the Moinho and end on the steps of the City Hall. Named to a committee to coordinate preparations for this demonstration were Joao de Morais Chaves, President of the Urban Industries Workers Union; Oswaldo Rodrigues Martins, President of the Shipping Company Employees Union; Antonio Guarnieri, President of the Bank Employees Union; and Bernardo de Abreu Madeira, soi-disant President of the Commerce Employees Union. The last two individuals are widely regarded as communists.

The Santos City Council, fearing the outbreak of labor disturbance, this week named a special commission composed of Joao de Morais Chaves (ex-PSB), Nelson de Atunes Matos (PL) and Arthur Rivau (PDC) to investigate the situation in the Moinho Paulista.

On June 23, one day ahead of schedule, seeing that the Moinho was not to be intimidated by threats, the mill workers walked off the job. They were encouraged in their attitude by receipt of a message from Vice President Joao Goulart which stated in part".... I pledge you my solidarity and intention to defend you until the final victory of your just aspirations.

On June 23 the Moinho Paulista in Santos was being guarded by an armed detachment of the Forca Publica to prevent any public demonstrations and disturbances by the strikers. /Comment:

VPRandolph,III/vpr

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Comment: (UNCLASSIFIED)

Although the workers of a number of unions will parade in the afternoon on June 24, and most of the local unions are strongly in sympathy with the mill workers, the possibility of a general strike in Santos does not appear to be imminent.

Vice President Goulart's interest in the case seems to derive from the political sympathies of the President of the milling company's union, Armando Ferrari, who is strongly pro-Lott.

2. Santos Labor Leader Reportedly To Travel to Cuba (UNCLASSIFIED)

On June 21 O Diario published an article stating that Joao de Morais Chaves, President of the Sindicato dos Trabalhadores nas Industrias Urbanas de Santos (see item 1 above), who recently withdrew from the Partido Socialista Brasileiro (PSB) to support Janio Quadros, would shortly travel to Cuba. (See Weekly Comment of June 2, 1960, Political item No. 2.)

Comment: (OFFICIAL USE ONLY)

Rumors have been circulating all this month that Chaves would visit Cuba, reportedly at the expense of the Cuban Government. The Consulate had also been given to understand that negotiations at one point had broken down over Chaves' insistence that he be accompanied, at Cuba's expense, by other local labor leaders, presumably in order to allow him to arrange free trips for his friends as well as to be in the company of other Santistas when he inspected Castro's Cuba.

O Diario also stated that Chaves had declared that "the American Consulate would interpose no difficulties to his trip to the United States after he had left the land of Fidel Castro."

In point of fact, the Consulate has not been approached by Chaves or any of his representatives on the subject of his proposed trip to Cuba or the United States, nor has the Consulate at any time discussed with anyone the question of Chaves' eligibility for a visa to the United States.

3. Ousted Union Leader Criticizes Critics (UNCLASSIFIED)

Vitorino Teixeira, who recently failed of reelection as President of the 475-member Sindicato dos Empregados no Comercio Hoteleiro e Similares de Santos, has declared to the weekly labor newspaper O Expresso that the criticism of neglecting the union's interests in favor of politics levelled at him last week by the union's new President are false. Teixeira also warned that the new directorate of the union should be careful in its accusations, since he had proof that certain cafe owners in Santos were

/operating

☆ U. S. GOVERNMENT PRINTING OFFICE: 1959-464145

operating illegally, and, if pressed, he would not mind (nada me cuesta) making public their irregularity before the law.

Comment: (OFFICIAL USE ONLY)

Teixeira, identified to the reporting officer as a communist by a competent observer in labor circles here, for some years was president of the union before his replacement early this month by Antonio Madureira de Carvalho. The latter, shortly after assuming office, ousted Teixeira for inactivity as president and for having allowed the union to fall into a "precarious" state. Carvalho promised to fight for wage increases and better working conditions.

III ECONOMIC

1. Brazilian Ship Runs Aground in Santos Harbor Entrance (UNCLASSIFIED)

On the early morning of June 17 the 5800 ton Lloyd Brasileiro coastwise ship "Cabo Orange" (Capt. Decly Moura) ran hard aground in 5 feet of mud at the entrance to the Santos estuary some 700 feet offshore from the Ponta da Praia. The 568 tons of cargo for Santos were unloaded by lighter and the vessel was lightened by removal of part of its fuel and water and the remainder of its cargo. After repeated efforts to tow the ship off at high tide, it came free at midday on June 21.

Comment: (UNCLASSIFIED)

The ship ran aground in an early-morning fog with pilot aboard. The mishap points up the narrowness of the channel into the Santos estuary from the roads outside.

The "Cabo Orange" was the first of a series of 14 ships delivered to the Brazilian Government from the Secosina Gdansk in Poland in exchange for coffee, and has been in service since June 1959.

IV CONSULAR

1. General (UNCLASSIFIED)

Consular operations have continued normally during the past week, and there is nothing especial to report.

V ADMINISTRATIVE

1. Local Employee Begins Extended Leave (UNCLASSIFIED)

/On June 19

☆ U. S. GOVERNMENT PRINTING OFFICE: 1958-494141

One June 19 Alfredo da Silva, FSL-3, commenced a period of extended annual leave.

Comment: (UNCLASSIFIED)

Mr. da Silva, an employee of the Consulate for over 30 years and its Chief Clerk, has been able to take no annual leave for nearly eight years, owing to a critical shortage of local personnel. This situation was greatly alleviated by the Department's authorization in February of an additional local employee for the Consulate (see Weekly Comment of February 24, 1960), who was actually brought on duty in March.

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate, RECIFE, Brazil

35
DESP. NO.

June 27, 1960
DATE

811.003
811.324

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP - Section D.IV.A.5

For Dept. Use Only	ACTION REC'D	DEPT. INFO OTHER
	ARA 4 7/6	RM R-2 REX-1 IRC-7 E-7 ICA-11 USMSG-3 C/A-10 COM-10 TAR-2 TR-3 AG-5 IN-7

SUBJECT: SUDENE INTEREST IN U.S. ASSISTANCE

Attached is a Memorandum of Conversation between Dr. Celso Furtado, Director of the Superintendencia do Desenvolvimento do Nordeste (SUDENE- Superintendancy for the Development of the Northeast) and American officials in Recife. During this conversation, Dr. Furtado related that he has already requested U.S. assistance for the SUDENE program in the economic problem area of Brazil - the Northeast - via USOM.

To the reporting officer's knowledge, this is the first time that Dr. Furtado has looked to the U.S. for any type of support. Although cordial, he is normally orientated toward Europe and particularly France. It was also interesting to note that Dr. Furtado altered his previous travel plans in order to meet the U.S. Mutual Security Advisory team in Recife on June 6. And further, he sent one of his right hand men, Dr. Leite Vasconcelos, to assist in the initial meetings of the U.S. Trade Mission in Recife on June 15.

Another footnote: On May 3, Dr. Furtado accepted an invitation from the University of Recife School of Engineering. To these young radical nationalists, Celso Furtado is highly esteemed as one of Brazil's leading nationalists. Somewhat to the surprize of the reporting officer in the audience, Dr. Furtado twisted several baited questions from the floor in order to defend the economic necessity of foreign capital, enterprise, and technicians operating in Brazil (with proper safeguards, that is). He also refused the opportunity to pick on the much maligned American and Foreign Power Subsidiary in Recife - Pernambuco Tramways, in fact, he gave a backhanded compliment to them by pointing out the more severe public utility problems in Natal and Fortaleza.

For the Consulate:

Maurice J. Gremillion
Vice Consul

RM/R file 7/14/60
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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 12 1960

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JUL 12 1960

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Page one of
Encl. No. one
Desp. No. 35
From Recife, Brazil.

MEMORANDUM OF CONVERSATION Date: May 31,1960.

SUBJECT: SUDENE's Request For U. S. Assistance.

PLACE: SUDENE Headquarters, Recife, Brazil.

PARTICIPANTS: Dr. Celso Furtado, SUDENE Director; Dale Hoecker, USOM/Brazil Technician; and Edward T. Walters, American Vice Consul.

During this conversation, four principal topics were discussed.

1. Mr. Hoecker relayed a message that Dr. Cottam, USOM Director, had appreciated Dr. Furtado's calling at the Embassy to discuss the SUDENE Program, and that, as soon as possible, Dr. Cottam and/or other USOM officials were hoping to repay Dr. Furtado's call by a visit to the Northeast for discussion with him and to become acquainted with his program. It was pointed out that there would be a delay in this visit because of the Ambassador's absence, previous commitments, etc.

Dr. Furtado friendly admitted that he had gone to the Embassy to request direct USOM assistance in the SUDENE program. He admitted that one of his most critical shortages is trained technicians. However, he warned that the SUDENE project was one of tremendous scope and that he was not requesting just a token amount of assistance or a handful of technicians. The problem, he said, is so immense that the means to cure the malady have to be grandiose. He stated that he is here to solve the problem and that the "Plano Diretor" (a 5 year Master Plan) for the Northeast was especially designed to do the job. He was opposed to the idea of the Northeast dragging on for years and years as an underdeveloped, underprivileged, and poverty-stricken area. He hopes that the United States will be willing to participate with a strong program of men and resources - to be incorporated in the SUDENE program. As a possibility for United States participation, he pointed to two valleys in Ceará and Piauí, both with the natural resources - mineral, water, and manpower - to be developed, both agriculturally and industrially. USOM/Brazil could tackle the job of renovating one of these 200 mile plus valleys. The task would call for the employment of a wide variety and large numbers of technicians plus tools, equipment, etc.

2. Vice Consul Walters questioned Dr. Furtado about the several land reform programs that are being initiated or discussed by several of the Northeastern Governors. In reply, Dr. Furtado considered that for political reasons many of the Governors were jumping on this political bandwagon, but that the projected scope of the most ambitious of these State programs was not enough to achieve any positive results. He pointed out that in SUDENE's master plan, they plan to move 25,000 families to Maranhão but even this is a small thing. Right

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now the problem is more basic, calling for basic development in transportation and power that will in turn give employment opportunities to the prospective immigrant or colonizer. In his opinion, the problem is too big to be handled on a state basis; it has to be handled on a regional basis.

3. Vice Consul Walters then set a date with Dr. Furtado for a visit to SUDENE by the Mutual Security Advisory Group which would be in Recife during the next week, and (4) also, the U. S. Trade Mission scheduled for a Recife visit in June.

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, São Paulo
DESP. NO. 1

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE July 1, 1960

REF : CERP C - General Interest

CONSULATE GENERAL OF THE UNITED STATES OF AMERICA

20 For Dept. Use Only	ACTION REC'D 7-5-60	DEPT. INFO	
	ARA-5	I	RM/R-2 REPI IRC-15 ICA-11 E-6 USIA-2 COM-1
		O	USIA-10 NSA-2 OSD-2 ARMY-35 ALAMW-20 SAO PAULO, BRAZIL AIR-1

SUBJECT: Biweekly Economic Review (June 17 - 30, 1960)

CIA-16 OCB-2
AG-8 TA-3
FRB-3 XMB-4
IN-7 LAB-6

Desp file 7/8/60
REA/F

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1. Comments on Coffee Finance Policy
2. Retail Price Ceiling on Vegetable Oils Lifted
3. State Fund for School Construction
4. São Paulo Light Sells Shares to Public
5. Fish Depots Inaugurated
6. 90-Day Notes Accepted with Steel Orders
7. Soviet Engineers Allegedly to Help Develop Shale Gas Production
8. Santos General Strike
9. Officers of new Federation of Utility Workers

1. Comments on Coffee Finance Policy (UNCLASSIFIED)

With the new coffee crop year starting on July 1, São Paulo Governor Carvalho Pinto telegraphed the Finance Minister suggesting a gradual elimination of exchange confiscation (on coffee exports); the establishment of a remunerative price to the farmer; easy credit to farmers on coffee financing; and speeding up the plan to uproot and eliminate low production coffee trees. Rumors that the foreign exchange accorded coffee exports would be raised from Cr$76 to Cr$90 a dollar, and that the cruzeiro purchasing price in the interior would be increased from a previous average of Cr$2,150 to approximately Cr$3,000 a sack of 132 pounds (both later confirmed), caused one newspaper to comment that on the one hand Brasil enters an international agreement to stabilize prices by holding coffee off the market, and on the other hand encourages overproduction in Brasil by high cruzeiro prices. Another newspaper called substantially higher cruzeiro prices a grave error that will postpone elimination of uneconomic production indefinitely. END UNCLASSIFIED.

BEGIN OFFICIAL USE ONLY. An official of Anderson, Clayton & Cia., large coffee buyers, estimates that the new price level for coffee will give efficient producers a profit of about 1000 cruzeiros per 132-pound sack.

RECahn/aaw (See last REC page for contributors)

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 6 1960

ACTION ASSIGNED TO-	ACTION TAKEN	
NAME OF OFFICER & OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

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0934

He believes it will encourage continued expansion of coffee plantings and will keep marginal plantations in production. END OFFICIAL USE ONLY/

2. Retail Price Ceiling on Vegetable Oils Lifted (UNCLASSIFIED)

The retail price ceiling on vegetable oils (see item 3 of despatch 460 of June 17) was lifted on June 27 after protests from various sources in São Paulo. Upon taking office the new head of the São Paulo Wholesale Food Trade Syndicate said that the establishing of price ceilings only in São Paulo and not elsewhere resulted in the vegetable oils disappearing from the São Paulo market. At the same time a group of mayors and councilmen from the interior had appealed to the price control authorities to suspend the price control on vegetable oils, because it prompted crushers to stop buying peanuts and producers were unable to sell their crops. END UNCLASSIFIED

3. State Fund for School Construction (UNCLASSIFIED)

On June 21 the Governor of São Paulo signed Decree No.56,799 establishing a State Fund for School Construction under the state Plan of Action legislation. The purpose of the Fund, which is to be administered by a six-man directorate from the state Secretariat of Education and the Planning Group, is to see that the several thousand new classrooms and more than 150 new schools included in the Plan are built through 1962 for elementary and high school education.

Comment: This is not one of the special "Funds" specifically referred to in the Plan of Action, but the government obviously felt the need to set up an organization of that nature to administer the money to be spent for that purpose in the total sum of Cr$10 billion (about US$50 million) over the four-year period of the Plan. END UNCLASSIFIED

BEGIN OFFICIAL USE ONLY/ The "Fund" approach also has allowed the government to obtain extensive propaganda value from mentioning a global sum of Cr$10 billion. Actually Cr$2 billion has already been committed (see despatch 439 of June 1, 1960), and expenditures on individual projects would not be impressive as they are to be spread over the whole state and over a four-year period. When considered in comparison with the 1960 state budget of Cr$83 billion, the sum set aside for this purpose comes to less than 3 percent of the budget on an annual basis. Actually it is even less than that, because the sum set aside at 1959 values is only Cr$7,536 million and not Cr$10 billion. The latter includes an anticipated increased cost through 1962 due to unabated inflation, which should equally provide a proportionately greater budgetary revenue based mainly on an ad-valorem sales tax.
END OFFICIAL USE ONLY.

4. São Paulo Light Sells Shares to Public (UNCLASSIFIED)

São Paulo Light S/A Serviços de Eletricidade, which is controlled by the Brazilian Traction Light & Power Co. Ltd. of Toronto, Canada, for the first time is offering shares to the public. One million preferred non-voting

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shares of a nominal value of 1000 cruzeiros are offered at a fixed dividend of 10 percent a year, with a right to an annual bonus to be determined by the board of directors. The stock, to be sold in lots of 10 shares, can be purchased against a 10 percent down payment, and nine equal monthly payments for the remaining ninety percent.

The stock issue, which will be offered to the public until October 31, 1960, will permit the company to raise its registered capital from 11.3 billion cruzeiros to 12.3 billion cruzeiros. END UNCLASSIFIED

5. Fish Depots Inaugurated (UNCLASSIFIED)

On the occasion of Fisherman's Day, on June 29, the São Paulo State Secretariat of Agriculture officially inaugurated the Iguape and Registro fish depots (see despatch 436 of May 31). Each depot produces four tons of ice daily and accomodates up to 10 tons of fish. Also inaugurated were the research and biology laboratories at Registro where studies on the industrialization (canning) of manjuba (sand smelts) are being carried out jointly by the Federal and São Paulo State Governments.

The Iguape and Registro fish depots are important links in the chain of ice making and fish storage facilities which are now being put up by the São Paulo State Government along the seaboard.

6. 90-Day Notes Accepted with Steel Orders. (UNCLASSIFIED)

The Metals Association of São Paulo requested the National Steel mill at Volta Redonda to accept 90-day promissory notes instead of cash deposits with steel plate orders for the fourth quarter of 1960. This request was made because the current tight credit situation made it difficult for Paulista firms to raise funds for that purpose. On June 19 the steel mill replied and agreed to accept the 90-day notes in place of cash deposits.

7. Soviet Engineers Allegedly to Help Develop Shale Gas Production (UNCLASSIFIED)

A recent press report states that more than twenty Soviet engineers are coming to Brazil to help the Companhia Nacional de Rochas Bituminosas (sic) produce gas for household use from shale located at Pindamonhangaba in the State of São Paulo. It is alleged that the USSR wished to finance the entire project, but that the company did not agree. END UNCLASSIFIED

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Comment: This is presumably part of a continuing campaign to publicise the Companhia Industrial de Rochas Bituminosas and to interest potential local investors in the company. A group of Soviet engineers visited the company's installations in early 1960, and arrangements were allegedly made to send a large amount of shale to the Soviet Union for testing. While it is possible that the Soviet Union may send engineers ostensibly to help develop

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the production of gas from shale, there is reason to believe that such production would be uneconomic and that the local publicity is part of a dubious stock promotion scheme. (See Congen Despatch 396, April 28, 1960.) END OFFICIAL USE ONLY

8. Santos General Strike (UNCLASSIFIED)

The large coffee port of Santos has been paralyzed today (July 1) by a 24-hour general strike called at midnight by some 52 local unions affiliated with the Santos Forum Sindical (City Central). The workers are striking in sympathy with 30 wheat millers employed by a British firm, Moinho Paulista, who are protesting transfer to the company's branch in Curitiba, Parana. The São Paulo Regional Labor Court in a recent ruling sustained the company's right to transfer the workers in spite of the fact they have stability, i.e., permanent status. (After ten years' service the worker becomes permanent and may not be dismissed except for force majeure or a serious offense duly confirmed by an investigation conducted by Ministry of Labor.)

The city is heavily policed. All stores and shops are closed, as are the offices of the major foreign shipping lines. Despite rumors that the Communists would exploit the situation and promote violence, the strike has been peaceful.

Comment: Everybody is now attempting to get into the act, including politicians of all hues, in order to capitalize on the issue in this election. Legally, the company's position is absolutely correct. However, the militant Communist minority in Santos is playing on the emotional issues. Some of the workers are said to have been with the firm for thirty years with all their roots in Santos and of course are bitterly resisting the transfer.

9. Officers of New State Federation of Utility Workers (UNCLASSIFIED)

In recent elections held in the newly formed São Paulo State Federation of Public Utility Workers, Antonio Navas Martins and Edoald Martines Rodrigues were elected President and First Secretary. Sr. Martins, First Secretary of the large São Paulo local union of hydroelectric workers, and Sr. Rodrigues, First Secretary of the Campinas local hydroelectric workers, both spent three months in the U.S. under the Point IV labor leader participant program. Leopoldo Brissac, another former Point IV grantee and the actual President of the São Paulo local union of gas workers, was chosen to represent this key federation on the General Council of the National Confederation of Industrial Workers, CNTI, which is Brasil's largest labor confederation.

Local unions of this federation represent almost all the utility workers in the State of São Paulo, who in the most part are employed by the Brasilian Traction Light & Power Co. Ltd.

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Comment: In recent months returning Point IV grantees have chalked up some notable successes in the São Paulo labor movement. Olavo Previatti, President of the São Paulo State Federation of Paper Workers, was elected as the first president of the São Paulo State Trade Union Council, and Argeu Egydio dos Santos, President of the Ribeirão Preto local union of Metal workers, was elected Vice-President of the São Paulo State Federation of Metal workers (Brasil's largest state labor federation) as a member of a slate which defeated the incumbent Communists.

William P. Cochran, Jr.
Consul General

Contributors:

S.C. Lyon - Items 1 and 7
A.D. Ventura - Items 4 and 5
J.F. Shea - Items 8 and 9

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JUL 6 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, Brazil

-1-
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 1, 1960
DATE

REF :

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ACTION
REC'D 7/13
DEPT. ARA-Y
INFO
OTHER RM/R-2 REPT IRC-8 IO-4 USUN-1 ICA-1 COM-10 CIA-10 USIA-10 TR-3 AG-8 SUN-7

SUBJECT: POLITICAL: Plans for the Economic Development of the State of Bahia, Brazil.

Attached are two volumes which, taken together, comprise the basic information on the projected economic development of the State of Bahia. (Plano de Desenvolvimento da Bahia 1960-1963, Vol. I, 50pp. Vol. II, 400pp.) The Consulate has been informed unofficially that Governor Juracy Magalhães will submit the completed and approved report "to Washington" for comment and suggestions. Since it is highly unlikely that there will be major changes in the report, the present version is being forwarded so as to allow the Department prior consideration.

The plan is the product of CPE (Fundação Comissão de Planejamento Econômico; see attached explanatory pamphlet) which in turn means Dr. Rômulo Almeida, Minister without Portfolio to Governor Juracy Magalhães. Dr. Almeida has masterminded the plan at the express request of Governor Magalhães, and has consulted Federal, State and Regional bodies in order to give a coordinated picture of Bahia's needs and possibilities for development. Dr. Wagner Pimenta Bueno, from Itamarati and Secretary of the National Commission for Technical Assistance, is currently in Salvador to iron out problems of obtaining technical assistance from the United Nations and other international organizations. Almeida has also been working closely with Celso Furtado, head of SUDENE and it may be significant that SUDENE has just recently opened a sub-office in Salvador with a rather large number of employees. Bahia will be the first of the nine Nordeste states to submit an organized development plan to SUDENE and it is quite likely that its plan will be used as a model for the other Nordeste states.

Vol. II of the enclosed report should be especially useful to the Department as a source of background information on Bahia. In the judgment of the Consulate the material contained there is accurate, up-to-date and inclusive. Although the several subject sections vary in merit, we are assured by a number of professional but unofficial sources that the over-all quality of information is high and the thinking sound.

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There appears to be a very good chance that the plan will be put into action, though the estimated cost, some seventy-odd billions of cruzeiros, staggers the local imaginations. If it secures the approval of SUDENE, as it is almost certain to do, the political effect should be to pretty well remove the Nordeste as a campaign issue from the present presidential election contest. The plan is well-known and respected in Bahia. Perhaps that explains some of the cold reception Janio Quadros got in Salvador recently. His vague and poorly thought-out generalizations on the "tragedy" of the Nordeste were in startling contrast to the rational and effective approach taken by Governor Magalhães in this first of the region's development plans.

James M. Flanagan
James M. Flanagan
American Consul

cc: Embassy, Rio de Janeiro.

Encl: Att

RW

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FUNDAÇÃO COMISSÃO DE PLANEJAMENTO ECONÔMICO

S T R U C T U R E

A N D

O P E R A T I O N

of the

ECONOMIC PLANNING COMMISSION

of Bahia

(a FOUNDATION)

EDIÇÕES MIMEOGRAFADAS CPE
SALVADOR - JUNE 10, 1960

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STRUCTURE AND OPERATION OF THE

FUNDAÇÃO COMISSÃO DE PLANEJAMENTO ECONÔMICO

OF THE STATE OF BAHIA

1. Juridical Structure

The "Comissão de Planejamento Econômico" was created by gubernatorial Decree n. 16. 261, of May 27, 1955, as a planning board, under a representative of the Development Council of the State of Bahia. On January 28, 1959, in the interest of giving the organization financial stability and administrative flexibility, Decree n. 17.261 gave it the form and organization of an autonomous Foundation (a private juridical entity under Brazilian law,) with the title of "Fundação Comissão de Planejamento Econômico - C.P.E."

2. Purposes

This Decree, n. 17.260, of January 28, 1959, also approved the statutes of the Foundation, authorized use of the CPE abbreviation, and charged the Foundation with the following functions:

a) - to study and propose the necessary measures to promote the stability and the balanced development of the economy of the State and the surrounding Region;

b) - to promote the general coordination of all State organs in the Executive sphere of government, through plans and programs for public work;

c) - to stimulate closer cooperation between the State Government and Federal, Municipal, autarchic, and private entities, leading to an acceleration of the economic development;

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d) - to formulate plans and programs for economic development, capable of effecting an improvement in the living conditions of the population;

e) - to analize and interpret Regional economic statistics;

f) - to promote studies and research on rational organization of work and the adaptation of its methods to Regional environment;

g) - to observe the exebution of the plans and measure their results;

h) - to make up studies for private groups, including specific projects regarding enterprises of interest to the Regional development program;

i) - to coordinate the publicity of the State, and that of autarchies and para-statal organizations, in order to give it an objetive, promotional purpose, coherent with Regional economic interests.

The Decree also provides that:

"For the attainment of these purposes, the Foundation may maintain, anywhere in the territory of the State, by itself or in cooperation with Federal, State, Municipal, para-statal, private or semi-private, national or foreign entities, the services that it deems necessary".

3. Financial Resources

The Foundation is maintained by the following resources:

a) - rents for parcial or total leases of real estate and other property that may be incorporated into its estate, including interest on bonds donated by Decree 17.261 of January 29, 1959 (nominal value: 100 million cruzeiros);

b) - budget allocations to be provided for the Foundation by the Governments of the Union, the State or the Municipalities;

c) - donations and endowments that may be bestowed upon the Foundation;

d) - remuneration for services provided to private interests and to entities of any nature.

The State budget for 1960 allocated for C.F.B. a sum of 15 million cruzeiros, as a contribution for the operation of

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C.P.E.'s development services. Bonds belonging to CPE yield another 7 million cruzeiros yearly.

4. Administrative Structure

4.1 - Functions of the Higher Administration

The following are the organs of Higher Administration of the Foundation, as established by its statutes: "Plenário"(General Assembly,) "Conselho Curador" (Curators' Council,) and "Diretoria Executiva" (Executive Management,) the last comprising the Presidency and the General Secretariat.

4.1.1 "Plenário"

The "Plenário", sovereign decision-making body, is made up of the following members:

a) - the Governor of the State, Honorary President of the Foundation;

b) - the Vice-Governor of the State, Honorary Vice-President;

c) - the Rector of the University of Bahia;

d) - the ex-Governors of the State;

e) - the State Secretaries of Finance, Agriculture, Education, Health, and Transportation and Public Works;

f) - the State Attorney General;

g) - the Presidents of the Federations of Industry and Commerce, Federation of Rural Associations, Federation of Industrial Workers, and of the Centers of Studies of Industry and Center of Studies of Commerce;

h) - the Presidents of the Chamber of Commerce and of the "Instituto de Fomento Econômico da Bahia", now being transformed into the "Banco de Fomento do Estado da Bahia (BANFEB)";

i) - the Presidents of the "Fundo de Desenvolvimento Agro-Industrial-FUNDAGRO" (Agro-Industrial Development Fund),and the "Companhia de Eletricidade da Bahia" - "COELBA" (Bahia Electric Company);

j) - the President of the Association of Municipalities;

k) - representative of the local Banking sistem;

l) - representatives of:

— Banco do Brasil, S.A. - Bank of Brazil;

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— Banco do Nordeste do Brasil, S.A. (BNB) - Bank of the Northeast of Brazil;
— Banco Nacional do Desenvolvimento Econômico (BNDE) - National Bank for Economic Development;
— Petróleo Brasileiro, S.A. (PETROBRÁS) - Brazilian Petroleum;
— Companhia Hidro Elétrica do São Francisco (CHESF) - San Francisco Hydro-Electric Company (Paulo Afonso plant);
— Rêde Ferroviária Federal, S.A. (RFFSA) - Federal Railroads Network;

m) - representative of the Armed Forces General Staff;

n) - representative of the Federal Mission to the State of Bahia (which the State requested that the Federal Government send as a permanent coordinating and technical assistance group);

o) - representatives of the newspapers and radio and television stations established in the State;

p) - five members appointed by the State Governor, to represent the following fields: finance, power, transportation, agriculture and technology;

q) - two specialists in general economic problems, appointed by the Governor of the State;

r) - the Director of the State Municipalities Department;

s) - donators and representatives of entities whose contributions are greater than a minimum set by the Curators' Council, in the manner prescribed by the Statutes;

t) - the President and the Secretary-General of the Foundation.

4.1.2 - The Curators' Council

Members:

a) - the Honorary Presidente and Vice-President of the Foundation;

b) - the last ex-Governor of the State;

c) - the State Secretary of Finance;

d) - the Rector of the University of Bahia;

e) - three (3) members elected by the "Plenário", and their respective provisional substitutes, with six (6) year mandates, one third of the elected members to be renewed every two years;

f) - the President and the Secretary General of the Foundation.

The President and the Secretary General of the Foun-

dation, members of the "Diretoria Executiva", are chosen by the State Governor; the President is chosen from a list of three names presented by the Curator's Council. At the present time, the Presidency of the Foundation is entrusted to Dr. Rômulo Almeida, who is also the State Secretary for Economic Development. The General Secretariat is occupied by Dr. Yvan Main Pachinetti, in whose absence, for the next five months, Dr. José Vicente de Oliveira Martins has been appointed Acting Secretary General.

4.2 - Executive Functions

The executive functions of CPE are performed by the following organs:

a) - Analysis and Programming Department
b) - Projects Department
c) - Technical Supporting Services
d) - Promotion and Divulgation Services
e) - Administrative Services

4.3 - Technical Personnel

There are at present 36 technical personnel working in CPE, distributed in the following groups:

5 engineers
2 trainees
3 sociologists
2 architects
2 agronomists
5 technical assistants, trained in economic development and project elaboration
2 economists
13 technical assistants
2 administrative assistants

Four (4) other persons are working in the Technical Department under scholarships.

5. Work Record

Working in many different technical fields of programming and project elaboration, C.P.E. has achieved a considerable success in the fulfilment of its purposes.

5.1 - Projects

In the period since the establishment of the "Comis-

são de Planejamento Econômico da Bahia" on May 27, 1955, before and after its transformation into a Foundation, C.P.E. has prepared a number of projects some of which are listed below:

1 - "Banco de Fomento do Estado da Bahia (BANFEB)": reformulation of an old bill in the State Assembly and preparation of a new one in 1957, for the present organization of the Bank, to replace the then existing "Instituto de Fomento Econômico da Bahia"; this project has since become a reality, with the support of Governor Juracy Magalhães.

2 - "Fundo de Desenvolvimento Agro-Industrial (FUNDAGRO)": project of a law and organization of this State Investment Fund, for the financing of enterprises in the fields of agriculture, agricultural industries and food supply. Ordinarily the Fund provides risk capital and loans for cooperatives. The FUNDAGRO usually holds a minority share in the enterprises in which it participates.

3 - "Companhia de Armazens e Silos do Estado da Bahia (CASEB)": food storehouses and silos. A "mixed economy" (State and private) organization, CASEB owns a number of warehouses in the interior of the State, some in operation, others under construction. A recipient of a BNDE loan (*).

4 - "Matadouros Frigoríficos S.A. (MAFRISA)": slaughtering and cold storage enterprise that is presently in full operation. Recently contracted a loan from the B.N.D.E.

5 - "Indústria de Laticínios da Bahia (ILBA)": dairy production and distribution. This project is currently being split between two organizations, soon to go into operation (*).

6 - "Sisal da Bahia, S.A.": industry for beneficiation and industrialization of sisal (*).

7 - "Emprêsa Agro-Industrial do Sisal": project contracted by a private group for integrated production and industrialization of sisal fibers (*).

8 - "Companhia de Alimentação e Sementes da Bahia" (CASEMBA)"- Food and Seeds Company; a C.P.E. promotion brought before the SUDENE (Superintendency for the Development of the Northeast) and scheduled for immediate implantation (*).

9 - "Laboratório Bioterápico da Bahia" (LABASA)" - a joint public-private enterprise for the production of vaccines for cattle(*).

10 - Study of rubber plantation investments, contracted by a private group.

(*) - An organization belonging to the FUNDAGRO system.

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11 - "Estaleiro Aratu S.A." - Shipyard project presented to and approved by the GEICON (Executive Group for Naval Construction - Federal Governments Development Council), is now integrated inthe National Naval Construction Programs.

12 - Project for the recuperation of the Viação Férrea Federal Leste Brasileiro (East Brazil Railroad), elaborated under agreement with the "Rêde Ferroviária Federal S.A.". Partly included in the "Plano Diretor" (Master Plan) of the ... SUDENE, its execution will represent a keystone of the economic development of the State, representing a great improvement in the State's transportation system.

13 - Project for the recuperation of the Nazaré Railroad.

14 - Bolts and nuts factory project: in elaboration, under contract.

15 - Aluminum utensils plant project: same as 14.

16 - Cristal ornaments project: same as 14.

17 - Clothing manufacture: same as 14.

18 - Tomato paste and juice plant: same as 14.

19 - Fruit canning industry: same as 14.

20 - Fruit juices industry: same as 14.

21 - "Cia. Empório Industrial do Norte" - Textile industry; re-equipment project for existing private organization, elaborated by C.F.E. under contract, and presented to the BNB in request for a loan.

22 - Furniture factory: modernization project made under contract requesting BNB loan.

23 - Fratelli Vita Soft drinks plant: same as 21.

24 - Vegetable oils industry: project elaborated under contract requesting BNB loan.

25 - Cotton seed oil industry: same as 23.

5.2 - Plans and Programs

In the field of Programs, the following items may be cited, of work completed or in progress:

a) Programs for the Southern Region of the State (the cocoa zone).

b) Paraguassu River Valley program (preliminary steps).

c) Foodstuffs supply system (" ").

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d) Transportation system (preliminary steps).

e) Contributions to, and criticism of, SUDENE's Basic Highway Network for the Northeast.

f) Contributions to, and criticism of, SUDENE's Basic Railroad Network for the Northeast.

g) Contributions to, and criticism of, SUDENE's Northeast Electrification Plan.

h) Drought Emergency Plan.

i) State Colonization Plan.

j) Agriculture Organization General Program.

k) General Public Health Plan.

l) General Education Plan.

C.P.E. is coordinating and enlarging these plans some of which are still in the preliminary stages.

5.3 - The Master Development Plan of Bahia

Special mention must be made of the comprehensive "Plano de Desenvolvimento da Bahia" (Master Development Plan of Bahia), a broad study made at the request of the Governor of the State, Mr. Juracy Magalhães, and developed in cooperation with all State agencies and a member of Federal services, in which is laid out the course of action for the State Government in the period - 1960/1963. This Plan also analizes the Federal Government's activities in the State and presents a scheme for efficient application of Federal resources in the four-year period.

5.4 - The Program for Implantation of Industries

The Master Development Plan, in addition, takes into account the effects of private investments and defines measures for the intensification of private capital investments in enterprises of interest to the economic development of the State. The Program for Implantation of Industries, included in the Plan, has the specific purpose of discovering, creating, and promoting private investment possibilities in Bahia, as well as giving full assistance to investors in making local contacts, obtaining concessions, and arranging financing.

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NOTES

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JUL 8 1960

FOREIGN SERVICE DESPATCH

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TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE July 5, 1960.

REF : CERP C-2

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SUBJECT: Monthly Economic Report - June 1960.

ag-10 IR-7 OSD-4 army-6 Navy-3 NSA-2 air-4 XMB-4 USIA-10 CL-2

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1. Summary
2. Industry and Investments
3. Agricultural Development and Policy
4. Petroleum
5. Transportation
6. Labor
7. Finance
8. East-West Trade.

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1. Summary:

As reported in the Consulate's monthly summary for May, the economy of Bahia continues to remain tight. One of the principal reasons, apart from bad weather, seems to be the fact that traders have not sold cocoa to CACEX in quantity thus depriving the market of badly needed funds. The sellers have held back, hoping for a possible increase in the support price. Their anticipations materialized with the approval of SUMOC Instruction No. 196 dated June 26, 1960, which increases the buying rate for dollars originating from the export of cocoa beans from Cr$76,00 to Cr$90,00 per dollar, effective July 1, 1960. Consequently CACEX will buy cocoa at Cr$3,900 per bag (60 kilos) for "superior" type and Cr$3,840 for "good-fair" type, an increase of Cr$400,00 per bag in comparison to previous prices. This action should tend to loosen the market considerably and improve the economy of the State.

Last May 750 milimeters of rain fell in Bahia in contrast to the norm for May of 100 to 120 milimeters. The unrelenting rains are beginning to pose a serious threat to most of the principal crops and thereby to the economy of the State. In addition to cocoa and castor-seed, the rains are having a harmful effect on the sugar crop since the low-lying portions of the plantations are often under water. The sisal crop is not moving to port as it should due to the disruption of transportation facilities.

As a result

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As a result of the increase in the dollar rate for export of cocoa beans, the farmers are guaranteed a minimum price of Cr$790,00 per arroba of 15 kilograms by the exporters and Cr$845,00 by the cooperatives, for cocoa beans delivered in Ilhéus warehouses. CACEX has further reported that it will buy all the cocoa available.

The Banco do Fomento do Estado da Bahia has recently been inaugurated with a capital of Cr$300,000,000. It was formed to assist those enterprises falling within the scope of the State's master economic plan, as drawn up by the Governor's Economic Planning Commission (CPE) (See Despatch No. 1 of July 1, 1960).

The First Official United States Trade Mission to Brazil visited Bahia from June 11-14. The mission was widely discussed by local businessmen who were receptive to the idea and alert to the possibilities of increased trade. The Mission had the advantage of having the full blessings and assistance of the Governor, Gen. Juracy Magalhães, who offered his summer home for the general meeting place. He also hosted a large dinner party at the palace and arranged that the mission members attend a round-table discussion chaired by Dr. Romulo Almeida, President of the Economic Planning Commission for Bahia. The visit stimulated the thinking of the local businessmen and it is felt that, on the whole, the Mission was very successful.

2. Industry and Investments:

a) The newspaper A TARDE reports that Hoos Maquinas Motores S/A, a firm believed to be from the south of Brazil, intends to install a tinplate mill in Bahia with a production capacity of 50,000 tons. (See Economic Report for May, 1960-Industry and Investments).

b) Italian industrialist Otello Pezzotti reported to the local press that he has organized the Sociedade Poliflex da Bahia S/A.-Industria, Comercio e Exportação, to produce plastic sheets in Salvador. The comapny facilities will occupy an area of 18,000 square meters. It's initial capital will be Cr$40,000,000. The equipment is to be imported from Italy and it's inauguration will take place in January 1961.

c) The newspaper ESTADO DA BAHIA reports that a group from the Ford Foundation is expected here soon to study the possibilities of installing an "automobile factory" in Bahia. No further information is available concerning the matter at this time.

d) The newspaper JORNAL DA BAHIA reports that the Companhia Eletroquímica da Bahia, was recently organized and intends to produce caustic soda with an initial annual production rate of 2,900 tons. The amount of investment and origin of equipment is not known.

e) The Cervejaria Runique do Brasil, manufacturers of beer and soft

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soft drinks, was inaugurated recently. It is reported that 1,500 bottles are being produced hourly. The equipment is of Brazilian manufacture. This is the first brewery to open in Salvador. Until now beer has been shipped from the south of Brazil making the price exhorbitant in comparison to Rio and São Paulo prices.

f) It has been reported that a new company named Sacos de Sisal da Bahia S/A - SASIBAL will be inaugurated in the near future. It will manufacture sisal fiber bags and has a capital of Cr$50,000,000. The equipment will be imported from Italy.

g) Another new hotel was inaugurated recently. The hotel "Colonial" has eight apartments and is located at Largo da Sé, in the heart of Salvador. While this is a very small hotel, it received considerable publicity when inaugurated, probably to stimulate interest in the establishment of more and larger hotels. The Hotel da Bahia is still the only sizeable first rate hotel in Salvador. At present it is impossible to find a room in the city. Between the forthcoming visit of President Kubitchek and the arrival of a convention group, all usable hotel space is occupied. Other hotels are in the planning stage. Some may materialize but investment in this field seems to be slow because of the finance risk involved.

3. Agricultural Development and Policy:

a) Cocoa. A prolonged period of unseasonally cold and rainy weather in the cocoa zone has caused a further downward revision in the estimate for this year's mid-crop. Best estimates are between 1,300,000 and 1,400,000 bags, compared to previous estimates of 1,400,000 to 1,600,000 bags. It further appears that the main crop, which begins from October 1st onward, is being severely affected by the unfavorable weather conditions. The bad weather has also had the effect of drastically limiting shipment to the port of Ilhéus. Not only has the cold and rain delayed the maturing of the crop, but transportation is snarled with high rivers, impassable roads, etc. (for road repairs see last paragraph of the despatch).

b) Castorseed. The situation here remains virtually unchanged. Rainy weather in the interior continues to impede the shipment of seed to the city on a large scale. The oil processors are operating on a hand-to-mouth basis as far as raw materialx goes. Only favorable weather can change this gloomy picture.

c) Tobacco Leaf. In the interior, the packing of the present crop is almost completed and the farmers are preparing for the next planting, which usually takes place during the latter half of this month. The present crop is about 70-75% sold to buyers abroad although very little has been shipped as yet. In our last report it was stated that price pressure from abroad had been brought to bear on the lower grades. Now the situation has reversed.

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reversed. Almost all of the poorer tobacco has been sold (at the lower prices noted last month), and the price pressure, particularly from Dutch buyers, is being applied to the better grades. However, it is felt that this is due to a temporary slackening of interest in Bahian tobaccos, normal for this time of year, when the large-scale auctions of Javan and Sumatran tobaccos are taking place in Europe. Once these auctions are over, interest in local tobacco should return and the price pressure will disappear, permitting the sale of the remainder of the good quality tobacco at the usual prices.

4. Petroleum:

Encouraging developments from the State's point of view are:

a) Pinto de Aguiar has become the first Bahiano named to the directorate of Petrobras. Colonel Sardenberg, President of Petrobras, has also announced that in the future oil export exchange will be closed in Bahia, rather than in Rio de Janeiro.

b) The delivery of the new tanker "Presidente Floriano" raised the total capacity of the national tanker fleet to 472,110 tdw.

c) Production of natural gas in the Reconcavo area was up 30% in 1959 over that of 1958, 429MM cubic meters as compared to 331MM.

d) Petrobras recently announced that since it's inception in August 1954, it has drilled 773,000 meters, representing 70% of the total drilling for oil done in Brazil. It has sunk 581 wells, of which 340 have been producers.

5. Transportation and Communication:

a) Dr. Tarcilo Vieira de Melo, Secretary of Transportation and Public Works for the State of Bahia, has informed the local press that all industries depending upon hydro-electric power in Bahia will be hampered for at least one year because the reserves of the Companhia Hidro-Electrica do São Francisco, (CHESF) distributors of electric energy from Paulo Afonso, are exhausted. The Secretary further added that CHESF is at present installing two additional water turbines of 70,000kw each, which should go into operation sometime next year. Because of the shortage it has been necessary for CHESF to abandon a planned direct electricity circuit to PETROBRAS. The newspaper A TARDE published an article entitled "Trevas A Vista" (Darkness in View) which points out that this is a rather strange case because a year ago the former President of CHESF reported that the State of Bahia was enjoying an exceptional position with regard to electricity since there was a surplus of supply.

b) The State Legislative Assembly has approved an electrification plan which grants to the Companhia de Eletricidade da Bahia

(COELBA)

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(COELBA), for a period of five consecutive years, 5% of the State income, to be used for the production, transmission and distribution of electricity in the State of Bahia. The electrification plan will reportedly be carried out by COELBA and subsidiary companies, [redacted] to be formed in the future. In order to meet initial expenses the State Government will lend Cr$60,000,000 to COELBA. The capital of this company will be Cr$180,400,000 divided into 140,400 ordinary shares and 40,000 prefe[illegible]ential shares in the nominal value of Cr$1,000 each.

Of note in this regard is the fact that Dr. Tarcilo Vieira de Melo, Secretary of Transportation and Public Works [redacted] reported to the local press that during his recent visit to Rio de Janeiro he negotiated for a loan of 2 billion cruzeiros from eastern European countries, through the Instituto Brasileiro do Cafe, offering the exchange of coffee for electrical equipment. The loan would be paid by COELBA over a period of several years and as a guarantee the Fundo Estadual de Eletrificação (the 5% of State income for five years mentioned above) was offered. He further reported that with this loan, the COELBA could complete in three years more than half of the Electrification Plan which is presently foreseen for a ten year period. (See Economic Summary for April, 1960 - Investments)

c) The local press has reported that Sr. Amaral Peixoto, Minister of Transportation, stated the construction of the port of Ilheus will cost Cr$240,000,000 and that this amount is already deposited in the Banco Nacional de Desenvolvimento Economico. Last observance by a consular officer of the work on the port there indicated that it is dying on the vine with the major effort consisting of two trucks dumping gravel into the bay to make a 250 meter breakwater. The protrusion at that time was about 50 meters. Local unofficial coment was that the entire effort was "just a show".

d) The local press has reported that an agreement was signed recently at the Spanish Embassy in Rio de Janeiro, between the Companhia de Navegação Bahiana (a mixed State government and private steamship company) and the Comercial e Industrial Hispano-Brasileira S/A. The latter will finance the delivery of two fishing vessels equipped with radar, cold storage plants, nets, etc. and will have a capacity for 120 tons of fish. The vessels have steel bottoms and are equipped for three years continuous service. They were build in a Spanish shipyard, cost approximately U. S. $755,000.00, and will be financed over a period of five years.

e) The newspaper A TARDE, in it's issue of June 9, 1960, reported that over 600 trucks which transport sisal fiber, castorseed, cereals and other products, were unable to proceed on the Rio de Janeiro-Bahia highway due to the bad condition of the road. Complaints were made by exporters and it is reported that the local chief

chief of the National Highway Department took measures to rectify the situation.

f) The local press has reported that PETROBRAS and the Secretariat of Transportation and Public Works, State of Bahia, signed an agreement on June 17, 1960, to construct and pave an additional 49 kilometers of road at a cost of Cr$250,000,000. This work should be completed in April of 1962 and includes 33 kilometers between Catu-Alagoinhas; BR28-São Sebastião, 9 kilometers and Sitio Novo-Buracica, 7 kilometers.

It should be noted that it took 11 years to complete the road pavement between Salvador and Feira de Santana, a distance of some 120 kilometers.

g) The Diretoria da Aeronáutica Civil granted an increase of 10% in the cost of air fares which became effective on June 23, 1960. This action was reportedly to compensate for the recent increase in salaries of airline personnel.

h) To compensate for the salary increases of telegraph employees, the Federal Government authorized the Western Cable and Radional to increase their surtax by 5% for international messages and from Cr$10,00 to Cr$13,00 per word for domestic service.

6. Labor:

a) A salary agreement was recently signed at the Ministry of Labor between telegraph companies and their employees (See paragraph 5 (h) above). According to the local press the telegraph companies have granted an increase of 45% to those earning up to Cr$4,500,00 per month, 40% to those earning up to Cr$7.000,00; 35% for those earning up to Cr$10.000,00 and 30% for all over that amount. (See Economic Summary for April, 1960 - Labor).

b) The Federação dos Trabalhadores Marítimos complained to the local Labor Court demanding an increase in salaries for PETROBRAS employees working at sea. As a result, the Labor Court has compelled PETROBRAS to grant a salary increase of 78% to employees in this category, effective April 25, 1960.

c) It is reported that a meeting will shortly be held between representatives of the Sindicatos dos Trabalhadores da Construção Civil and the Labor Court during which the Sindicato will demand an across-the-board salary increases for all employees.

The above are further indications that wide-spread salary increases are in the offing to counterat the hith cost of living in Bahia.

7. Finance:

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7. Finance:

According to the State Internal Revenue Department Cr$ Cr$713,335,575 were collected during the first six months of 1960 which constitutes an increase of Cr$158,929,423 over the same period in 1959.

8. East-West Trade:

a) Exports to Soviet Block countries during the month of June were as follows: Poland, 952 tons of sisal fiber and 26 tons of goatskins.

b) In accordance with the cooperation plan of the Comissão de Mecanização da Agricultura (COMAG), the Companhia de Adubos e Materiais Agrícolas da Bahia (CAMAB) recently received 50 Yugoslav ZADRUGAR Diesel tractors. 54 more are expected to arrive before the end of the year. A further order of 120 has been placed by CAMAB, thus making a total of 224 tractors to be imported from Yugoslavia and sold to Bahian growers at low prices with payment on the installment plan over a period of four years. These tractors are in addition to the 40 Polish MAZUR D-40 tractors which recently arrived in Salvador. (See Economic Report for May, 1960 - East-West Trade).

The arrival of the first shipment of Yugoslav tractors received wide publicity. The tractors were lined up in parade formation at Dois de Julho Park for several days.

In addition to the above, it has been reported that Sr. Lomanto Junior, Mayor of the town of Jequié, State of Bahia, and President of the Associação Brasileira de Municípios, has gone to Rio de Janeiro to take delivery of 20 tractors, the first of 650 units which have aledgedly been purchased from East Germany, to be used for the construction of highways in Bahia. It is unders stood that the tractors have a capacity of 65 horsepower but the name of the manufacturer is not presently known to the Consulate.

The figure mentioned above appears to be out of proportion and a further report will be submitted regarding this matter after the facts have been ascertained.

James M. Flanagan

James M. Flanagan
American Consul

Copy to Embassy, Rio de Janeiro.
File 500

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PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 12 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTUN.

July 6, 1960

JUL - 8 1960 DATE

REF : CERP C-1

For Dept. Use Only	ACTION	DEPT.
	ARA-5	RMR-2 REP-1 IRC-10 E-6 ICA-11 EUR-5 CIA-16 OCR-2
	REC'D 7-11-60	INFO OTHER USIA-10 OSD-2 NSC-4 ARMY-35 NAVY-20 AIR 30

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 6 AGS COM-12 ARA-6 IN-7 FMA-5 CA-6 TR-3 FRB-2 XMB-4

RM/R file 7/18/60 REA/F

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS JUL 12 1960

832.00/7-660

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7. Currency Issue Continues to Increase
8. Estimates of Nut, Jute and Sisal Crops
9. Crash of Real Convair in Guanabara Bay
10. Increase in Air Fares
11. Prospects for Creation of Bulk Ore Carrier Fleet

* * *

1. New Brazilian-Czech Trade Agreement Signed:

A new trade agreement with Czechoslovakia was signed on June 24 after two weeks of negotiations (see BWER No. 5, June 21). The agreement is for five years with an annual trade level of $70 million in both directions. Principal commodities to be imported are expected to be electrical generating and industrial machinery, parts and equipment, malt and hops. Brazil would supply coffee, cacao, hides, sisal and vegetable oils. The machinery for the plant to manufacture "Zetor" tractors which was approved under the Brazilian Government's program to install a tractor industry will be imported under the new trade agreement. (UNCLASSIFIED)

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Comment: Brazilian-Czech trade during 1959 reached $42 million in both directions. This new agreement with Czechoslovakia, which has regularly been Brazil's principal trading partner in the Soviet Bloc, indicates that the serious effort which the Brazilians have made during recent months to widen their trading relationships with the bloc is attaining success. Under agreements now in effect, Brazil's trade with these countries may reach a level of nearly 10 percent of the country's total foreign trade by 1962, compared with a level of 2.8 percent in 1958.

Products listed in the new agreement are more or less those traditionally exchanged between the two countries.(OFFICIAL USE ONLY)

2. Establishment of Brazilian-Polish Trade Committee:

Ceremonies were held at the Foreign Ministry on July 1 to mark the formal establishment of a Mixed Brazilian-Polish Committee on trade. Provision for the organization of such a committee was made in the trade agreement signed in March (see Embes 936, March 25). President of the Brazilian committee is to be Ambassador Edmundo Barbosa da Silva, Chief of the Economic Department of the Foreign Ministry, and Counselor Jorge de Carvalho e Silva will be vice-president. Polish members will be the Polish Minister and Commercial Counselor in Rio de Janeiro. (UNCLASSIFIED)

3. Visit of Brazilian Trade Mission to Venezuela:

According to recent press accounts, the Brazilian commercial mission which has been in Caracas since late in March (see Embes 936, WER 13, March 25) has finished its activities there and was to go on to Bogotá for discussions with Colombian officials. The chief of the Brazilian delegation, Dr. Mario Borges da Fonseca, is reported to have expressed his disappointment at the results of the mission's visit and at the lack of interest shown by Venezuelan importers in Brazilian products displayed in Caracas. Newspaper stories, one of which referred to the mission flatly as a "failure", returned to the theme of possible economic reprisals against Venezuela if it fails to increase its purchases of Brazilian products. (UNCLASSIFIED)

Comment: Results of the mission's visit are not surprising. Foreign Minister Lafer is reported to have said that "if Venezuela fails to understand that Brazil cannot continue with an annual deficit in its trade with Venezuela of 100 million dollars, without

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compensation, this will possibly lead us to buy oil from the Middle East". It is entirely possible that Brazil will seek to put pressure on Venezuela by trying to increase its petroleum purchases from other countries. (OFFICIAL USE ONLY)

4. Assumption by CCA of COFAP Powers:

The Federal Supply and Price Control Commission (COFAP) finally expired on June 30, 1960, as a result of the failure of Congress to extend its life. During the last few years, COFAP has survived by means of successive legislation prolonging its existence for periods of six months. In order for the government to retain some legal means of maintaining control over the prices of food, the President issued a decree on June 30 which in effect assigned to the Food Supply Coordinating Council (CCA) the price control functions hitherto exercised by COFAP. (UNCLASSIFIED)

Comment: Business groups which had been working for the extinction of COFAP (BWER No.3, Embs 1157, May 23) hailed the failure to extend its life and hoped that questions raised concerning the legality of the action giving CCA some of COFAP's powers would be sustained. According to the press, the administration is considering the inclusion of a COFAP-like organ in the proposed Ministry of Industry and Commerce (see following item). The administration's interest in maintaining an entity -- whether CCA or the unit in the proposed ministry -- to try to control food prices is natural in an election year. (OFFICIAL USE ONLY)

5. Creation of Two New Ministries Proposed:

A bill to create two new federal ministries, the Ministry of Industry and Commerce and the Ministry of Mines and Electric Power, is being considered by Congress. Under the terms of the bill, the new Ministry of Industry and Commerce would assume jurisdiction over a number of activities now carried out by other ministries, independent agencies and mixed-economy corporations. The ministry would supervise such important bodies as the Brazilian Coffee Institute, the National Steel Company (Volta Redonda), and the National Motor Factory.

Jurisdiction of the new Ministry of Mines and Electric Power would include several agencies now in the Ministry of Agriculture, independent bodies such as the National Petroleum Council and the Nuclear Energy Commission, and government-controlled companies such

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as Petrobrás, the Vale do Rio Doce Company, and the São Francisco Hydroelectric Company.

Comment: The bill appears to have a good chance of passing since the establishment of the two ministries is generally accepted as a step in the direction of rationalizing the chaotic administrative structure of the executive branch. The degree of control which the proposed ministries will actually be permitted to exercise over some of the powerful independent agencies--e.g., Petrobras--remains to be determined, however. (OFFICIAL USE ONLY)

6. SUMOC Modifies Rate of Exchange Applicable to Coffee and Cacao:

The Superintendency of Money and Credit has modified the export rate of exchange applicable to coffee and cacao beans such that the effective export rate is now Cr$90.00 per dollar as compared with the previous rate of Cr$76.00 per dollar. The exchange rate revision was taken in conjunction with the establishment of a new overall program for coffee applicable to the 1960/61 coffee crop beginning July 1, 1960. (UNCLASSIFIED)

Comment: The exchange rate revision, taken in conjunction with the other financial implications of the total new coffee program, will clearly tend to have an inflationary impact. (OFFICIAL USE ONLY)

7. Currency Issue Continues to Increase:

As reported in the last BWER (Item 3), the outstanding currency issue had increased by Cr$6.8 billion as of June 4 in comparison with the amount outstanding at the end of 1959. The currency issue then increased by an additional Cr$1.9 billion through the remainder of June. Accordingly, the currency issue increased during the first six months of 1960 by 5.5% as compared with 4.6% during the same period of 1959. (UNCLASSIFIED)

Comment: See comment in BWER 5, item 3.

8. Estimates of Nut, Jute and Sisal Crops:

The 1960 Brazil nut crop is estimated at 33,000 tons, about 11,000 tons more than 1959 but still much below normal production levels. In 1958 production was 40,000 metric tons. In the face of

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Comment: The bill appears to have a good chance of passing since the establishment of the two ministries is generally accepted as a step in the direction of rationalizing the chaotic administrative structure of the executive branch. The degree of control which the proposed ministries will actually be permitted to exercise over some of the powerful independent agencies--e.g., Petrobras--remains to be determined, however. (OFFICIAL USE ONLY)

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rumors of even a much shorter crop, farmers' prices went from Cr$1,500 to Cr$2,400 per hectoliter (50 kilos) in the beginning of the year and on June 7, 1960 from Cr$2,800 to Cr$3,200.

The production of jute and other bagging fibers for 1960 is expected to be about 60,000 tons. While this is considered to be a 10,000 ton increase over 1959, there may be a deficit between production and the demand for bagging. The price of practically all types of sacks doubled during the 1959-60 harvest period; the price received by growers increased by about the same percentage.

The 1960 sisal crop is expected to be about 150,000 tons, as compared with 140,000 for 1959 and 120,000 for 1958. Sisal, like jute, is a relatively new crop in Brazil. Production has been largely for export, but a little more than a year ago the use of sisal in the manufacture of kraft paper was begun. With rises in price caused by increases in world demand, however, Brazilian sisal is priced out of pulp production. A little over a year ago, local producers' prices were running 10-12 cruzeiros per kilo, whereas today's prices are from 32 to 36 cruzeiros per kilo.

(UNCLASSIFIED)

9. Crash of Real Convair in Guanabara Bay:

A Convair 340, registration PP-YRB, of Real Aerovias, coming from Belo Horizonte, crashed into Guanabara Bay sometime between 6:30 and 7:00 PM, June 24, while making an approach to Rio's Santos Dumont Airport, its destination. All 48 passengers and five crew members were killed. Although weather conditions were not good, ceiling and visibility were above the minimums, and the approach was proceeding in a normal manner when the Santos Dumont tower lost radio contact with the plane. An investigation is being conducted by the Brazilian Air Force, which has responsibility for fixing the causes of aircraft accidents involving fatalities in Brazil. The disaster, the third of major proportions in the Rio area within six months, has led to press and Congressional demands for the release of the reports of earlier accidents, which have been classified by the Air Force, and for a fundamental reexamination of Brazilian air safety practices. The union of flight crew personnel has issued a manifesto alleging that the "immediate, single, plausible" cause of the accident may have been the acute fatigue of the cockpit personnel as the result of excessive hours of work. This claim, which was refuted by Real and by the Director General of Civil Aeronautics, is part of the union's campaign to have reinstituted the Ministry of Labor - Ministry of Aeronautics document regulating

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conditions of work for flight crews which was suspended by the courts in March (WER 12, 13, 14, March 18, 25, April 1 resp.). Other guesses advanced as to the cause of the accident have included a thrown right propeller, faulty altimeters and complete collapse of the electrical system. (UNCLASSIFIED)

Comment: The pressure on the Ministry of Aeronautics to take effective action on air safety--with the release of the findings on previous accidents as a minimum first step--has increased with each new accident, but the Ministry so far has been able to maintain secrecy on its investigations. A possible useful result of this most recent disaster may be to convince Congress that its policy of niggardliness toward appropriations for badly needed improved air navigation facilities is a serious mistake. The credibility of the union of flight personnel in making the claim that pilot fatigue was the cause of the accident was weakened by the inclusion in the manifesto of purely political comments, including a statement that the continuing economic difficulties of Brazilian civil aviation will lead, unless confronted with "truly patriotic vision", to the delivering of Brazilian civil air transport to the "open and complete domination of the great international trusts of the industry." (OFFICIAL USE ONLY)

10. Increase in Air Fares:

Domestic air fares throughout Brazil (with the exception of those on certain routes in the Amazon area) were increased by ten percent by action of the Civil Aeronautics Directorate, effective June 23. Contrary to the case of the 20-30 percent increase instituted in December 1959, the new rates include an increase in the basic Rio-São Paulo fare, i.e., from Cr$1,450 to Cr$1,600 (before taxes of ten percent). (UNCLASSIFIED)

Comment: The increase coincides with, and is presumably intended to take advantage of, the beginning of a period (late June to mid-August) of relatively heavy passenger traffic. The moderate and usually temporary decline in traffic which normally accompanies fare boosts in Brazil will probably be accentuated by the psychological effects of the Real crash (see preceding item). The effect of the new fares should be, however, a net increase in carrier revenues, as was the case with the December increase. (UNCLASSIFIED)

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11. Prospects for Creation of Bulk Ore Carrier Fleet:

The working group established by the Minister of Transport to study the creation of a national fleet of ore carriers (WER 12, March 18) has, according to the press, delivered its report to the Minister. The report is said to recommend that the fleet, to be called the National Solid Bulk Products Fleet (Frota Nacional de Graneis Sólidos - FRONAGRA) should be capitalized at 2.4 billion cruzeiros, with 1.2 billion cruzeiros of common stock, with voting rights, divided as follows: National Steel Company (CSN, Volta Redonda), Cr$400 million; Vale do Rio Doce Company, Cr$400 million; Merchant Marine Commission, Cr$150 million; COSIPA (Paulista Steel Company), Cr$100 million; USIMINAS (Minas Gerais Steel Co.), Cr$100 million; Vitoria Iron and Steel Company, Cr$40 million, and the Economic Development Bank, Cr$10 million. The remaining Cr$1.2 billion would be in the form of preferential, non-voting shares to be paid to the National Steel Company should its present fleet of ore carriers be turned over to FRONAGRA. The report states that Cr$1.2 billion, to be paid in four installments within 18 months, would be sufficient to begin operations with a fleet of four 35,000 DWT vessels to handle coastwise and long-haul iron ore and coal movements. The report is to be discussed at a meeting scheduled for mid-July. Meanwhile, a large private shipowner is said by the press to be investigating the possibilities of acquiring 400,000 DWT of ore carriers from Spanish shipyards. (UNCLASSIFIED)

Comment: The prospects for the establishment of FRONAGRA appear to be good. On the other hand, it appears quite unlikely that anything will come of the alleged private deal with Spain. The creation of FRONAGRA would represent another step in the direction of "Brazilianization" of the shipping business and as such would be consistent with other acts of the government designed to get a larger share of available cargo for Brazilian state-controlled shipping lines. (OFFICIAL USE ONLY)

For the Chargé d'Affaires, a.i.
John Hugh Crimmins
John Hugh Crimmins,
First Secretary of Embassy

Approved:
Howard R. Cottam
Howard R. Cottam,
Minister for
Economic Affairs

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Item 4 - FMilam/JHCrimmins
Items 6,7 - HKMay
Item 8 - REAdcock
Items 9,10,11 - JHCrimmins

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* * *

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE

5
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 7, 1960
DATE

REF : 1957 CERP - Section requirements: Section C, Item 1

JUL 8 - 1960

For Dept. Use Only	ACTION	DEPT.
25	Cpm-12	Rep-1 IRC-7 aia-4 ICA-11 E3
	RECD 7-13	INFO OTHER aia-10 TR-3 FAB-3 Tar-

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - June 1960

CL-4 Lab-6 ag-8 IN-7 OSD-4 army-6 navy-3 air-4 NSA-2 XMB-4 USIA-1

1. Agricultural Developments
2. Domestic and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance
7. Labor

832.00/7-760

SUMMARY

The weather has been favorable to agriculture, with some severe frosts reported in the cattle area, but no unfavorable reports have been received from this or crop areas. Less acreage than previous season is being planted to wheat. Sales reports were favorable, with volume holding up to last year's levels and cruzeiro amounts well above a year ago. A tight money market was reported, and no real improvement is expected soon. An Italian firm plans to establish a factory here. A large steel project has been approved by Federal government for Rio Grande do Sul. A Petrobras refinery is being planned for this State, possibly by 1961. Increased living costs caused unrest among workers.

1. Agricultural Developments:

a. Rice - The rice situation showed little change in June. Prices remain weak and activity is well below normal for this time of year. IRGA, although not yet officially in the market, has been granted Federal funds up to a maximum of Cr$ 2,500 million and will begin purchasing within the next few days. Price ceilings in São Paulo were abolished recently, causing dealers to look forward to some improvement in sales and profits later on this year, after Northern crops have been consumed. However, ceilings in Rio de Janeiro, by far the largest market for Southern rice, remain in effect.

FILE JUL 27 1960

LWS

AJKirchhof/PWarner/zms
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b. Wheat - As permission to increase the price of flour is expected shortly, the immediate situation for flour mills should improve. Long term prospects for wheat and the milling industry in this State, however, are not encouraging. After three poor crop years, less acreage is being planted for the 60-61 season, with farmers turning instead to the fast growing and more commercially successful crops of soybeans and black beans. Greater dependence is expected, therefore, on imported wheat. For wheat growers indebted to Banco do Brasil some assistance has been granted, as the Federal Legislature over-rode President Kubitschek's veto of a 4-year moratorium on debts connected with last season's harvest.

c. Soybeans - This crop, with harvesting well under way, is now estimated at 170/180,000 metric tons, against 125,000 tons last year. Prices continue to firm and growers are now receiving about Cr$700 per 60-kilo bag. Mills have started buying in quantity; however, if prices of the finished oil increase as much as expected, some quarters fear government price control agencies may step into the picture.

d. Tobacco - As one of the most important cigarette tobacco areas in the country, Rio Grande do Sul is expected to harvest a crop of approximately 540,000 redried bales of various grade tobaccos, worth roughly Cr$2,700 million to growers. The average net weight per bale is 74 kilos, each kilo producing 1,000 cigarettes. Flue-cured grades account for 430,000 bales, and the 1960 crop, in quantity, is well above average. Both color and quality are considered good. Prices are firm in the face of increased demand, and average about 40 percent above 1959 levels.

2. Domestic Trade and Commercial Activity:

Local sales reports continue favorable, with volume holding up to last year's levels and cruzeiro amounts well above a year ago. One leading department store, for example, reporting a 34 percent increase. According to banking sources, collections of trade bills improved slightly in Porto Alegre, while in the interior collections were reported to be slower.

State sales for May 1960 (latest figure available) showed a slight increase over the previous month. Comparative figures, in thousands of cruzeiros, for April and May 1960, and May 1959 are as follows:

April 1960	May 1960	May 1959
18,763,322	21,853,366	13,844,191

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3. Foreign Trade:

The recent visit to this State of the United States Trade Mission members was appreciated by the local business community and many contacts and discussions followed during the Mission's short stay. It is generally believed that such contacts will result in a better understanding of U.S. trade methods and renewed interest in U.S. export and import possibilities for this area.

A reduction of taxes on goods shipped to other domestic markets is being studied by local authorities. This reduction, it is hoped, would assist certain local industries to keep up their production levels and to successfully compete with other domestic products.

4. Industry and Investment Developments:

a. Following Governor Brizola's recent trip to Europe it is now reported in the press that the Milan organization "Industrie Elettro Meccaniche per Impianti all'Estero" has decided to erect a factory in Pôrto Alegre to produce electrical supplies and equipment for use in thermo and hydroelectric plants (ref. item 4, despatch No. 39, April 6, 1960). Arrangements are now under way to bring from Italy the necessary equipment. The new company will be named "Construções Electromecânicas Sociedade Anonima (CESA)". Capacity and production details are not known yet.

b. An official survey is being made for the development of iron ore deposits which are said to exist in this State, particularly in the municipio of Sarandi, where sampling tests revealed the appearance of 50 percent of iron. This survey is linked with President Kubitschek's recently approved large steel project for Rio Grande do Sul. Initial plans call for a mill with an annual capacity of 50,000 tons pig iron, 50,000 tons finished steel and a 100,000 ton rolling mill. Financing of 3 to 4 billion cruzeiros is indicated.

c. Discussions are under way for construction of a Petrobras refinery in this State, possibly by 1961.

5. Transportation and Communications:

Telephone Problem - As a result of studies made by a State-appointed committee the formation of a mixed capital company (51 percent State-owned) has been recommended. This recommendation has met with Governor Brizola's approval. The local IT&T subsidiary Companhia Telefônica Nacional has been officially invited to participate in the new company. (Ref. Desp. No. 2, July 1,1960).

1/ These deposits have no scientific confirmation.

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6. Finance:

Exchange - The cruzeiro remained steady in the free market during June, averaging Cr$186.70 per U.S. dollar (check buying rate), compared with Cr$187.40 in May.

At the U.S. dollar auctions for commercial imports during the month of June the general and special category premiums dropped a little, as compared with the preceding month. The general category averaged Cr$213.27 against Cr$217.77 in May, and the special category averaged Cr$460.20 against Cr$490.95 in May. The Czech agreement dollar in June averaged Cr$183.25, and the Polish and East German dollars averaged Cr$182.00 in the general category. The State Government has made plans to establish a Caixa Economic Estadual (Saving's Bank) to promote savings from which loans will be made to State Governmental agencies. This is expected to draw money away from the Caixa Economica Federal, where it was felt, savings generated in Rio Grande do Sul did not always return to benefit the State. Furthermore, a Banco Estadual de Desenvolvimento Economico (State Bank for Economic Development) is being considered, to be organized along the lines of the Federal BNDE, but for purely State development programs.

Money Conditions - The money market was reportly tight throughout June, with little tangible relief afforded by wool and wheat crop payments. IRGA is expected to begin rice purchases shortly which should help to offset the effects of income tax payments, but no real improvement is reported in sight.

7. Labor:

During June a strike was called by workers in the city of Rio Grande, where about 4,000 workers are reported jobless. The strike was staged as a protest against the high cost of living, but was not successful because many workers failed to strike.

State railroad workers threatened a strike on June 24 (ref. item 7, desp. 39, April 6, 1960) if the State Legislative Assembly would not sanction the agreement incorporating the State railroad in the RFFSA (Federal Railway System). This strike was averted by meeting workers' demands, who are now placed on a higher federal salary level.

Recent new increases in cost of living are viewed with concern by the authorities; workers are voicing demands for more pay and threatening a general strike early in July.

Percy Warner
American Consul

cc. Amembassy RIO

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, São Paulo

8
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 7, 1960
DATE

REF : CERP C - General Interest

JUL 8 1960

20 For Dept. Use Only	ACTION	DEPT.	
	*COM-12		
	REC'D	INFO	*REP.1 *IRC-7 *ICA-11 E-3 *ARA-4 USIA-10 CL-4 NSA-2
	7-11-60	OTHER	CIA-10 *TR-3 *FRB-3 XMB-4 *AG-8 IN-7 TAR-2 *LAB-6

SUBJECT: São Paulo Quarterly Review - Second Quarter 1960 ARMY-8 NAVY-3

832.00/7-760

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SUMMARY

Easter trade was good, but post Easter wholesale business was slow in picking up. Motor truck production was slightly down, but passenger car output reached a new high. Inflation slowed a little, but new price rises were imminent. Measures were taken to check a possible deficit in the 1960 state budget. American, Czech and Russian trade missions visited São Paulo. Swedish and German coffee traders arrived on invitation of the IBC, which is pushing coffee exports. 17,000 tons of Russian diesel oil arrived at Santos. Substantial additional hard currency was sold at auction for imports. Docking of vessels at Santos again was close to normal after a mild port congestion. Farm prices were generally much higher than a year ago, and high cruzeiro prices continue to encourage coffee cultivation. Corn production was smaller than expected, and the anticipated large export surplus did not materialize. Cotton production suffered from plant disease and heavy rains. Fats and oils were in easier supply. Orange exports improved. An important trade union convention was held in São Paulo. A jurisdictional strike of warehouse workers slowed up dock work at Santos for a few days. Telephone workers were given a 6-hour day.

BUSINESS ACTIVITY

The usual upturn in wholesale trade failed to materialize in April after the Easter holidays, despite a good retail holiday trade. This was attributed mainly to a tightening of credit caused by a heavy demand on credit availabilities to finance purchases of import permits at the foreign exchange auctions. Sales tax revenue actually dropped in April to Cr$5 billion from the March figure of Cr$9.2 billion. A rise in the sales tax collection in May to Cr$5.7 billion was due in part to a belated upturn in sales, but it also revealed a continued rising price trend. The cost of living in São Paulo rose by 6.8 percent during the first quarter of 1960 and

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SCL (See last page for contributors)
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by an additional 1.3 percent in April, the latest month for which figures are available. At the end of June substantial price increases were imminent in foodstuffs, particularly milk, sugar, and vegetable oils.

Automotive production was slightly down in motor trucks in April and May, because one important producer gave collective holidays to its labor. Passenger car production, however, reached a new high in May, when it came to 2,951 units. Production of some of the plants was less than originally planned because of delays by domestic suppliers in delivering parts.

FINANCE

The Secretary of Finance reported that as of the end of June an approximate deficit of Cr$3 billion was apparent in the 1960 state budget. Later on the Secretary pointed out that although a deficit in that amount seemed likely at this stage in the execution of the 1960 budget, it does not mean that the deficit will actually materialize at the end of the year. In fact, he said, the "stock taking" at this time was to call attention to the possibility of such a deficit and to eliminate it before the close of the year.

A bid for public savings was made by the formerly closed firm of S.A. Industrias Reunidas F. Matarazzo, one of the largest industrial empires in Brazil, when it offered preference shares to the public at a fixed dividend of 12 percent a year plus a bonus of not less than 5 percent to be declared annually. The São Paulo Light S.A. also made a bid for public savings when it announced an offering of preference shares to the public on July 1 to increase its capitalization by Cr$1.3 billion. The Light offering assures priority in an annual dividend of 10 percent and participation in any additional profits.

A progress report released showed that through May 23, 1960 allotments authorized under the São Paulo Plan of Action totaled Cr$20,320 million.. A special Fund in the total sum of Cr$1.5 billion was established for the construction of University City and an administrative board was appointed to manage the Fund.

FOREIGN TRADE

Swedish and West German coffee traders were in São Paulo in June and visited coffee plantations and installations. These came at the invitation of the Brazilian Coffee Institute (IBC), which is reported to have also invited coffee traders from other countries to come here as part of a propaganda campaign for Brazilian coffee.

During the quarter American, Czech and Russian trade missions were in São Paulo. The American mission received favorable and abundant press coverage and a cordial reception by trade associations and in business circles. The visit of the Czechs was described as a courtesy call incidental to the negotiation of a new commercial agreement with Federal authorities at Rio de Janeiro. The Russian visit also was incidental to discussions with the Federal authorities, in respect

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to details of the trade agreement between the two countries. The Russians preceded the American mission and the Czechs followed it.

The first shipment of Russian diesel oil under the commercial agreement between Brazil and Russia, a shipment of 17,000 tons, arrived at Santos on June 10.

Some US$15 million in hard currency was sold in São Paulo for imports, over and above the usual amounts offered at the foreign exchange auctions, since institution of additional fixed rate offerings at the beginning of the quarter. This permits greater hard currency imports than before.

The exportation of 300 Kombi utility vehicles, that Volkswagen contracted in March with its affiliated organization in the United States, did not materialize because the necessary export permit was not granted. The export permit was denied in the face of protests against a lower export than domestic price and an unsatisfied domestic demand.

NEW INVESTMENTS

The following new investments were made or announced during the second quarter of 1960:

Huber-Warco do Brasil S.A., formally inaugurated a plant at Mogi das Cruzes, 35 miles from the city of São Paulo, to produce road scrapers and rollers, involving an investment of Cr$350 million.

Cia. Franco Brasileira de Anilinas S.A., a subsidiary of Compagnie Française de Matières Colorantes, of France, started production of fast dyes not previously produced in Brazil. Investment is reported to exceed Cr$300 million.

The tire and tube plant of B.F. Goodrich do Brasil S.A. near Campinas was recently inaugurated. The plant will initially produce 700 tires and tubes daily. The value of the investment is 1.2 billion cruzeiros.

Irlemp Purolator S.A. Industria de Filtros, an association of the local company, Irlemp S.A. Industria e Comercio, with Purolator Products A.G., of Zug, Switzerland (a holding company for Purolator Products Inc., of Rahway, New Jersey), started production of various types of oil filters for the auto industry at the rate of 40,000 units monthly.

M.A.N. Maschinenfabrik Augsburg-Nuremberg Aktiengesellschaft, in association with Cia. de Comercio e Navegação, of Rio de Janeiro, is investing 100 million cruzeiros to manufacture diesel motors for sea going vessels at a plant under construction at Osasco, São Paulo.

A 10 million cruzeiro corporation, Valmet do Brasil S.A., was set up to manufacture tractors in São Paulo. Major shareholder is Valmet OY of Helsinki, Finland. The capital of the company is to be increased when operation starts.

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Georg Muller Kugellager - fabrik K-G, of Nuremberg, Germany, set up a subsidiary in São Paulo, Rolamentos Muller do Brasil Ltda., to produce steel ball bearings.

The German firm Wilhelm Karmann G.m.b.H. is investing US$1.5 million in a metal stamping plant at São Bernardo do Campo, São Paulo, belonging to a subsidiary company which will produce automotive vehicle bodies.

Sarco International Corp. of New York, set up a subsidiary in São Paulo, Industria e Comercio Sarco Sul Americana Ltda., to manufacture air purifiers, temperature regulators, steam filters, and other steam specialties.

TRANSPORTATION AND COMMUNICATIONS

Early in April a port congestion developed at Santos as an outgrowth of a labor jurisdictional dispute, the arrival of a large number of vessels at the same time, and bad weather that delayed dock operations. The congestion never reached serious proportions and by the end of the quarter docking of vessels again was close to normal.

In June contracts were let by the state government for paving an additional 125 miles of roads.

No progress was made during the quarter towards an improvement of the telephone service through a solution of the long-pending question of a new contract for operation of the system. Even so a few new lines were made available. One new station was inaugurated in the district of Perdizes to provide 3,000 lines immediately and an additional 7,000 later on. A station with a similar capacity is also under construction in the Braz district of the city of São Paulo.

AGRICULTURE

Prospects for agricultural producers in São Paulo appeared fairly prosperous, with weather relatively favorable during the quarter. Although considerably lower than the bumper yield of the previous crop, coffee production is expected to be good. Cruzeiro prices for the coffee to be withheld from the market by the government have been set considerably higher than during the previous crop year. Producers in the interior expect to receive around 3,000 cruzeiros per 132-pound bag of processed coffee, compared with about 2,150 cruzeiros for the previous crop. This was judged by a competent observer as giving efficient producers a profit of about one thousand cruzeiros a bag — enough to encourage increased plantings and keep marginal producers in production.

Prices of other crops were generally considerably higher than for the same time in the previous year. Average prices to São Paulo farmers were up about 10 percent on rice and corn, 25 percent on onions, 40 percent on beans, 50 percent on seed cotton, 90 percent on potatoes and 100 percent on peanuts.

The São Paulo corn crop, although larger than last year, has apparently

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not resulted in the large surplus originally expected. Also more corn than has been anticipated is being used as feed. Buyers report difficulty in finding supplies, and it now appears doubtful whether exports will take place from this area.

Sugar cane harvesting in São Paulo was paralyzed during most of June as producers held out for higher prices. Milling commenced in late June when official promises were given of a price adjustment.

São Paulo cotton production suffered from a plant disease and from heavy rains during the picking season, resulting in a crop only slightly larger than last year (estimated 175,000 metric tons of lint cotton this year compared with 170,000 last year) and of lower quality. Prices rose to an all time high.

Prospects for plantings of next year's crop are uncertain. Although cotton prices are high, the prices of alternative crops such as peanuts are relatively even higher. Also, difficulties with plant disease (Fusarium wilt) will probably grow worse before they grow better, since the only way to effectively combat it is to use resistant varieties of seed, and it will take several years to put these varieties into large scale production.

Fats and oils were in easier supply toward the end of the quarter, with cottonseed supplies fairly ample and the peanut crop being harvested. Earlier, the São Paulo price control authorities established a ceiling price for cottonseed and peanut oils, but crushers refused to buy peanuts on the grounds that the controlled price for oil was too low, leaving some 8,000 planters without a market for their crop. The authorities yielded to pressure and rescinded the controls soon after their imposition.

Prices of the better grades of meat rose somewhat, during the quarter, but prices for lower quality grades continued to be officially controlled. Consumption was less than in previous years, reflecting higher average prices and reduced purchasing power. The price control authority, COFAP, ceased to exist at the end of June for lack of Federal legislation to extend it, leaving doubt as to the future of price controls. São Paulo meat packers expected prices to rise.

Production of citrus fruit in the State of São Paulo will be even higher than previously expected, and is estimated at 17 to 20 million cases this year. Export prospects picked up during the quarter and total exports from this year's crop now are expected to exceed the three million cases shipped last year.

The Governor's proposal for rural reform legislation was actively debated during the quarter. Despite some opposition from large landowners, there seemed to be general acceptance of the broad lines of the proposed reform. However, rural associations and other elements came forward with many suggestions for changes in various aspects of the project.

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LABOR

The São Paulo trade union scene was marked by considerable activity during the second quarter of 1960. The most significant event was the planning and staging of the São Paulo Trade Union Convention held in the capital April 27-30.

Other highlights included the election of Lourival PORTAL DA SILVA, a reliable conservative trade union leader, as president of the São Paulo City Central; visits of AFL-CIO and ORIT leaders; a bitter jurisdictional dispute between warehousemen and trucking companies in the large coffee port of Santos; and the launching of a drive by São Paulo trade unions for increased minimum wages. The second quarter also witnessed the successful culmination of a campaign by São Paulo telephone operators for a six hour day.

A four-day, statewide trade union convention sponsored by the São Paulo State Trade Union Council (CST) was held in the capital city April 27-30. Approximately 1,500 delegates from 200 local unions, officers of three national confederations and 20 federations, representatives of ORIT, the WFTU, and AFL-CIO, the International Federation of Commercial, Clerical and Technical Employees, and a host of government authorities, including the Vice-President of the Republic, attended the Convention. Some 10 major resolutions which were relatively mild and dealt with legitimate trade union demands were approved at the final session of the Convention.

Over-the-road transport in the large port of Santos was tied up for approximately two weeks as a result of a jurisdictional dispute between warehousemen and trucking companies. The warehousemen claimed exclusive jurisdiction over the unloading and storing away of goods coming into Santos by truck. The trucking companies which stood to lose considerable revenue if they gave in to the demands of the warehousemen insisted that their drivers and helpers be allowed to unload the trucks. An agreement temporarily settling the dispute was reached on April 21.

Trade union leaders visiting São Paulo during the quarter included David STEINBACK, Associate Inter-American Representative of the AFL-CIO; Daniel BENEDICT, Director of Education of the Inter-American Regional Organization of Workers (ORIT); Robert HOUCKE of the International Transport Workers Federation, and six leaders from the food and drink industry headed by Juul POULSON, general secretary of the International Union of Food and Drink Workers, returning from an Inter-American conference held in Lima.

Leaders of 15 São Paulo trade union federations after holding a meeting participated in by trade union leaders from six states launched a campaign for an increase in existing minimum wages. They based their case on the sharp increase in the cost of living and pointed out that during the period from January 1, 1959, when the present minimum wage went into effect, to April 30, 1960 the cost of living rose some 52 percent.

Two large local unions, the Santo André and São Bernardo metalworkers local

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union and the São Paulo local union of packing house workers, remained under left-wing influence as the results of local union elections. Both unions are in key industrial areas. The metal workers are located in the important ABC triangle which embraces the suburban cities of Santo André, São Bernardo and São Caetano. Many American firms are located in this area including General Motors, Willys, and International Harvester. The packing house workers represent the employees of Wilson, Armour and Swift.

Employment continued at a high level. As previously reported there continues to be a shortage of skilled workers. Minor wage agreements providing some increases were negotiated. However, no major agreements were reached as they are not subject to reopening until September and October.

William P. Cochran, Jr.
Consul General

Contributors:

SCLyon : Agriculture
JFShea : Labor
ADVentura: New Investments

Enclosure:
Statistical Annex

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Page 1 of
Encl. No. 1
Disp. No. 8
From Arcoiris, São Paulo

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(Classification)

STATISTICAL ANNEX

	First Quarter	April	May	Total 5 months
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros)1/				
1960	14,137	5,058	5,789	24,984
1959	10,714	4,007	3,739	18,480
Total State Revenue from taxes (billions of cruzeiros)2/				
1960	16,578	6,043	6,475	28,896
1959	12,355	4,782	4,273	21,408
Electric Power Consumption of Industry in State of São Paulo (millions of KWH)3/				
1960	870	312	301	1,483
1959	786	274	283	1,343
Motor Vehicle Production in State of São Paulo (in units)				
1960	25,545	8,715	9,625	43,885
1959	21,779	7,772	6,943	36,494
Petitions in Bankruptcy in City of São Paulo (in numbers)4/				
1960	207	59	57	323
1959	172	75	82	329
Petitions for Creditors' Agreements in City of São Paulo (in numbers)4/				
1960	17	5	8	30
1959	59	19	19	97
Notes Protested in City of São Paulo (in numbers)4/				
1960	15,867	4,298	4,869	23,034
1959	16,575	5,637	5,846	28,058
Notes Protested in City of São Paulo (millions of cruzeiros)4/				
1960	278	94	138	510
1959	358	116	113	587
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average: Base 1951 = 100)5/	March 615			
1960		623	N.A.	-
1959	434	460	464	-

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Notes

1/ Revenue figures are based on a sales and consignment tax rate of 4.8 percent.

2/ Excluding accounts computed at year end.

3/ Electric Power Consumption covers sales by the two main companies (São Paulo Light S/A - Serviços de Eletricidade; Cia. Paulista de Força e Luz), which together account for over 98 percent of total power supplied to industry in the State of São Paulo.

4/ Data on Petitions in Bankruptcy, Petitions for Voluntary Settlements, and Notes Protested refer solely to the City of São Paulo, and reportedly represent over 80 percent of total bankruptcy and settlement petitions and notes protested in the State of São Paulo.

5/ The Cost of Living Index put out by the Statistical Department of the São Paulo Prefeitura is admittedly incomplete and tends to show less than the actual rise in cost of living for low-paid workers.

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VIA AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : Amembassy Rio de Janeiro — 17 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — July 8, 1960 DATE

REF : JUL 8 1960

For Dept. Use Only	ACTION	DEPT.
	REC'D 7-14	INFO OTHER

SUBJECT: Sugar, PL 480, Rare Earths, etc.

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 15 1960

At the request of Ambassador Barbosa da Silva the reporting officer and Dr. Ford Milam, Agricultural Attaché, went to Itamaraty to discuss sugar and PL 480. Enclosed is a memorandum of the conversation which also touched on wheat, rare earths, manganese, Hannaco investments in Brazil, SESP Foundation and the SSR (Rural Social Service) Seminar.

For the Chargé d'Affaires, a.i.:

Howard R. Cottam
Minister for Economic Affairs

Enclosure--Memorandum of Conversation

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JUL 27 1960

CAA

Howard R. Cottam:mvl
REPORTER

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Evaluation Team which had expressed the opinion that under the circumstances the U.S. might better not have a new PL 480 agreement. Barbosa da Silva spoke personally, not officially, lamenting the "stupid" short-sightedness of BNDE. He agreed that GOB should fulfill its commitments, notwithstanding the problem created by inflation, of repayments with maintenance of dollar value. It was my impression that he intends to take action.

Referring to Brazil's urgent need of wheat and lack of availabilities, he said that the Russians have offered an additional 150,000 tons but that he is reluctant to accept partly because the first shipment has not yet arrived and he is not sure of its quality. Argentine supplies, he said, are likely to fall short because of a decrease of imports from Brazil due to Argentine exchange problems.

3. I enquired about a reply to our Aide Mémoires of March 21 and June 17 on tankers. Having just returned to Brazil, after two months absence, he had not seen the June 17 Aide Mémoire but promised to give us a reply shortly.

4. Barbosa da Silva expressed pleasure in the developments concerning the long-standing debt of $6.7 million plus interest for wheat purchased in 1954. He was pleased that the U.S. would be willing to purchase $2.8 million worth of rare earths and, perhaps, let Brazil pay the remainder in manganese. (Embassy had not been told of the manganese possibility but Barbosa da Silva affirmed that the Department's offer had been made). He indicated that it might be possible to transact only a portion of the account but agreed with my opinion that it would be better to settle the entire amount with one stroke. He recalled endless discussions on the subject and expressed appreciation for the interest taken by Secretary Mann.

5. I reported the installation of the Conselho for Fundação SESP and asked him to please expedite the diplomatic note requesting termination of the SESP Agreement. He agreed to do so.

6. I explained the scope of U.S. participation in the SSR (Serviço Social Rural) Seminar and confided that USOM had been reluctant to participate in the action program as requested. Said he, "I think you are wise."

7. I informed him of the purpose of the presence of the scientists from the National Academy of Science to survey facilities and needs in science and engineering.

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8. To my query about new developments re Hannaco he replied, "I learned a lot from the American Can Company incident and found that two big American companies fighting against each other in a foreign country is damaging to your foreign policy". "What you should do," he said, "is call in Hannaco officials and tell them that they are damaging U.S. foreign policy when they fight abroad with other U.S. companies such as Kaiser International". "Of course," said he, "there are other elements in this including Alcoa, Byington and Morais." He then reiterated his pet theme that U.S. private industry should establish itself in Brazil with its own steel industry. He considered favorable Hannaco's intended participation with Mannesmann but considered this too indirect to benefit the great U.S. He believes that we are missing an important gain in not sponsoring a steel industry in Brazil with the U.S. label. To conclude, he referred to the U.S. and Russian participation in the Indian steel industry.

HRCottam:mvl

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Encl. No. 1
Desp. No. 17
Rio de Janeiro

MEMORANDUM OF CONVERSATION July 5, 1960

PARTICIPANTS: Ambassador Edmundo Barbosa da Silva
Howard R. Cottam
Ford M. Milam

Ambassador Barbosa da Silva called me to Itamaraty to discuss sugar and PL 480. I invited Dr. Milam to accompany me.

1. His main concern was sugar and his concern for Brazil's acquisition of a sugar quota was undoubtedly greater because of his own large sugar cane holdings. After extensive reiteration of the problem, I brought it to a close by affirming that the Embassy has taken the following steps:

a. We reported his former conversation on the subject.

b. We obtained a copy of the detailed confidential study of the Institute and sent it to Washington.

c. We sent a priority telegram earlier the same day reporting Brazil's interest and her fear that she may be "discriminated against". This had been specifically requested by Ambassador Barbosa da Silva by telephone.

d. Ambassador Cabot who is in Washington now is well informed about the subject.

He reiterated Brazil's interest as not merely selling sugar now but getting a permanent quota in line with Brazil's productive capacity. He noted the assured markets of virtually all other producing countries and affirmed that Brazil has been curbing her enormous productive capacity awaiting world recognition of her proper role.

2. He referred to an appointment which he made for me to see Lucio Meira, President of the BNDE, on the eve of his departure for Geneva two months ago. He inquired about the outcome. Had we, in fact formalized the loan of PL 480 cruzeiros to BNDE? I explained that Meira had promised to sign the promissory note and to request the loan as soon as minor wording changes are made in the promissory note. Since then nothing has happened. Moreover, I reported, the Embassy had been visited by a high-level

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PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil

2
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 8, 1960
DATE

REF : CERP Requirement Section C, Item 2.

	ACTION	DEPT.
55 For Dept. Use Only	COM-12 REC'D 7/20	INFO RED-1 IRG-1 ARA-4 E-3 ICA-11 OTHER CIA-16 TAR-2 TRA-3 FRB-3 XMB-4 AC-8 IN-7 HAD-6 OSD-4 Army-6 Navy-5 NSA-1 FPC-1 HEW-2

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - J U N E 1 9 6 0 C6-4 USIA

SUMMARY

While there was no shortage of merchandise, retail prices continued high during June 1960. Merchants reported a continued decrease in the volume of sales, despite their efforts to attract buyers through advertising and promotions. Credit to business was very limited. On account of recently imposed restrictions to shipments of manioc meal to other states, producers of this staple in the State of Pará are fearing a considerable drop in the price paid by dealers and shippers of this product. It is commented that the State Government which halted these shipments to keep prices from spiraling upwards will take steps to find a satisfactory solution. The Instituto Brasileiro do Café - IBC, has now 180,000 bags of coffee beans stored in Belém to avoid shortage of this commodity in this region. The 1960 Brazilian-made Aero Willys automobiles are now available locally, the delivery price being 1,300,000 cruzeiros.

Congressmen from the States of Amazonas and Pará appealed to the President of the Republic and thus obtained from SPVEA necessary financial assistance to economic development projects in these two states. Industry and farming in Pará continue to receive fiancing from the banks. Commercial constructions are also being financed by federal government sources. The local bank Moreira Gomes S.A. is promoting an advertising campaign in the southern press highlighting the many opportunities offered by industry and commerce in this State. It is beginning to bear fruit , since several businessmen and industrialists of various areas of Brazil have already shown interest in investing their capital or starting to operate in this State. The Amazon Credit Bank will establish branches along the Belém-Brasilia highway to meet the needs of the settlements that are growing in the area. Inflation is reflecting on the domestic economy to a larger extent. The labor unions of Pará are initiating a movement to warn the State administration that the ever increasing cost of living may create difficulties for the government.

A local firm is bringing out black pepper in liquid form under the trade name of "Hydromenta Alto Luxo". A plant to make balanced feeds will be inaugurated next month in Belém.

During June imports were slightly active; exports very active with large tonnages shipped abroad through the port of Belém.

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AUG 4 1960
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The State legislature will consider a bill from the executive regarding the organization of the Centrais Eletricas do Pará S.A. . SPVEA has turned over 47 million cruzeiros to the Companhia de Eletricidade de Manaus, for the long awaited construction of an adequate thermal power plant.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

During June 1960 prices of food stuffs in general and utilities in this area continued high with prices for essential staples and patent medicines going up gradually. While there is an upward trend, fluctuations occur as a result of the relative availability of shipping, since many of the basic food stuffs (potatoes, wheat flour, sugar beans onions, butter, lard) are brought from southern areas. If large shipments hit the market in succession, prices have to go down to a certain extent. A few sample prices are given herewith: meat, Cr$110 per kilogram; fish, from Cr$35 to 140 per kilo; potatoes, Cr$80 per kilo; onions, Cr$90 per kilo; rice, Cr$20 to 30 per kilo; dried beef, Cr$145 to 180 per kilo; beans, Cr$40 to 65 per kilo; lard, Cr$120 per kilo; codfish (dried salted) Cr$250 per kilo; dried shrimp, Cr$80 to 180 per kilo; green beans, Cr$10 per bunch; tomatoes, Cr$40 per kilo; vegetables oil, Cr$130 to 300, per can (approximately weight 1 kilo).

Regarding goods and merchandise other than food stuffs, merchants in this area, as was expected have been reporting a continued drop in sales volumes, inspite of their active advertising campaigns through newspapers and radio compled with credit sales plans.

Credit to business continued tight through June 1960, creating some difficulties to small merchants.

The northeastern part of Brazil has been for a long time the principal market for manioc meal (farinha) produced in the State of Pará. The amount of this product shipped to that area each month has a bearing on the retail price of this staple in Belém, and also on the price paid by dealers and shippers to the producers. At present the production of manioc meal in Pará is high, but a decree of the State Government halted shipments of this product to other states. This measure is causing serious apprehension among the producers who fear that they will have no margin of profit to cover production costs, since the price of manioc meal is bound to drop substantially.

The local office of the Instituto Brasileiro do Café - IBC (Brazilian Coffee Institute) has announced that the Institute will maintain sufficient stocks of coffee beans on hand in Belém. At this date there are 180 thousand coffee bags stored in this city and the delivery to roasters is controlled by the IBC to avoid misues or deviation for contraband.

During June, Martins Representações e Comércio S. A. (Marcosa) of this city, dealers and distributions for Willys Overland do Brasil S.A., unveiled the new 1960 Aero-Willys automobile. The local price for these cars is one million three thousand cruzeiros.

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FINANCE

The financial situation in the Amazon Valley is considered fair, although some companies are facing difficulties either in obtaining financing or in acquiring supplies and equipment. As a result of pressure on the part of congressmen from the States of Amazonas and Pará, SPVEA released in June large allocations to finance programs that were already approved and initiated.

Local banks have maintained unchanged their financing policy to industry, farming and some other important projects in the State of Pará. Construction of apartment buildings, office buildings and homes are being financed by federal government financing institutions.

The Banco Moreira Gomes S. A. a large local banking institution is undertaking a program of promotion through magazines and newspapers circulating in southern Brazil, with a views to attracting investment capital to the State of Pará. It is reported now that after the first appearance of Banco Moreira Gomes S.A. advertisements several businessmen and industrialists from Rio de Janeiro, São Paulo, Rio Grande do Sul, Santa Catarina, Paraná, Goiás and Matto Grosso, have contacted the management of this bank and made inquiries regarding the establishment of new industries and businesses in this region.

The Banco de Credito da Amazonia S.A. (Amazon Credit Bank) has announced that it is going to open branch offices of this bank in the main settlements along the Belém-Brasilia highway, with the purpose of stimulating farming and other industries and the settlement of population in those areas. This work will be made in close cooperation with SPVEA.

Domestic financing is being tightened by inflation and continued increase in cost of living in this area. In June the presidents of 19 labor unions of the State of Pará, delivered a manifesto to the State Governor, alerting the administration about the serious situation that may develop unless strong measures are taken to curb the rising cost of living.

The exchange free market during June 1960 went as follows: June 1st Cr$187 for purchase, Cr$181 for sale; June 30th, Cr$187,50 for purchase, Cr$182,50 for sale, to one US dollar. The fluctuation in this period was Cr$186 for purchase, Cr$180 for sale, the lowest; Cr$189 for purchase, Cr$184 for sale, the highest, to one US dollar.

INDUSTRY

The State of Pará is the main productor of black pepper and this year's production is expected to be a good one. This commodity is receiving good price quotations for exports to many foreign markets. Since the last report, a local concern, denominated Kato, Takagada & Cia. (Japanese-Brazilian) has come out with liquid black pepper, something entirely new on the market. The trade name is "Hydromenta Alto Luxo" and its use is said to avoid the danger of pepper solid residue which often cause stomach irritations. The food and drug analysis laboratories of the State Helth Department have approved the product for sale.

Cont'

0987

The Ocrim do Brasil S.A. owner of the wheat mill "Moinho Paraense" in Belém, expects to inaugurate its plant to make balanced feeds by the mid of next month. This plant will produce vitamin-enriched feeds for beef cattle, goats, pigs and poultry and its contemplated capacity is expected to meet requirements of the entire Amazon Valley.

IMPORTS AND EXPORTS

Imports during June 1960 were slightly higher than in the past months, with incoming shipments of road building machinery, farm machinery and tractors, chemicals, raw wheat, and dried fruits. Export business was active with large shipments of Brazil nuts, black pepper, wil skins, mahogany, gums and rosewood oil.

The 1a. Inspetoria Regional do Serviço Florestal (Forestry Service Regional Inspector's Office) with headquaters in this city, has submitted formal requests to the Governors of the State of Pará and Federal Territory of Amapá, to the effects that exports of logs of the ucuuba tree (that is very abundant in Pará and Amapá) be stopped. This because it is rumored that a foreign firm which owns a plywood industry in Surinam, after having exhausted the stands of ucuuba trees in the forests of that country, is now turning its sights on the timber resources of the Territory of Amapá and State of Pará.

ELECTRIC POWER

After the conclusion of the surveys performed by the State Commission for Energy, the Pará State Governor sent to the legislature the bill dealing with the 1st Plan of Electrification of the State of Pará. It contemplated the organization of a mixed capital society named Centrais Eletricas do Pará S.A., to be in charge of construction of electric plants as well as of transmission and distribution systems throughout the state. Under this plan full use will be made of the hydro-electric resources of the State of Pará, so as to serve adequately such areas as Santarem, Castanhal, Capanema and other important municipalities of the State of Pará.

In June the SPVEA released 47 million cruzeiros as the first installment of a loan totaling 122 million cruzeiros, to Companhia de Eletricidade de Manaus. This will help that company to start the construction of a thermal power plant in Manaus.

A. José DeSeabra
American Consul

cc. AMEMBASSY, Rio de Janeiro, State of Gunnabara, Brazil

AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : AmConsulate, Curitiba

4
DESP. NO.

JUL 15 1960
July 14, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP II

For Dept. Use Only	ACTION	DEPT.
23	Com-12	Rep-1 Rmf-3 ara-3 IRC-7 ICA-11 E-2
REC'D 7-25	INFO OTHER	Lab-6 Tar-2 TR-3 FRB-3 ag-8

SUBJECT: ECONOMIC SUMMARY FOR JUNE 1960

IN-7 Cia-10 Army-6 Navy-3 Air-3 XMB-4

I SUMMARY: FPC-1 NSA-2 OSD-4

General economic activity in the consular district was unchanged from May. Credit conditions continued very tight and were expected to remain so for several months.

Agitation for an increase in the minimum wage reached fever pitch, the unions obtaining the support of student groups for a "Day of Protest" boycott of Curitiba commercial establishments.

New coffee export quotas were announced by the I.B.C., one Paraná port, Antonina, receiving a quota for the first time. The 59/60 coffee year came to an end but the end of the year did not bring about an increase in shipments from Paranaguá.

The United States Trade Mission was very well received in Curitiba and was requested to make a visit to the neighboring State of Santa Catarina. Santa Catarina is interested in promoting exports of wood and fecula.

II AGRICULTURE

1. Coffee. Shipments through Paranaguá during June amounted to 267,700 bags. Coffee growers have been meeting with federal authorities regarding payment for "free coffee" stocks currently in warehouses, and although rumors have it that payment will start soon, there was no confirmation of the rumors. Stocks in Paranaguá warehouses amounted to 6,000,00 bags as the 59/60 coffee year ended.

The I.B.C. announced new coffee quotas for all Brazilian ports during the 60/61 crop year. Paranaguá will ship 2,000,000 bags; (same as Santos) Antonina 200,000; Foz do Iguaçú 50,000 and São Francisco do Sul (Santa Catarina) 300,000 bags. There had been much agitation for the granting of a quota

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832.00/7-1460

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granting of a quota to Antonina, and in Antonina there was public jubilation when news of the quota was received.

A loan of 5.6 million dollars by the World Bank to Kenya for coffee cultivation was widely publicized here and comments by Brazilian Ambassador to the United States Walter Moreira Salles were applauded. Salles is reported to have "protested" the loan and commented at some length on the transaction in a speech at New York University.

SOURCES: All newspapers.

2. Corn: This year's corn crop has been extraordinarily large, and the Paraná Association of coffee growers has petitioned CACEX (Carteira de Comércio Exterior) to permit exports of the crop through Paranaguá. (Paraná producers claim 150,000 tons could be exported from here). Testa Filho, director of CACEX, said his organization could do nothing without first hearing from COFAP regarding the possibilities of internal consumption of corn. COFAP kicked the ball to the Ministry of Agriculture as falling within their jurisdiction. When asked to comment on the subject the Ministry of Agriculture said it was one for consideration by COFAP.

SOURCE: Diário do Paraná - June 5,7,1960

III MINERALS

Royalties:

PSD Gubernatorial candidate in Santa Catarina, Celso Ramos, has demanded that the Federal Government grant Santa Catarina a "royalty" on coal produced in the state. (about 1,000,000 metric tons a year are produced mostly in southern Santa Catarina). He claims that although the federal constitution prohibits state taxation of liquid and solid fuels Bahia has succeded in arranging a royalty on oil produced there. Equal treatment is demanded for Santa Catarina. Not to be outdone, UDN state deputies are sending their own telegrams to Kubitschek in support of Ramos' proposal.

SOURCES: "Estado", Florianópolis, June 1o, 25, 1960.
"Gazeta", Florianópolis, June 25, 1960.

IV LABOR

1. Minimum Wage

In most of Paraná and Santa Catarina the official minimum wage is Cr$ 4500 per month. It was set at this figure in August of 1958. The demand for a change in the official minimum has grown increasingly loud and the Federation of Industrial Workers in Paraná has started a campaign calling for

more frequent

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more frequent union meetings to stimulate the campaign for a higher wage, sending of telegrams to state and federal authorities, "caravans" to the interior of the state propagandizing demands, and participation by syndicate members in a "Day of Protest", during which Paraná commercial establishments would be boycotted. The Federation of Industrial Workers also invited student groups (The Paraná Students Union and the Union of Secondary Students) to support them and to participate in the "Day of Protest" (scheduled for August). The students promised to cooperate. Leader of the protest movement is the president of the syndicate of primary, secondary and commercial school teachers, Francisco Cardoso.

COMMENT: Santa Catarina unions have also decided to demand a $9000 minimum. In some parts of the state the minimum is now less than 1/2 this figure ($200 in Mafra and Lajes) Even in the most highly developed industrial cities of Santa Catarina (Blumenau and Joinville) the majority of the workers earn only the minimum salary.

SOURCES: All papers and personal observation.

2. Labor Notes:

1. Curitiba Public School teachers haven't been paid in two months. Part-time teachers haven't been paid in 4 months. To the teachers this is old stuff, the same thing having happened many times previously. The Government's excuse is that it doesn't have the money.

2. Paraná Governor MOYSES LUPION is expected to delay as long as possible a bill approved by the state assembly granting a wage increase of 30 % to state employees. The excuse again being lack of money.

3. The National Convention of Railway Workers will be held in Curitiba from July 16 to July 20. Delegates representing about 140,000 workers will attend. Salary increases, the minimum wage and improvements in the pension system are expected to be the chief topics for discussion.

4. A Congress of Paraná Rural Workers will be held in Londrina from August 5 to August 7. Unionization of rural workers, prices of agricultural commodities, and land reform are expected to be the chief topics of conversation.

SOURCES: "Diário do Paraná"- 6/19/60, 6/25, 60 6/29/60.
"Estado do Paraná"- 6/25/60; 6/26/60.

V FINANCE

1. Credit

In the entire consular district credit remained very tight as banks prepared their mid-year balances

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their mid-year balances and as income tax payment continued.

COMMENT: In Santa Catarina one banker reported that some industries which formerly financed expansion and purchases of equipment out of profits are now forced to borrow from the banks, the result of high prices and inflation. Banks in Curitiba are granting only short term credits.

VI - TRANSPORTATION AND COMMUNICATIONS

1. Electricity

Paraná UDN Gubernatorial candidate Ney Braga is making a big issue out of electricity shortages in western, and especially northern Paraná. Wide press coverage was given to a telegram Braga received from São Paulo Governor Carvalho Pinto in which Pinto said that USELPA (Usina Electrica Paulista) in São Paulo would provide energy to Londrina and other northern municipalities "thus resolving a problem which is of such great interest to my dear friend". There is a substation in Londrina which was built by USELPA in 1958. Power lines have yet to be built linking Londrina with the other municipalities. Cost is expected to be 150 million cruzeiros.

COMMENT: The PSD press has blasted the whole thing as a farce pointing out that Paraná and São Paulo have had a long-standing agreement under which part of the electrical output of Salto Grande in São Paulo would be used in Paraná, Salto Grande being operated by the waters of the Paranapanema river. The UDN press, however, has not been without resources on the electric energy issue Governor Lupion having provided them with ammunition by proposing to the state legislature the purchase for 42 million cruzeiros of a hydroelectric plant owned by a friend, then following this with a proposal for the construction of a new plant with almostthe same output costing only 20 million cruzeiros.

SOURCES: "Estado do Paraná"- June 2,3,11,29, 1960
"Gazeta do Povo" June 4,15,30,1960.

VII - DOMESTIC TRADE AND COMMERCIAL POLICY

A Paraná firm which manufacturers meter sticks, carpenter's levels and other measurement instruments (Haltrich S/A) has protested to the Paraná Federation of Industries the importation of Czecoslovakian-made measures. Haltrich claims the Czecks are selling the measures to Brazil at prices way below those charged by Brazilian firms for the same product, and that the factory has beenforced to lay-off 200 workers as a result of the competition. The Federal Government is criticized for allowing the imports and for not subjecting them to the same technical demands which the Government makes of the national product.

SOURCE: "Diário do Paraná", June 14,1960

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VIII FOREIGN TRADE AND COMMERCIAL POLICY

1. U.S. Trade Mission

The Trade Mission's Visit, from June 20-23 was given wide and sympathetic coverage in the local press. Members of the Mission were kept busy dealing with the many inquiries and trade proposals made by Paraná industrialists, and providing information about the opportunities available for trading with American firms. The first day of the Mission's stay coincided with a parade of trucks through the streets of Curitiba carrying chinaware manufactured in the nearby city of Campo Largo and purchased by a New York firm. The Mission was invited to visit Santa Catarina but time did not permit.

COMMENT: The Governor of Santa Catarina was asked by the Florianopolis Commercial Association to invite the Mission. Santa Catarina is interested in exporting wood and fecula (a type of thick starch produced in the Itajai Valley) About 25,000 tons of fecula were shipped to the United States from Brazil last year, valued at $ 1,500,000.

SOURCES: Personal Observation and all newspapers.

2. Trade Missions

A German (Federal Republic) Mission of coffee traders invited by the I.B.C. visited Northern Paraná coffee firms. The mission was nongovernmental, consisting of private businessmen. Coffee sales to Germany are well below what the Brazilian Foreign Trade office in that country considers adequate.

The visit of the Czeck Trade Mission to Brazil was hailed by one paper, (Diario do Parana, April 12, 1960). Brazil, says Diário do Paraná needs trade relations with all countries, irrespective of political ideology. Another paper, "Gazeta do Povo, April 10) touching on the same theme, says it matters little that Czecoslowakia has a "socialist regime".

A group of Swedish coffee importers visited coffee centers in Maringá during the month, having received an I.B.C. invitation.

SOURCES:

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SOURCES: "Diário do Paraná", June 2, 7, 11,29,1960
"Gazeta do Povo", June 1o,23, 1960

Edward M. Rowell
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, São Paulo

15
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 15, 1960
DATE

REF : CERP C - General Interest

JUL 15 1960

For Dept. Use Only — ACTION / INFO / OTHER — DEPT. — REC'D

ARA-4 RM/R-2 REP-1 IRC-10 E-6 ICA-11 EB-5 CIA-2 COM-12 ARMY-35 NAVY-20 AIR-30 OSD-2 NSA-4 OCB-1 ERB-2 AMB-4 LAB-6 TR-3 TAR-2 IN-7 AG-8 USIA-10 CIA-16

SUBJECT: Biweekly Economic Review (July 1 - July 14, 1960)

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1. Light Shares Sell, Matarazzo's Don't
2. Consumer Prices Go Up
3. Russian Vessel Brings Wheat, Takes Coffee
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6. São Paulo Rail Connection With Brasilia
7. Clones From North Brazil for São Paulo Rubber Plantations
8. Volkswagen do Brasil to Raise Auto Production
9. Tractors in São Paulo
10. Whale Meat Sold in São Paulo
11. Possible Resumption of Strike in Santos

DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS

832.00/7-1560 HBS

1. Light Shares Sell, Matarazzo's Don't

The São Paulo Light shares put on the market on July 1 (see item 4 despatch 1 of July 1, 1960), are being subscribed by the public, with 10 percent of the total offered taken up the first day. In contrast the initial demand for Matarazzo preference shares (see item 1 despatch 442 of June 3, 1960) has been poor. The Diario de São Paulo reports little interest in these because higher returns than guaranteed by Matarazzo can be obtained from other investments, and there appears to be little faith that this family-controlled company will declare extra dividends or bonuses.

2. Consumer Prices Go Up

When the authority for price controls lapsed at the end of June prices of consumer goods formerly under control rose in São Paulo. Sugar went up about 10 percent, milk 15 percent, bread 20 percent, and cheaper meat cuts about 40 percent (prices were controlled only on the cheaper cuts). Pharmaceutical prices were reported to have doubled from previous control levels.

Comment: While retail prices of pharmaceuticals also went up when the

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controls lapsed, they already had been much higher than the so-called control level of October 1958 prices, because laboratories had raised prices under court injunctions (see despatch 362, April 7, 1960). Actually the larger laboratories raised their prices by 10 percent in January 1960 and by another 12 percent in July.

3. Russian Vessel Brings Wheat, Takes Coffee

The Russian vessel Tiksi arrived at Santos on July 14 with 10,000 tons of wheat, and will take 150,000 bags of coffee on its return trip to Russia. The press reported the Tiksi as a "luxury cargo vessel" built in Denmark and on its maiden voyage from Leningrad to Santos, having left Leningrad on June 28. According to the press the vessel has a crew of 50, including 6 women, one of which is the ship's doctor. The Tiksi was consigned to Wilson Sons & Co., but Wilson is reported to have relinquished the agency, which was taken on by Kenyon & Cia. of Santos.

4. Russia Seeks Tallow

The Diario de São Paulo of July 15 reported that various São Paulo firms received Russian offers to buy tallow at prices higher than those prevailing on the domestic market and approximating the world prices for Argentine tallow. These firms are reported to be consulting the Brazilian foreign trade control authority (CACEX) on export possibilities.

Comment: It is not believed that any surplus of tallow is available in São Paulo for exportation.

5. Sales Tax Due on Exports

The Secretariat of Finance of the State of São Paulo told the Commercial Association that exemption from the sales and consignment tax could not be granted on exports from the state to foreign countries. The main reason given was that the tax is only one of various elements having a bearing on the ability to compete in world markets, and exemption from the tax would serve only to give a windfall profit to exporters shipping products already firmly intrenched in foreign trade.

The sales tax is a state tax and in São Paulo is collected at the rate of 4.8 percent ad valorem. It is due on each transaction and is collected two, three, or more times on the same article, depending upon how many times it is resold. The sales tax accounts for over 70 percent of the revenue collected by the state, which explains its reluctance to permit exemptions.

6. São Paulo Rail Connection With Brasilia

On July 2 Governor Carvalho Pinto instructed his Secretary of Transportation to submit within 60 days studies, on a current cost basis, of the best means of completing a rail connection between São Paulo and Brasilia. A few days later

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in a speech at Campinas the Governor indicated that the Mogiana Railway intends to extend its lines to Brasilia.

7. Clones From North Brazil for São Paulo Rubber Plantations

Permission to ship to São Paulo clones from the Goodyear and Pirelli plantations in the State of Pará, which had been denied by the Agronomical Institute of the North, at Belem (see item 6, despatch 460 of June 17), has now been obtained. According to local press reports, rubber plantations in the State of São Paulo will graft approximately 500,000 clones from North Brazil during the period August 15, 1960 - February 15, 1961. The clones are said to be highly resistant to "leaf blight", a disease which appeared for the first time in this state earlier this year (see item 7, despatch 421 of May 20, 1960).

8. Volkswagen do Brasil to Raise Auto Production

Volkswagen do Brasil S.A. announced that it will raise its production of motor vehicles by approximately 70 percent, from its present output of 120 units daily to 200 units by December 1960. The company plans to hire an additional 1,500 workers, thus increasing its labor force to 6,500 persons to work two shifts.

Comment: Volkswagen vehicles -- a small passenger car and a combination delivery van and carryall -- are in such demand that there is currently a ten-month waiting list. It is reported that customers who wish to get immediate delivery pay dealers up to 15 percent more than the vehicle's list price. By substantially raising its production to meet the demand, Volkswagen hopes to stamp out such practices.

9. Tractors in São Paulo

The first lot of 200 tractors, manufactured by David Brown Tractors Ltd., of Meltham, England, imported by the Brazilian Coffee Institute (IBC) in exchange for coffee, was unloaded at Santos in the first week of July. Another 200 Brown tractors are expected at Santos before the end of the month. Like the first lot, the second shipment will be sold to Paulista coffee growers.

On July 12, the first 12 tractors imported CKD (unassembled) from Italy's FIAT S.p.A. of Turin, and assembled by the local FIAT organization at São Bernardo do Campo, São Paulo, were symbolically delivered to the São Paulo Secretary of Agriculture. These tractors are part of an order from the Secretariat of Agriculture for 122 FIAT tractors to be distributed before the end of the year to twenty-five State Mechanization Centers (Centros de Mecanização do Estado), of which only nine are operating at this time. In addition to the state contract, FIAT has already secured orders totalling 200 tractors from Paulista farmers.

10. Whale Meat Sold in São Paulo

Whale meat supplied from the Taiyo Fishing operation off the coast of Rio

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de Janeiro, was sold for the first time in São Paulo on July 13. According to the press over 10,000 kilograms of whale meat were sold at retail in just a few hours and more could have been sold had it been available.

Comment: It is still too early to know whether or not whale meat will eventually find large scale public acceptance. The initial reaction which resulted in mass purchases may be imputed both to customer curiosity and the relatively low selling price. Whereas whale meat was sold at Cr$60 (US$0.32) a kilo, only the very cheapest beef cuts can be obtained at that price.

11. Possible Resumption of Strike in Santos

On July 12 a British mill, Moinho Paulista, located in the large coffee port of Santos announced that it would stick to its earlier decision and transfer some 29 workers to a branch factory in Curitiba. The Regional Labor Court in São Paulo in a recent decision sustained the Company's rights to transfer the employees in spite of the fact that they have estabilidade i.e. permanent status. As a result the local union of millers and the leaders of the Santos Forum Sindical (City Central) met on June 13 and voted in favor of a 48 hour general strike which could paralyse the entire city and port. The union leaders, however, granted Santos Mayor, Silvio Fernandes LOPES, in response to a personal plea a period of eight days to attempt to solve the dispute by appealing directly to President Juscelino Kubitschek. The employees of the mill who have been on strike since June 21 are demanding inter alia that they be paid at least part of their salary lost while on strike. A companion strike of workers at the "Aymoré" biscuit factory, which is owned and operated by the owners of Moinho Paulista, have been on strike since June 22 in solidarity with their Santos fellow workers and are demanding inter alia the dismissal of the factory's personnel manager. Some 600 workers are involved in this strike. Up to now both strikes have been peaceful. No serious incidents of violence have been reported.

Comment: São Paulo employers and union leaders generally feel that the company by the transfer had hoped to cut down its existing payroll without paying out substantial sums in severance claims. The proposed resumption of the general strike presents a serious problem as conservative unions and unions under left-wing influence are united in their stand against the company.

For the Consul General:

Scott C. Lyon
American Consul

Contributors:
A.D. Ventura: Items 7, 8, 9, and 10
J.S. Shea : Item 11

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AIR POUCH
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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY RIO DE JANEIRO

41
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 18, 1960
DATE

DEPARTMENT OF STATE
BUREAU OF
INTER - AMERICAN AFFAIRS
AUG 3 1960

REF :

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	ARA-4	RMR-2 REP-1 IRC-7 EE-3 ICA-11
	REC'D 8/19	INFO OTHER CIA-10 COM-10 TAR-2 TR-3 FRB-3 XMB-4 OSD-4 army-4 Navy-3 air-6 NSA-2 HEW-5

SUBJECT: Master Plan of SUDENE for Northeast Brazil AG-8 IN-7 LAB-6

Attached is a translation of a report from SUDENE[1] (Superintendency for the Development of the Northeast) describing its five-year plan for assisting in the development of this problem area. This plan has been approved by the Board of Directors of the agency and enabling legislation has been presented to the Brazilian Legislature.

Over a five year period, the Master Plan envisages the total expenditure of over 76 billion cruzeiros. Of this total amount, 15 billion will be provided out of the SUDENE budget and the balance from regular appropriations to the various agencies already set up to perform the work. The general purpose and amounts to be furnished are as follows:

(Amounts in Millions of Cr$)

Object	Total Amount	To be Furnished By SUDENE
Roads	23,967.0	4,500.0
Electrical Energy	28,370.0	6,035.3
Hydrology[2]	300.0	300.0
General Agriculture[2]	8,062.0	945.8
Industry[2]	132.5	132.5
Storage Facilities[2]	2,470.0	400.0
Minerals[2]	270.0	270.0
Colonization[2]	183.1	183.1
Health & Education	12,560.0	2,260.0
Cartography[2]	170.0	170.0
TOTAL	76,484.6	15,196.7

1/ See Despatch No. 679, January 4, 1960 for translation of law creating SUDENE.

2/ These units are budgeted for only the first three years of the five-year plan.

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The Master Plan is based on studies started over two years ago as reported in "A Policy for the Economic Development of the Northeast," published by SUDENE in 1959.1/ The plan as reported in that document was in general terms; the Master Plan describes each major undertaking and shows allotments for each.

For the Ambassador:

Howard R. Cottam

Howard R. Cottam
Minister for Economic Affairs

Enclosure:
Synthesis of the First Master Plan of SUDENE

1/ See also Despatch No. 884 of March 11, 1960, entitled "Brazil's Drought Zone--the Nordeste."

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Synthesis of the First Master Plan of SUDENE

The main purpose of this Master Plan of SUDENE is to present a closely related number of directions on economic policy which may serve as a basis for a gradual effort aiming at coordinating Government's investments in the Northeast. The analysis presented in previous works indicated clearly that the Government has performed the main role in the process of formation of capital and at the same time taken the lead in the promotion of the economic development. That fact therefore emphasizes the importance for the Northeast of a clear-cut formulation of a development policy that may guide and give continuity to the Government's efforts.

The structure of the present Master Plan depends to a large extent on the analysis of problems besetting the economic life of the Northeast as formulated by the former GODENO Agency and approved by the Administration as a basis for "A Policy for the Economic Development of the Northeast". Probing still deeper into the study of the reality in the Northeast, it is now possible for us to complete that diagnosis, adding to it elements that were not perceived with sufficient clearness in the first study. However, the present study is still not complete. The Northeast, although a land of ancient settlement, still is one of the least known in Brazil. Its resources have only been dimly noticed, and its economic structure has not been duly studied. We know only for certain that that area contains onethird of the population of Brazil and that a large part of its population survive very precarious conditions of living. We can also accept as well-founded that, with the help of modern techniques, that area has possibilities of development and that its present phase of misery does not reflect a fatalistic attitude or ineptitude to progress. At last, we should also accept the fact that only public action can lead a drive towards incorporating the Northeast in the not too distant future into the current of the national development.

The policy implicit in the present Plan hinges on the acknowledgement of three basic truths that we repeat now: a) the Northeast is one of the most precarious living areas in the whole world; b) the area can justify real possibilities of development because of its large quantities of natural resources and the capacity of its people to assimilate modern techniques and c) the leadership of the Executive in the process of formation of capital is a must if we want to bridge the already enormous gap that separates the Northeast from the Southern part of the country.

The responsibility of the Federal Government is consequently of major proportions. We admit fully this fact by giving the utmost priority in the present Plan to the coordination of public investments and its integration in a policy of development. Still according to the same direction, high priority is also attributed to the coordination of the incentives the Federal Government intends to offer to rally to the regional development the dynamic force of private enterprise.

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The directions listed below synthetize the orientation that presided over the drawing up of the present plan:

I - Acknowledgement of the need to coordinate investments in the field of transportation, giving unity to the whole system and concentrating funds on the improvement of a select network and excluding pioneering railways.

II - Acknowledgement of the need to accelerate investments in the field of electric power, which will perform a pioneering role in the regional development.

III - Acknowledgement of the need to fully re-formulate the policy of harnessing water resources which are notoriously poor in the region.

IV - Acknowledgement of the need to re-orient the rural economy, aiming a more rational utilization of the resources of the land in the humid areas, the maximum utilization of the possibilities of irrigation, and the establishment in the "caatinga" (prairie) region of an economy in a better position to resist the effects of drought.

V - Acknowledgement of the need to improve and enlarge agronomic research.

VI - Acknowledgement of the need to intensify to a large degree, and to put on a more flexible basis surveys for minerals.

VII - Acknowledgement of the need to guide the migration of population, and settlement of areas not fully developed in the humid zones, specially in the State of Maranhão and the Southern part of the State of Bahia.

VIII - Acknowledgement of the need of the Federal Government to take the lead in a number of measures aiming at improving the conditions of supply; to control the tendency for the raising of prices of foodstuff in the area and to assist in the establishment of a strategic reserve of food for periods of drought.

IX - Acknowledgement of the need to enlarge and coordinate the encouragement to private enterprise, specially in the field of industrial investments where the formation of capital required by the entrepreneur is more difficult.

X - Acknowledgement of the need to mobilise all encouragement to consolidate the manufacturing segment, creating industries with adequate resources and capabilities for integration in the economic structure.

XI - Acknowledgement of the need to mobilize all means to save traditional industries which have genuine possibilities of

...



survival and clear advantages brought by localization and that are adversely affected by institutional and circumstantial factors.

XII - Acknowledgement of the need to help technically and economically the large number of producing craftsmen.

XIII - Acknowledgement of the need to give high priority to investments in the field of water supply schemes in the interior of the area to raise the sanitary level.

XIV - Acknowledgement of the need to learn better the response of the hinterland population to measures aiming at remodelling the rural economy, to help them to identify their problems, to disseminate simple economic and sanitary techniques, and to induce the people to try to open for themselves the path of economic development.

XV - Acknowledgement of the need to begin a reform of the administrative system, giving it more flexibility and simplicity consistent with the goals of the development policy.

XVI - Acknowledgement of the need to progress rapidly toward a gradual unification of administration in the planning of public investments and to achieve the maximum of decentralization in the phase of implementing the policy.

We list below a synthesis of the public investments that have been mentioned in the present master plan, according to the order it was discussed above.

II - Establishment of an Economic Substructure

In underdeveloped and lagging economies, substructural investments take sometimes a pioneering role, since they make possible the introduction of resources and factors in a higher level of productivity, affect the modification of old structures through the opening of new markets, etc. However, we must always keep in mind that these investments are designed to increase productivity in general and therefore must be carefully selected.

In the first place we must not lose sight of the fact that the reproductive force of this type of investment is less in the investment itself than in the economic complex into which it is inserted. This economic complex deserves a careful consideration. Secondly, it must not be forgotten that a badly oriented substructural investment brings more than the mere loss of scarce resources, for it implies in the creation of an undefined flux of mismanaged resources, represented by the cost of deficient operation, that the Federal Government will have to eventually correct the error.

...



The policy of the present Master Plan in substructural investments in the fields of transportation and electric power is regulated by the following general criteria:

a. Concentration of public investments aiming at giving the Northeast a network of railways and highways of high priority with the goal of coordinating the whole area into a single market.

b. Highest priority to improvement of maritime and overland connections between the Northeast and the Central and Southern parts of our country.

c. Curtailing of investments of the pioneering kind in the field of transportation.

d. Concentration on port improvements to give the region maritime outlets that are able to operate with real efficiency.

e. To avoid allowing the supply of electric power to result in excessive concentration of economic activity, creating internal imbalances within the Northeast, it is advisable to establish uniform rates for the Paulo Afonso station network. To avoid the establishment of high rates, we recommend the decapitalization of the new high tension network and corresponding transformer stations.

Among the investments that the Federal Government will apply in the transportation field in the Northeast, only those corresponding to the highway sector arelisted in this first Master Plan. The investments in highways will amount in the next five years in 21.394 million cruzeiros, with 4.500 million contributed by SUDENE.

On the table below the planned investments in highways are detailed year by year, in millions of cruzeiros:

Discrimination	1961	1962	1963	1964	1965	TOTAL
Investments and improvements ..	2.463	2.813	2.920	2.126	2.109	12.431
Paving of roads	718	1.737	1.975	2.268	2.265	8.963
Total	3.181	4.550	4.895	4.394	4.374	21.394
Contribution of SUDENE	700	800	1.000	1.000	1.000	4.500

In the field of electrification, the Plan provides for investments amounting to Cr$ 28.370.199.000.000,00, including US$.... 43,312,500.00. The part in cruzeiros thus amount to Cr$ ... 24.057.699.000.000,00. Cr$ 8.390.500.000,00 of that total will be financed with already existing funds in the following way:

...

x industrial power

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	(in millions of cruzeiros)
National Fund of Electrification	5.700,00
Resources of GEBSF	1.300,00
Budget appropriation to collect	980,50
Revenue of SUDENE in 1960	410.00
TOTAL ...l.....	8.390,50

The new resources to be mobilized amount to Cr$ ... 15.667.199,00. In the present Master Plan the following scheme of financing is proposed, differentiated year by year in millions of cruzeiros:

	1961	1962	1963	1964	1965	TOTAL
Revenue of SUDENE ...	1.000.4	1.100.0	1.200.0	1.300.0	1.434.8	6.035.2
Other items in budget.	2.031.8	2.000.0	2.000.0	1.800.0	1.800.0	9.631.8
Total	3.032.3	3.100.	3.200.0	3.100.0	3.234.8	15.667.2

III - Rational Harnessing of Water Resources

As the Northeast is a semi-dry region the availability of water may dictate the utilization of the remaining resources of the entire region. Therefore, the formulation of a policy of rational harnessing of water resources deserves the utmost priority in this plan of regional development. Taking this fact into due account, SUDENE has promoted a complete survey of all available data on the subject. It has been found that the present level of knowledge in the Northeast concerning water resources is very scant, either for surface or underground water supplies. This lack is due to a serious shortage of basic hydrologic data, lack of studies and interpretative analysis of the limited available information and the absence of personnel specialized in hydrology. SUDENE's plan in this field provides for:

a. The training of technicians and ancillary personnel, besides stimulating technical and scientific studies related to water resources.

b. Creation of a system of collecting basic data involving all phases of the hydrologic cycle, with special emphasis on studies on precipitation, underground water, evaporation, and surface flow.

c. Estimation of resources and hydrologic possibilities of exploitation in the valleys of the Rivers Jaguaribe, Piranhas and Açu and water-producing sections of Araripe, Apodi, Ibiapaba, Iguaçu and Baixo-Jaguaribe.

...



To carry out this program, SUDENE intends to invest the following amounts of money:

1961 ..... Cr$ 50.000.000,00
1962 ..... Cr$ 100.000.000,00
1963 ..... Cr$ 150.000.000,00

IV - Re-building of the Farm Economy

Even a cursory examination of the statistical data is sufficient to disclose the two-sided nature of the difficulties that beset farming in the Northeast: a basic incapacity to meet the demands of the market, the recurrent impact of drought periods, resulting in a sequence of production crises, accompanied by sharp interruption in the formation of capital. In view of the low capitalization and the relative scarcity of accessible good farm land, the tendency of agricultural development has been toward a more intensive utilization of the densely populated areas of bare rocky soil ("agreste"); the land that has permanent watercourses ("brejos"); hilly country, and the extension of plantations into the semi-dry parched areas ("sertão") at a distance always greater from the consuming markets on the coast, thus making the whole area even more liable to the effects of the drought.

SUDENE intends to face the problems from three different points of view:

a. Increase of the supply of available farm land in both the wet and semi-dry section. In the latter case, by a larger exploitation of the possibilities of irrigation.

b. Reorganizing of the economy of the semi-dry region, making it more resistant to the drought periods.

c. Reorientation and stepping up of agronomical research and testing of new methods to increase productivity.

SUDENE proposes to invest in this field in the next three years the following investments:

	1961	1962	1963
Increase of supply of land	146.6	317.0	317.0
a. Areas of irrigation from dams	106.6	267.0	267.0
b. Sub-Middle São Francisco Basin	20.0	(X)	(X)
c. Lower São Francisco Basin	20.0	50.0	50.0

...

	1961	1962	1963
Rebuilding of economy in the semi-dry zone	16.6	8.0	8.3
a. Tree cotton ("mocó")	4.1	2.6	2.6
b. Castor bean production	4.4	4.4	4.4
c. Citicica	0.1	0.3	0.6
d. Fodder plants	-	-	-
Researches and tests	29.3	44.0	60.0
TOTAL	191.5	369.0	385.3

(X) Depending on conclusions reached in the first phase of the program.

The basic irrigation plan includes the utilization of 89 thousand hectares along the course of rivers, although the available studies are not conclusive if the whole area can be effectively irrigated. That plan calls for additional investments amounting in the next five years to Cr$ 4.616.655.000,00.

V - Industrialization Policy

The industrialization of the Northeast has solid economic basis in which to take root, both from the point of view of the existing local market for consumer goods and the availability of raw material and a flexible supply of electric power in the main cities. It has also the advantage of cheap labor.

SUDENE's policy of industrialization in the Northeast is oriented in the following direction:

a. Creation of an adequate structure of transport and power to facilitate the geographical distribution of industrial activities on an economic basis - taking into account the proximity of markets and sources of raw material - but avoiding excessive concentration.

b. Reorganization and reequipment of well-established industries with real possibilities in the region, but which are hampered in their development due to institutional or circumstantial factors, of which the cotton industry is a case in point.

c. Reestablishment of craft activities to raise the standard of income of a large segment of the population who live by crafts.

To put into effect that policy, SUDENE intends to invest in the period 1961-63 the resources listed below in millions of cruzeiros:

...

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	1961	1962	1963
Textile industry	15.3	15.3	2.9
Technical courses...	6.0	6.0	2.0
Project planning....	6.5	6.5	-
Reequipment studies.	1.0	1.0	-
General expenses...t	1.8	1.8	0.9
Other industries	15.0	19.0	30.0
Technical assistance	5.0	7.0	10.0
Project planning....	10.0	12.0	20.0
Reestablishment of craft activities	5.0	10.0	20.0
TOTAL	35.3	44.3	52.9

VI - Systematization of Supply

The difficulties of the supply of food in the Northeast are caused by the following factors:

a. Inadequacy of local supplies, caused by outdated economic structure which places a heavy dependency on imports.

b. Ineffectual distribution on all levels. The whole region is short of storage capacity and resources to buy regulating market stocks with which to face the recurrent crises brought about by droughts.

c. Low dietetic level, below the caloric needsof the people - even in normal years and with acute shortages of protective elements.

Acknowledging the need to act directly on the productive process itself, SUDENE's policy aims at the following points:

1. Opening of new agricultural fronts in the State of Maranhão, in wet valleys, in the flood basins of great rivers and on the irrigable lands below dams.
2. Partial conversion of sugar-cane producing land into food-producing land.
3. Acceleration and enlargement of short-term credit to enable farmers to plan, to obtain minimum prices, and to accumulate supplies.
4. Expansion of production cooperatives.
5. Development of agronomic research.
6. Establishment of a consistent policy of subsidies.

...



To systematize the process of distribution of food, SUDENE aims at fulfilling the following goals:

1. Building of a regional network of storage places.
2. Setting up of emergency food stocks to fight crises in production caused by drought and to stabilize the normal market between harvesting.
3. Building of supply centers in the big cities and modification of the existance of street markets and suburban markets, building of producer's markets in the places where the big "feiras" (wholesale open markets) in the interior are now held.
4. Creation of mixed companies closely related to the distribution network.
5. Establishment of special plans of financing to accelerate business.
6. Coordination of purchases of foodstuffs financed by special appropriation or rotating resources of the Federal Government.

At last, trying to act directly on consumption in order to diversify and enrich it, SUDENE's policy covers the following sectors:

1. Modernization of fishing.
2. Improvement of rice-growing methods.
3. Improvement of milk and meat-producing herds.

The money to be invested in those fields in the period 1961-63 will amount to Cr$ 2.070 million. However, from SUDENE's funds only 400 million will be invested in the following way:

	1961	1962	1963
Network of storage places	75	75	-
Emergency stocking	15	15	-
Supply centers and rebuilding of markets	40	40	40
Companies of distribution	20	30	50
TOTAL	150	160	90

VII - Utilization of Mineral Resources

The survey and tapping of mineral resources deserve the highest priority in this Master Plan. In cooperation with the Department of Mineral Production, SUDENE has organized a systematic plan of research trying to discover the real possibilities of the Northeast as an ore-production center and to promote its rational exploitation. That plan is divided into three sectors:

...



1. Basic studies

a. Basic geological survey of the Northeast
b. Survey of known mineral outcroppings
c. Systematic prospecting.

2. Research work

Preferential treatment will be given to the following known mineral deposits: phosphate, potassium salt, rock salt, sulphur, non-ferrous metals, iron, manganese, chromium, gypsum, scheelite, pegmatite, and heavy metals.

3. Complementary studies:

a. Study of producing mines in order to increase the recovery of useful materials during processing, and the systematization and improvement of mining methods.

b. Study of new projects.

The amount of money to be invested in those fields are listed below, in millions of cruzeiros:

	1961	1962	1963
Basic studies			
a. Geological mapping	20.0	30.0	30.0
b. Systematic prospecting	5.0	10.0	10.0
Research work	40.0	50.0	50.0
Complementary work	5.0	10.0	10.0
TOTAL	70100	100.00	100.0

The Ministry of Agriculture's DNPM will contribute yearly 36 million cruzeiros to the work of drawing up the geological map in yearly installments of 12 million cruzeiros.

VIII - Settlement Policy

The settlement policy to be carried out in the Northeast aims specially at the following:

a. Absorption of the population excess in that area, especially in the semi-dry region whose economy will tend to specialized activities, ecologically adapted, with low population density.

b. Supplement the scarcity of labor wherever it hampers the regional development.

...

c. Increase of the regional production, specially foodstuff, to support the development of industry in the same area.

The carrying out of the goals of that policy, which harmonizes itself with the farming and cattle-raising development and supply will be made through:

a. Utilization of good quality land in the Northeast, now marginal on account of lack of corrective investments in:

   i. Wet (humid) valleys on the coast, with investment in draining, correction of soil unbalence and fighting of malaria.

   ii. Irrigation basins in semi-dry zones, with correction of climatical instability.

b. Utilization of good quality land in the Northeast, not subject to climatic risks, namely:

   i. The land made available due to the reorganization of the economic activities in the following areas: the coast lands of Pernambuco, Paraíba, and Alagoas.

   ii. State of Maranhão.

   iii. Southern part of Bahia.

Priority of investments in the 1961-63 triennial is the following:

a. Pre-settlement survey to identify the potentialities of natural resources of unoccupied land.

b. Settlement project in the State of Maranhão.

The amount of money to be invested in these fields by SUDENE is the following, in millions of cruzeiros:

	1961	1962	1963
Pre-settlement survey	19.3	-	-
Settlement	36.8	67	60
TOTAL	56.1	67	60

IX - Public Health and Basic Education

The precarious level of health of the people of the Northeast is caused mainly by its low standard of living, inadequate food both in quantity and quality, poor housing conditions, and lack of enough clothes, unsatisfactory way of working, etc. In economic communities of the Northeast the extraordinary effort made by the individual to earn a living is not compensated by the necessary phisiological recovery which can be attained only through good food and a well-balanced regime of work and rest. Hence there occurs a permanent wearing out and low resistance to disease, premature aging, and short average life. ...



In addition, medical-sanitary assistance must be kept on the first level in any policy of economic development, either because in many cases the sanitation of a section of a country is a requirement for the setting up of important development projects, or because the Federal Government has the obligation to finance, in the first stages of development, expenses in that field, with the normal raising of incomes, will be absorbed by the private sector.

In its first formulation of a sanitary policy in the framework of a development policy, SUDENE has ascribed the utmost priority to control of the infant death rate and parasite worm infestation. In the case of the infant death rate some 40 per cent of deaths occur in the first year due to diarrhea and enteritis caused by impure drinking water and inadequacy of personal hygiene.

In view of this, SUDENE has decided to do its best to supply all urban communities in the Northeast, specially in the interior, with good water systems. The plan, to be carried out in five years, will provide for the supply of a population of 4 million inhabitants and will call for investments of some 12.5 billion cruzeiros, with 2.2 billion from SUDENE's own resources.

In the drilling of wells to supply water to small communities not included in the above program, SUDENE will invest in 1961 some 50 million cruzeiros.

Funds to be invested in water supply systems
(in millions of cruzeiros)

	1961	1962	1963	1964	1965	Total
SUDENE	310	400	490	500	500	2.200
Other federal agencies ..	1.560	1.560	1.560	1.560	1.560	7.800
States	360	360	360	360	360	1.800
Municipalities	100	150	150	150	150	700
Total	2.330	2.470	2.560	2.570	2.570	12.500

In addition, taking into due account the fact that the rural population of the Northeast must be prepared to face development, SUDENE intends to carry out, in cooperation with the specialized institutions, a pioneering program in the field of basic education. 10 million cruzeiros will be so invested in 1961.

Investments in the field of health and basic education thus amount to 370 million cruzeiros.

X - Map-Making Survey

The execution of a plan of development calls for a systematic knowledge of the regional territory, which makes necessary a precise cartographic presentation. Knowing this, SUDENE intends to set up a x that later, ...

map-making sector which will rapidly serve the needs during the carrying out of new projects provided for in the present plan. That unity will also coordinate all cartographic work carried out by public bodies in the Northeast and collect all already done. SUDENE intends to develop a systematic mapping plan of all area under its jurisdiction. That plan will be carried out by established government organizations. Private enterprises will take charge of large-scale survey or surveys for specific ends anticipated in the present Master Plan.

The investments to be made by SUDENE in those fields are as follows:

	1961	1962	1963
Cartography sector	15.0	35.0	50.0
Systematic mapping	15.0	25.0	30.0
TOTAL	30.0	60.0	80.0

Still in the field of map-making the present Plan provides for the following appropriations, in millions of cruzeiros:

	1961	1962	1963
Geology			
SUDENE	20.0	30.0	30.0
DNPM	12.0	12.0	12.0
Irrigation	79.4	87.9	-
TOTAL	111.4	129.9	42.0

Scheme of Investments Provided for in the First Master Plan

The present Master Plan was drawn up to cover the period 1961-65. In it are listed all investments to be made by the Federal Government in those fields where governmental action is most urgent.

The execution of this Plan does not necessarily call for a substantial increase of investments currently made by the Union in the Northeast. But, as it will not be advisable to discontinue immediately many projects now under construction to which we attribute low priority, it is probable that in the first stage of the carrying out of the plan the investments by the Federal Government may have to be extended. At the time that SUDENE accomplishes in an effective manner its legal role of supervision and control of all Federal investments in the Northeast, the Master Plan will necessarily include all those investments. It is to be expected, therefore, that in its annual reformulations the Plan will cover an ever-increasing area, with the elimination of investments not so important to the regional development.

...



One does not intend to affirm that all investments not included in the present Plan are not of relevancy for the regional development. In certain cases, it has been possible to pass from general directions into more detailed description of the investments, of which the port and railroad sectors are a case in point. On the other hand, it has not even been possible to assess the real value of a number of projects now under construction by the National Department of Sanitary Work. The big works DNOCS are now building could not be duly estimated from the viewpoint of their importance to the regional development. The implementation of the present Master Plan calls for the investment of important appropriations of that Department in the fields of irrigation, water supply, electrification, etc. However, only a careful analysis of all projects now under construction can indicate what saving can be achieved in the benefit of the recommended projects.

The estimates of monetary values presented in the present Plan are based on the level of prices prevailing in 1960. As with the big plans - transportation, electric power, water supply, irrigation, etc. - they were based on physical values and, thus, can be estimated again when time comes for the annual reformulation of the Master Plan with due attention given to the raising of prices.

In the sectors in which the action of the Federal Government is more of study and technical assistance, the Plan was limited to a three years period to avoid losing contact with quickly changing reality.

The following table summarizes the investments included in the present Plan:

(Millions of cruzeiros)

Object	1961	1962	1963	1964	1965	Total	
Roads	3,181.0	4,555.0	4,895.0	4,394.0	4,374.0	23,967.0	d/
Electrical energy	3,882.0	4,400.0	4,550.0	4,200.0	4,035.0	28,370.0	a/
Hydrology ...	50.0	100.0	150.0	-	-	300.0	
General agriculture	191.5	369.0	385.3	-	-	8,062.0	b/
Industry	35.3	44.3	52.9	-	-	139.5	
Storage facilities.	150.0	160.0	90.0	-	-	2,470.0	c/
Minerals	70.0	100.0	100.0	-	-	270.0	
Colonization.	56.1	67.0	60.0	-	-	183.1	
Health and education .	2,390.0	2,470.0	2,560.0	2,570.0	2,570.0	12,560.0	
Cartography .	30.0	60.0	80 .0	-	-	170.0	
total ...	10,035.9	12,265.3	12,923.2	11,164.0	10,979.0	76,491.6	

...

a/ Includes the part already financed as well as resources in foreign currency, not usually listed.

b/ Includes Cr$ 4.616 million from the basic plan for irrigation of the watershed reservoir and Cr$ 2,500 million in irrigation works required to execute the plan.

c/ Includes Cr$ 2,070 million of investments not directly under the responsibility of SUDENE.

d/ Includes Cr$ 2,573 million corresponding to the BR-4 stretch in the State of Bahia, arising from a special credit already approved.

The investments referred to in this table will not be entirely financed by SUDENE. A part of them already have financing and the major part will be provided for with resources already listed in the Federal budget, to be supplemented by new appropriations to specific agencies or raised with the voting of special appropriations.



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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, Rio de Janeiro — DESP. NO. 60 — July 25, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE JUL 25 1960

REF :

20 For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 IRC-7 E-3 ICA-11
	REC'D 7-29-60	INFO OTHER CIA-10 USIB-10 COM-10 NSA-2

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
AUG 1 1960

SUBJECT: Economic Advisors to Marshall Lott

There is enclosed herewith a memorandum summarizing a conversation in which Sr. Casimiro Ribeiro, Chief of the Monetary Studies Division of SUMOC, spoke of the advice which he has given to Marshall Lott. It will be noted from the enclosed memorandum that Marshall Lott's principal economic advisors include Sr. Romulo de Almeida and Sr. Cleantho de Paiva Leite. Janio Quadros' principal economic advisors include Roberto Campos, Lorenso Fernandez and Paulo Almeida de Magalhães. Reference is made in the enclosed memorandum to the replies made by Marshall Lott on July 21 to certain questions directed to him by CONCLAP. A translation of the questions and Marshall Lott's answers will be transmitted as soon as possible.

For the Ambassador:

Herbert K. May
Treasury Attaché

Coordinated:

William A. Fowler
Counselor of Embassy
for Economic Affairs

Enclosure: As stated

HKMay/dh

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AUG 23 1960

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ACTION ASSIGNED TO- NAME OF OFFICER & OFFICE SYMBOL	ACTION TAKEN	DATE OF ACTION	DIRECTIONS TO RM/R

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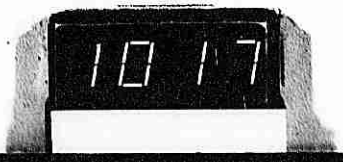
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Memorandum of Conversation with Sr. Casimiro Ribeiro, July 21, 1960

1. Sr. Ribeiro referred to Marshall Lott's appearance before CONCLAP in the evening of July 21, at which time Marshall Lott had responded to the 50 questions which had been directed to him by CONCLAP. Ribeiro stated that it was he, Ribeiro, who had written the answers to the economic and financial questions, which answers had been read aloud by Marshall Lott at the CONCLAP meeting.

Ribeiro then gave me the following account of the events which led to his preparation of those answers: He said that, for the past several weeks, certain supporters of Marshall Lott had been urging him to accept membership in a committee of Lott's advisors, including Colonel Alencar, Edna Lott, Romulo de Almeida and Cleantho de Paiva Leite. He said that he had consistently refused to accept membership in that committee on the ground that he is a public servant and cannot properly take sides in political campaigning, although he finally agreed that he would serve as one of Marshall Lott's advisors following the elections, if Lott were to win, his advice at that time being directed toward the preparation of the economic program to be followed by Lott as President. Then, on Sunday, July 17, he received a telephone call from Colonel Alencar who told him about the CONCLAP questions and asked if he wouldn't help prepare the answers to those questions, on the understanding that doing so would in no other way involve him in the election campaign. He said that Colonel Alencar promised him that the answers which he might prepare could be written with a relatively free hand, that is, without undue concern for the precise answers which Lott had given in the past to simply phrased questions, on the understanding that Lott would, of course, be free to reject any of the answers suggested by Ribeiro. According to Ribeiro, Colonel Alencar stated that the answers to be given by Lott were intended to serve as the basic positions for any further campaign discussions as well as for Lott's policies, if elected.

Ribeiro stated that he then proceeded to prepare draft answers and in the morning of July 20 he submitted them first to Colonel Alencar, who approved those answers without amendment. Colonel Alencar then asked Ribeiro whether he would be



willing to join with him and Marshall Lott at 2:30 that afternoon to discuss those answers, and Ribeiro agreed to do so. Accordingly, Ribeiro went to Marshall Lott's office at 2:30, where he found Romulo de Almeida and Cleantho de Paiva Leite as well as Lott and Alencar. He learned at that time that Romulo de Almeida and Cleantho had, in the interim, reviewed the answers which Ribeiro had prepared, and had approved them. A long meeting then insued, during the course of which Marshall Lott discussed Ribeiro's drafted answers in detail and approved every one of them, without amendment, adding that he might, however, choose to amplify upon some of those answers orally.

Ribeiro stated that Marshall Lott revealed far more intelligence in economic matters than he, Ribeiro, had been told to expect. He said that Lott clearly had a number of strongly held convictions from which it was very difficult to move him, but Lott manifested a willingness to listen and a receptivity to difference of opinion. Ribeiro stated that, for example, Lott showed a surprising willingness to listen to Ribeiro's defense of foreign investment in Brazil. He stated, in particular, that he, Ribeiro, told Lott directly that, in Ribeiro's judgment, Lott had been mistaken in his frequently-reported view that restrictions should be placed upon the entry of foreign capital or upon the remittance of earnings abroad. Ribeiro stated that he could not be sure as to how much he convinced Lott on that subject, but that Lott must have been at least shaken in his views, judging by the fact that he approved certain of the answers which Ribeiro had prepared in response to the CONCLAP questions. Ribeiro stated that, in response to one of Lott's questions, he recommended that Lott limit himself in the future to commenting upon the need for improved enforcement of certain income tax regulations applicable to both foreign and domestic investors and to recommending simplification of Brazil's foreign exchange system in the manner recommended by the IMF, for the purpose, among others, of correcting the discrimination in favor of foreign investors resulting from the operation of SUMOC Instruction 113 along-side of that exchange system. Ribeiro said that he thought that Marshall Lott was persuaded by his arguments.

Ribeiro stated that it had been the intention of Marshall Lott and of Colonel Alencar to reproduce the answers which had been prepared and to distribute those answers to the press during the course of the CONCLAP meeting. He said that he later learned that the reproduction of those answers had not been completed in time, so



that they were not distributed to the press. He said that he has been told by Col. Alencar that, if there is enough press interest the answers will be distributed to the press on July 21. 1/

2. During the course of the foregoing conversation I expressed some surprise about the fact that Cleantho de Paiva Leite had approved the draft answers prepared by Casimiro Ribeiro, even including one answer to the effect that economic development is promoted by financial stability and that inflation is not, therefore, a necessary concommitant of economic development. Ribeiro said that he also had been surprised by Cleantho's endorsement of that answer. He went on to say, however, that Cleantho had apparently been following the lead of Romulo de Almeida, who in Ribeiro's opinion, is far more competent than Cleantho. When I repeated a rumor that Cleantho expects to be nominated as Minister of Finance by Lott if the latter is elected, Ribeiro said that he doubts it very much. He said that in the meeting which he attended, it was clear that Romulo de Almeida has the inside track with Marshall Lott, at least as compared with Cleantho. He said that, on the other hand, he does not expect either of them to be nominated as Minister of Finance, inasmuch as that post is normally given either to Minas Gerais or São Paulo, and both Romulo de Almeida and Cleantho are from the North East of Brazil.

3. Ribeiro stated that Ambassador Roberto Campos has criticized him for helping Marshall Lott by the preparation of answers for CONCLAP. He said that he had answered Campos along the following lines:

In Ribeiro's opinion, Lott is an honest man who is strongly anti-Communist, and a good Catholic. Lott is naive and has been badly advised, but that is all the more reason why he should receive the benefit of good advice from persons who are neither Communists nor ultra-Nationalists. If such advice were to be denied to him, it would be tantamount to leaving Marshall Lott to the mercy of the

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1/ In fact, the answers were not distributed on July 21. Inquiry to CONCLAP on July 22 revealed that CONCLAP does not expect to have those answers in writing until late in the week beginning July 25. The reason for the delay is not known to the Embassy. Later on July 22, Ribeiro told me that on the basis of the fragmentary newspaper accounts, he suspects that his draft answers were in fact amended, "slightly but importantly".

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very people whom Roberto Campos himself wishes to combat. He went on to say that, while he has agreed to help Marshall Lott formulate an economic program for his administration, if he wins the election, he, Ribeiro, has also agreed to provide the same help to Janio Quadros if Quadros wins the election. He stated, in that connection, that the two most active economic advisors of Janio Quadros at this time are Lorenso Fernandez (previously of the BNDE) and Paulo Almeida de Magalhães. He said that Roberto Campos is actually the chief economic advisor to Quadros, but has not been devoting a great deal of time to this task.

4. I asked Ribeiro how he was getting along with Herculano Borges de Fonseca, who is Chief of the Economic Department of SUMOC. He said that he is working well with Herculano, although the freindly relations which once existed between them have never been restored. He said that Herculano does not really like anyone unless he is a rubber stamp for Herculano. He mentioned in that connection that Herculano recently appointed his own cousin, Fabio Antonio da Silva Reis as head of SUMOC's Division of International Affairs. He said that Silva Reis has very little technical qualification for the job which he is holding and has made certain faux pas, including a press interview during the course of which he stated that it is not important that the Brazilian Congress enact legislation designed to rectify Brazil's position vis-a-vis GATT; Foreign Minister Lafer had accordingly found it necessary to issue a public statement in refutation of the comments made by Silva Reis. Ribeiro went on to say that Silva Reis was responsible for a SUMOC position paper concluding that the Brazilian Government should not give its support to the proposed International Development Association (IDA). Ribeiro said that he, Ribeiro, had attempted to prevent transmission of that paper to the foreign office as the official SUMOC position, and he believes (though he is not sure) that he succeeded in doing so. He said that Silva Reis' views on IDA were to the effect that IDA would probably be controlled by the International Bank and would therefore prove to be of little, if any, help to Brazil. I commented that this seemed to be a general position taken by Cleantho de Paiva Leite, and Ribeiro agreed, but he said no



more on that subject, and I did not press him to do so. 1/

Herbert K. May

Herbert K. May
Treasury Attaché
July 22, 1960

1/ On the subject of Herculano Borges de Fonseca, I should report that Herculano told me last week in confidence that he expects shortly to be resigning from SUMOC and the Brazilian Government. He said that he is weary of working with incompetent Executive Directors of SUMOC and with incompetent directors of the various Departments of the Bank of Brazil (although he was careful to state that two of those directors -- Poock Correa and Tosta Filho -- are very competent). Herculano said that he might have been willing to continue working in his present post in any case, if he had not received a good offer in private enterprise, and especially if it were not for the move to Brasilia. He said that he has no intention of asking his family to pick up stakes and move to Brasilia, particularly since living arrangements there are very unsatisfactory and since his family and that of his wife live in Rio.

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FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

25
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 27, 1960
DATE

REF : CERP - Section D, Item IV-A-1; despatch 439, June 1, 1960

JUL 29 1960

For Dept. Use Only	ACTION	DEPT.
	ARA-4	RM/R-2 REP-1 IRC-7 ICA-11 E 3 LAB-6 AID-7
	REC'D 8-2-60	INFO OTHER CIA-10 USIA-10 Com-10 TR-3 FRB-3 XMB-4 HEW-5 NSA-2 OSD-4 ARMY-4 NAVY 3 AIR 6

SUBJECT: Plan of Action Planning

(1)

In an interview with the press the coordinator of the Planning Group, Mr. Plinio de Arruda Sampaio, said that the State budget had a basic influence on the implementation of the São Paulo Plan of Action. This remark was made in connection with the 1961 budget that was under preparation.

Mr. Sampaio pointed out that the budgetary procedure in respect to investment funds was inverted. Instead of trying to determine what projects should be undertaken or continued within the limitation of funds made available, allocations are made to meet the needs of each government department to carry on the projects they should undertake during the budgetary year. Another point mentioned by him was that the government departments were studying, for inclusion in the budget, additional operating expenses required as a result of the investments under the Plan of Action, such as how many teachers must be hired to lecture in the new school units built and how many additional doctors will be needed to staff the new health units.

Mr. Sampaio's remarks serve as a reminder that the Plan of Action, as approved by the State Legislature in November 1959, makes it mandatory to include allocations in the State budgets for 1960, 1961 and 1962 to cover the investment expenditures outlined in the Plan for each of those years (Art. 4 of Law No. 544 of November 17, 1959). In this sense the Plan is tantamount to advance budgeting of funds through 1962 for investment in the fields outlined in the Plan, with division of the funds for specific projects left to the administration.

832.00/7-2760

William P. Cochran, Jr.
Consul General

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
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REPORTER

UNCLASSIFIED

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

68
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 27, 1960
DATE

REF : CERP C-1

S/S-OR-1 FUR-5

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ACTION DEPT. AMA 2 AEP-1 IRC-10 E-2 ICH-11 PPR-2
INFO
REC'D 7/24 OTHER USIA-10 OSD-2 Army-35 Navy-20

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 7 (Period covered July 3-23, 1960)

~~AGR-20~~ TISH-4 CIA-14 OCB-2 TR-3 FAO-3
HEW-5 XMC-4 AG-6 IN-7 LAB-6 FAA-5 CAB-6

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11. Law Revives Price Controls, Creates Two New Ministries

832.00/7-2760

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 3 1960

1. Sugar for the United States Market:

In early June, the Sugar and Alcohol Institute claimed to have 300,000 tons of raw sugar for immediate shipment to the U. S. It now has become apparent that there are no raw sugar stocks. The actual current stocks turn out to be about 120,000 tons of crystal sugar, ranging from 99.3 to 99.8 degrees.

It has been determined that Brazil has the capacity to produce up to 500,000 tons of raw sugar for shipment to the U.S. prior to the end of December 1960. The Institute furnished the Agricultural Attaché with the following supply schedule based upon a 300,000, a

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400,000 or a 500,000 ton quota from the U.S.:

Month of Shipment	300,000 Quota	400,000 Quota	500,000 Quota
August	60,000	60,000	60,000
September	80,000	80,000	80,000
October	80,000	80,000	80,000
November	80,000	80,000	140,000
December	-	100,000	140,000

The above schedule would be contingent upon early decision on the exact amounts required since the sugar crop year began on July 1.

The quota of 100,347 tons for purchase by the United States was disappointingly small to Brazilian Government officials. They not only hope that it will be raised at an early date, but stress the major objective of obtaining a sizeable permanent quota on the U.S. market. (OFFICIAL USE ONLY)

2. Proposal to Boycott Sugar Shipments to U.S.:

In a statement to Ultima Hora on July 16, Nelson Mendonça, Secretary of the National Federation of Maritime workers, announced that he would negotiate with labor leaders representing stevedores and other port workers in an effort to develop a joint plan under which workers would refuse to handle any shipments of Brazilian sugar to the United States. The Federation supports "the people of Cuba in their struggle against the great international monopolies," Mendonça said. (UNCLASSIFIED)

3. Unemployment in Brasilia:

Migrants are reported to be moving into Brasilia in numbers exceeding the present demand for workers, and one press report indicates heavy and growing unemployment in the new capital. According to the report, the influx of newcomers is adding 300 persons perdday to the ranks of unemployed workers. (UNCLASSIFIED)

4. Cost of Living:

The cost of living in Rio de Janeiro rose 4/10 of 1% during the



month of June, according to the Getulio Vargas Foundation, and thereby caused the total increase for the first half of 1960 to reach 6.3%. During 1959 the Vargas Foundation index registered an increase of 52% in the cost of living. (UNCLASSIFIED)

Comment: The lower rate of increase for 1960 than for 1959 may not continue much longer. A number of significant price rises of essential foodstuffs have occurred in July. These coincide with an increase of money in circulation, pressure for a new and higher minimum wage, and the demise (at least temporarily) of COFAP, the Government's price control agency. (UNCLASSIFIED)

5. Social Security Bill Moves Forward:

The Chamber of Deputies on July 14 concluded separate voting on 142 amendments to the "Social Security Reform Bill," which will now be edited into final form for an overall vote.

A PTB-supported amendment which would have created a government program of compulsory insurance for employers against the risk of having to pay damage claims to injured workers (and excluded private insurance companies from this field) was rejected, thereby eliminating one of the more controversial proposals in the bill. The Chamber, however, accepted provisions for liberalizing eligibility for old-age pensions and for continuing the present contributions from employee, employer, and the Federal Government at 8% of a worker's monthly wage. (UNCLASSIFIED)

Comment: The Social Security Reform Bill, a sizeable package of provisions relating to Brazil's social security system, has been moving slowly through the legislative process for several years, with the opposition of private insurance companies reportedly figuring as one of the significant causes of the long delay. Vice President Goulart earlier this year said that action on the bill was one of his minimum requirements for continuance of the PTB-PSD coalition. (UNCLASSIFIED)

6. President Signs National Port Plan:

The Minister of Transport announced on July 14 that the President had signed the documents putting into effect the National Port Plan which has been in preparation since mid-1958 and which provides for the expenditure of 23 billion cruzeiros during the next five years to improve the Brazilian port and inland waterways



system. With the approval of the Plan, details of which are not yet available, general disbursements from the National Port Fund, which has been accumulating since 1958, may now begin. (UNCLASSIFIED)

Comment: If it is well devised and, even more important, if it is promptly and vigorously executed, the Plan can lead to significant and critically needed improvements in Brazilian port and inland waterway facilities and operations. (OFFICIAL USE ONLY)

7. Proposed Ship Sale Leads to Resignation of Merchant Marine Commission Chairman:

Vice Admiral Sylvio Motta has resigned as Chairman of the Merchant Marine Commission and has been replaced by Vice Admiral Angelo Nolasco de Almeida. Although Motta's letter of resignation makes no reference to it, there is general agreement that the reason for his leaving the Commission was his refusal to approve the sale by a private shipowner to the Government of the State of Amazonas of six old, small coastal vessels--some of them built 36 years ago--- with Cr$750,000,000 to be advanced from the Merchant Marine Fund which is intended for the renewal, expansion and recuperation of the Brazilian merchant fleet. According to the press, the six ships were originally valued at Cr$150,000,000 by an assessor designated by the Merchant Marine Commission, but his report was not accepted and another evaluation raised the figure five-fold. The earmarking of the funds to permit the purchase was requested, as a matter of urgency, by the Minister of Transport and approved by the President. The proponents of the sale at the higher figure allege that the ships are required to alleviate the severe and chronic shortage of transport in the Amazon area. They further claim that the lower estimate of the value of the ships was the result of the first assessor's family ties with an officer of the Ishikawajima shipbuilding firm. As a result of strong protests against the proposed sale from the anti-administration press and congressional circles, a careful reexamination of the entire matter has been agreed to by the President and the Transport Minister.
(UNCLASSIFIED)

Comment: There seems to be little doubt that the sale as planned would have been irregular, to say the least. The price--- about $3.26 million at the rate for imports in the general category, in which cargo vessels fall-- seems very high for the age and condition of the vessels, and the proposed financing by the Merchant Marine Funds appears to be a violation of at least the spirit of the legislation and regulations governing the Fund. The decision to reconsider the sale may lead to definite abandonment of the deal.
(OFFICIAL USE ONLY)

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8. President Marks Junction of Groups Working on Acre-Brasilia Road

In a July 4 ceremony, President Kubitschek, driving a tractor, knocked over a symbolic "last tree" separating the two groups working from different ends of the Acre-Brasilia road, thus marking completion of the clearing phase of the construction. Following this act, which took place near Vilhena on the Mato Grosso-Guaporé border, the President made a speech in which he declared that the Acre-Brasilia road-- scheduled to be open to traffic in December--was more important than the Belem-Brasilia road, since Belem had always had contact with the rest of Brazil by sea whereas the area served by the newer road had always been isolated. The President also referred to the efforts, undertaken at his direction in early June, to open a road by the end of his term from Manaus to Porto Velho in Guaporé, which is also on the Acre to Brasilia link. (UNCLASSIFIED)

Comment: As in the case of the highly publicized Belem-Brasilia road, the economic usefulness--as distinct from the psychological impact--of the Acre-Brasilia and Manaus-Porto Velho roads is uncertain, particularly in view of the serious problem of providing reliable maintenance and service facilities. (OFFICIAL USE ONLY)

9. VARIG and Real Start New Services:

On July 6 VARIG officially inaugurated its Boeing 707-420 service to the United States with a VIP flight out of Brasilia. The carrier intends to operate three frequencies weekly between the two countries using Brasilia as a terminal until the Rio de Janeiro international airport is opened to heavy jet operations at the end of this month. The day before, Real began service from Sao Paulo to Tokyo via Brasilia, Manaus, Bogota, Mexico City, Los Angeles, Honolulu and Wake. The inauguration of the service received very little publicity. Present plans of Real call for twice-monthly flights along the route with Super Constellations and eventually Convair 600's. (UNCLASSIFIED)

10. Wheat Requirements:

The Government of Brazil is in need of approximately 400,000 metric tons of wheat beyond present commitments to carry through calendar year 1960.

The following prospects for wheat procurement are being considered:



1) A new P.L. 480 Agreement;
2) Possible purchase from the USA through some type of credit or barter arrangement;
3) All from Argentina. The wheat has been offered, but Brazil does not want the indebtedness to Argentina to become too great as Brazil does not have the goods to trade for the wheat.
4) Purchase 200,000 metric tons from Argentina, 150,000 more from USSR and 50,000 from Greece.

The Wheat Commission hopes to have a decision on this matter soon. The President of the Commission asked the Agricultural Attaché to query Washington on the possibility of exchanging 150,000 tons of Brazilian sugar for 300,000 tons of U.S. wheat. (OFFICIAL USE ONLY)

Comment: It is increasingly clear that every effort possible will be made to purchase U.S. wheat. If this fails, then Argentine wheat will be taken. Should USSR agree to take Brazilian coffee for another 150,000 tons of wheat contract, however, Brazil might buy Russian wheat. (OFFICIAL USE ONLY)

11. Law Revives Price Controls, Creates Two New Ministries:

President Juscelino Kubitschek signed legislation on July 22, 1960 creating a Ministry for Industry and Commerce and another for Mining and Electricity. He also approved reinstatement of COFAP until April 30, 1961. After that date the price and supply control agency's assets and personnel will be turned over to the Ministry of Industry and Commerce.

The Industry and Commerce Ministry will incorporate the National Departments of Industry and Commerce, Industrial Property, Private Insurance and Capitalization and the National Institute of Technology. Moreover, many other agencies will be responsible to the same Ministry, among them the Brazilian Coffee Institute, Sugar and Alcohol Institute, National Institute of Mate, National Pine-Wood Institute, National Salt Institute, Re-Insurance Institute of Brazil, Cia. Siderurgica Nacional (Volta Redonda Steel Mills), Fabrica Nacional de Motores, Cia. Nacional de Alcalis and the Executive Committee for Defense of Rubber.

The Ministry of Mining and Power will incorporate the National Department of Mineral Production, National Council of Waters and Electric Power, National Council of Mines and Metallurgy, National Oil Council and the Committee for Export of Materials of Strategic



Importance. The following agencies will answer to this new Ministry: Cia. Vale do Rio Doce, Cia. Hidreletrica do São Francisco, Petroleo Brasileiro, National Atomic Commission and the Executive Committee of the National Coal Plan.

The two new Ministries will begin operations on February 1, next year. On that date, the Labor Ministry will become Ministry of Labor and Social Security.

For the Ambassador,

E. J. Bash

Edward J. Bash,
Commercial Attaché

Approved:

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs

Contributors:

Items 1,10,11 - FMMilam
Items 2,3,4,5 - DPMann
Items 6,7,8,9 - JHOrimmins

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO

29
DESP. NO.

July 29, 1960
DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C - General Interest

JUL 29 1960

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DEPT. ARA-5 FOR OTHER RPM/R-2 REP-1 IRC-10 E-6 ICA-14 USIA-10 OSD-2 Army-35 Navy-20 Air-36 NSA-2 CIA-16

SUBJECT: Biweekly Economic Review (July 15 - 28, 1960)

OCB-2 COM-12 TAR-2 TR-3 FRB-3

INDEX XM13-4 AG-8 IN-7 LAB-6

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2. Meat Again in the News
3. Finance Minister Announces Credit Easing and Coffee Buying
4. New Television Stations in São Paulo
5. Hydroelectric Equipment for Santos Water Treatment Plant
6. Road Construction Contracts Concluded Under Plan of Action
7. Utility Rates Increase
8. Gas and Telephone Workers Get Wage Increase
9. Resumption of Santos Strike Avoided

832.00/7-2960

1. São Paulo Wants to Sell Sugar to the U.S.

During the past two weeks the possibility of selling sugar to the U.S. received extensive press coverage in São Paulo. The press and trade circles made an all-out effort to take sugar out of politics and put it back on the commercial track, in the face of left-wing efforts to hinder the closing of any sugar deals with the U.S. on the grounds that it would be an affront to Cuba. The main counter argument has been that Brazil has been trying to get into the U.S. sugar market for the past three years, and that its sole interest is commercial and not political. The São Paulo sugar trade is anxious to get into the American market and does not want local developments to hinder the trade when sales are made.

2. Meat Again in the News

When authority for price control lapsed the cheaper cuts of meats and other foodstuffs that had been under control rose in price at the retail level (see item 2, despatch 15 of July 15, 1960). Now that the price control authority was reinstated meat is again appearing in the news. The frozen foods association came out with a statement that the price of cattle on the hoof went up over ten percent since May. The association also pointed out that the meat packers, which supply 35 percent of the fresh meat

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(See last page for contributor)

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 2 1960

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AUG 2 1960

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demand, did not increase prices of fore quarters (from which the cheaper cuts are obtained), whereas slaughterhouses had done so. Retailers in turn pressed for price controls on cattle and meat at the wholesale level, in an apparent justification of current higher retail prices.

3. Finance Minister Announces Credit Easing and Coffee Buying

Minister of Finance Sebastião Paes de Almeida, at a meeting with the Commercial Association of São Paulo on July 27, said that the limit of credit operations of the Bank of Brazil in the State of São Paulo was upped by Cr$4.5 billion. He also said that if trade on the domestic coffee market at financing-base prices does not pick up the Government will again start buying coffee to support the market. A further remark made by him on the credit situation was that he would ask Congress to extend the time for income tax payments beyond June, because every year a credit stringency occurs in that month primarily because of the heavy accumulation of income tax payments falling due at that time.

Comment: The Government stopped buying coffee on July 1 and since then the market has been weak, despite the establishment of satisfactory financing levels (see despatch 8 of July 7, 1960). The past has proven that financing levels are insufficient to support the market and that active buying support is also needed.

4. New Television Stations in São Paulo

A new television broadcasting station--TV Excelsior - Channel 9--capitalized at Cr$30 million (US$162,000), was officially inaugurated this month.

Excelsior imported the major part of its broadcasting and studio equipment CKD (unassembled) from Allen B. Dumont Laboratories Inc., of Clinton, New Jersey. A local company, Rebratel Industrias Eletronicas S.A. of São Paulo, assembled and mounted the equipment.

Until the end of July, the station will operate on an experimental basis. However, even after regular broadcasting starts Excelsior will rely largely on movie shorts and full-length features imported from the United States, and for some time will broadcast only a limited number of live shows. Because of the high cost of good films and of local top talent, the company is already considering raising its registered capital.

This is the fourth television station in São Paulo. A fifth--TV Cultura - Channel 2--to operate along similar lines as Channel 9 and to rebroadcast programs of other stations operated by the Diarios Associados, is soon to come on the air.

5. Hydroelectric Equipment for Santos Water Treatment Plant

A contract covering the supply and installation of hydroelectric equipment in the value of Cr$81,397,709 for the Santos Water Treatment Plant was signed at



the Secretariat of Transportation and Public Works on July 22. The equipment is to be delivered within seven months and installed in the course of the subsequent five months.

The new Santos Water Treatment Plant is one of the projects included in the São Paulo Government Plan of Action. Civil construction work, budgeted at Cr$52 million, is well under way on the right bank of the Cubatão river, near the São Paulo Light Co.'s power plant. A two-stage project, the water treatment plant will initially raise the supply of water to Santos by 86.4 million liters daily. When the second stage of construction is completed, Santos' supply of water will be raised by a total of 172.8 million liters daily.

The hydroelectric equipment now contracted for will be used to impound, treat and supply water to the Alto do Saboó reservoir, from where it will be piped to Santos by means of a thirteen kilometer long pipeline.

6. Road Construction Contracts Concluded Under Plan of Action

The Government signed additional road construction and paving contracts on July 25 to the value of Cr$758 million (about US$4 million), and announced that by the end of the year all of the road work included in the State Plan of Action will have been contracted. The head of the Road Department said that 950 kilometers of roads of the Plan of Action goal of 3,000 kilometers have already been paved.

7. Utility Rates Increase

The expected increase in gas and urban telephone rates to cover wage increases (see item 7 of despatch 460 of June 17) was finally authorized by the Mayor of São Paulo. The rates went up 10 and 15 percent, respectively.

8. Gas and Telephone Workers Get Wage Increase

Gas and telephone workers got a 38 percent wage increase effective retroactively to June 1. Both wage adjustments were contingent upon authorization for the operating companies to increase rates so as to be able to meet the additional expense. The authorization to increase rates was finally given by the Mayor of São Paulo (see item 7 above), but not before the gas workers went on a one-day strike to force the issue, which left street gas consumers in São Paulo without gas for about 36 hours.

9. Resumption of Santos Strike Avoided

Resumption of a general strike at Santos (see item 11 of despatch 15 of July 15, 1960), was avoided when the Moinho Paulista settled the strike with its workers by paying full severance pay (two months' salary per year of employ) to the 29 workers who had been with the company for over 10 years and had objected to being transferred to Curitiba.



Some 600 employees of the "Aymore" biscuit factory in São Paulo, which is owned by the Moinho Paulista, remained on strike and are insisting upon the dismissal of the factory's personnel manager, whom they hold responsible for the basic labor problem that caused the strike.

William P. Cochran, Jr.
Consul General

Contributor:

ADVentura - Items 4 and 5

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FOREIGN SERVICE DESPATCH

FROM : Amcongen, São Paulo

DESP. NO. 33

DATE July 29, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF :

25 For Dept. Use Only	ACTION	DEPT.	Rep-1 RMR-2 IRC-7 E-3 ICA-11
	REC'D 8-2	INFO OTHER	cia-10 Lab-6 Com-6 Army-2 Navy-3 NSA-2 ag-1

SUBJECT: Santos Weekly Report

Transmitted herewith for the information of the Embassy and the Department is the weekly report from the American Consulate at Santos, dated July 22, 1960.

William P. Cochran, Jr.
Consul General

832.00/7-2960

Enclosure: 1 cct

Santos Weekly Report
dated July 22, 1960

cc: Amembassy, Rio

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 1 1960

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AUG 2 1960

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8-1-50

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THE UNITED STATES
1960
SAO PAULO, BRAZIL

OPERATIONS MEMORANDUM

TO: American Consulate General, Sao Paulo Date: July 22, 1960

FROM: American Consulate SANTOS, Brazil Encls. D33 São Paulo

SUBJECT: Weekly Comment on Events in Santos

REF:

I POLITICAL

1. Santos Political Scene Quiet While Strike Settled
(UNCLASSIFIED)

The political scene in Santos remained quiet during the past week while the whole city was watching the outcome of the negotiations in the Moinho Paulista labor conflict (see Labor item 1 below).

Comment: (OFFICIAL USE ONLY)

The Consulate understands that Mayor Silvio Fernandes Lopes was in Sao Paulo on July 18 to discuss with the State Government the allotment of more funds to the municipality of Santos.

II LABOR

1. Moinho Paulista Strike Settled; No General Strike
(UNCLASSIFIED)

During the past week the threat of a 48-hour general strike has hung over Santos should the negotiations to settle the Moinho Paulista labor conflict fail. (See Weekly Comment of July 14.)

On July 16, Mayor Silvio Fernandes Lopes, who in the last two weeks has been very active in attempting to solve the dispute between the British-controlled milling company here and the Sindicato dos Trabalhadores na Industria de Trigo, Milho e Mandioca, presented to a group of local labor leaders representing the Santos Forum Sindical de Debates (Santos City Central) the company's offer for a settlement.

Later in the day the City Central met to discuss the company's proposal. Laerte Carneiro da Silva, President of the Stevedores Union; Oswaldo Pacheco, President of the National Stevedores Federation; Manoel de Almeida, President of the Port Workers Union; and Sergio Martins, representing the Port Administration

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Administration Workers Union, declared themselves opposed to the offer, as it failed to include provision for any wages to be paid the strikers during the period they are out on strike. The City Central branded the offer as "betraying the strikers and the people of Santos who are at one with them". The City Central then unanimously voted to reject the company's proposal and informed the striking milling union of its decision. The City Central also resolved that the following union leaders would accompany Mayor Fernandes Lopes to Brasilia July 18 to discuss the situation with President Kubitschek: Manoel de Alemida; Laerte Carneiro da Silva; Oswaldo Pacheco; Oswaldo Rodrigues Martins, President of the Shipping Company Employees Union; Expedito Guedes Rodrigues, President of the Coffee Loaders and Sackers Union; and Armando Ferrari, President of the Milling Industry Workers Union.

On July 19 Expedito Guedes Rodrigues, who is also President of the City Central, gave the press a long statement highly praising the efforts of Mayor Fernandes Lopes to compose the dispute.

It was only on July 20 that the Mayor, accompanied only by the above-mentioned labor leaders, was able to see President Kubitschek, not in Brasilia but in Rio de Janeiro. The President, after hearing the points at issue in the dispute, appealed directly to the management of the Moinho Paulista to reimburse the workers for the period they had been out on strike. By early afternoon on July 20 the milling company's operators agreed, without recognizing the strikers' legal right to receive such pay, to meet all the union's demands. By that night the following agreement was worked out: (1) the workers to be transferred to Curitiba would receive full severance pay (2) the family of the worker who had died upon learning of his transfer would receive full severance pay (3) those workers receiving severance pay would receive 50% of their full pay for the period between the time they were notified of their transfer and the date of the agreement (4) no striker would be penalized and (5) the days during which the workers were on strike would be regarded as days actually worked and the strikers would receive their full pay for them within 60 days.

In the evening of July 21 several thousand jubilant workers staged a victory parade through the streets of Santos ending at the steps of the City Hall where the union leaders who had accompanied the Mayor to Rio took turns hailing him for his good offices in settling the strike. The Mayor was wildly applauded when he appeared to declare, "As a public official I could see that if the whole city strongly supported such a workers' movement, its government could not stand aside from the struggle.... If it failed, I would fail with the workers, at their side...."

The strike was thus settled and the Moinho workers returned to their jobs on July 22.

Comment: (OFFICIAL USE ONLY)

The City Central has claimed that the outcome represents "a victory for the workers and for the people of Santos". There is no doubt that the strike ended in victory for organized labor in Santos.

/Mayor

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Embassy.
P3 D33 São Paulo

Mayor Fernandes Lopes, by his successful intervention on behalf of the workers, has gained much politically, and may be expected to make the most of his role as peacemaker. President Kubitschek also stands to gain goodwill for himself and for his administration in Santos.

It is the opinion of the reporting officer that the management of the Moinho Paulista showed a poor judgement of public relations in its handling of the dispute. A little more tact and flexibility at the outset of the dispute would have at least gained the company more time; as it is the company has lost everything it was fighting for.

III ECONOMIC

1. Russian Ship Still in Santos (UNCLASSIFIED)

The Russian freighter "Tiksi", which arrived here July 14, is still discharging her cargo of grain, and has not yet begun to load the 132,000 bags of coffee it will carry back to Russia (see Weekly Comment of July 14).

Comment: (UNCLASSIFIED)

Word has been received here that a second Russian freighter "Voroshilov" out of Odessa will not visit Santos as had been scheduled.

2. Russian Tanker to Visit Santos (UNCLASSIFIED)

According to the press, a Soviet tanker belonging to the Alva Steamship Company will bring refined petroleum from the Black Sea to Santos at the end of August, at the rate of 32 shillings sixpence per ton.

3. Santos Coffee Shipments Up (UNCLASSIFIED)

It is anticipated that during the month of July more than 1,200,000 bags of coffee will be shipped through Santos. Both Moore-McCormack and Delta Lines ships will carry heavy cargoes of coffee this month.

Comment: (UNCLASSIFIED)

The leftist O Diario on July 22 commented editorially: "Now, due to the new coffee policy adopted by the Government of selling the precious product to whomever wants it for a set price, loadings are increasing. Proof of this is the ship of our new coffee consumer, the Soviet Union, the "Tiksi", which in one voyage alone will carry 150,000 bags...."

4. Whale Meat Offered for Sale in Santos (UNCLASSIFIED)

On July 12 the Japanese fishing vessel "Kosei Maru" of the Taiyo /Fisheries

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Encls.
P4 D33 São Paulo

Fisheries Ltd. landed 30 tons of whale meat in Santos to be sold locally and in Sao Paulo by the Japanese firm. The whale was taken at Taiyo's whaling station at Cabo Frio.

Comment: (UNCLASSIFIED)

The meat was sold here for 60-70 cruzeiros a kilo and drew much comment but few purchasers, as it was not attractively offered for sale.

IV CONSULAR

1. General (UNCLASSIFIED)

Consular operations have continued normally during the past week, although the Principal Officer has had occasion to hear (and resolve) the complaints of several American seamen regarding signing on ship's articles, alleged discrimination by shop and hotelkeepers, etc.

V ADMINISTRATIVE - Negative.

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Air Pouch
PRIORITY

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FOREIGN SERVICE DESPATCH

DEPARTMENT OF STATE
AUG 1 1960
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TO : THE DEPARTMENT OF STATE, WASHINGTON.
REF : CERP - Section D, item V A 1

31
DESP. NO.

July 29, 1960
DATE

JUL 29 1960

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ACTION	DEPT.
REC'D ARA-4 8-2-60	RM/R-2 REPI IRC-7 E-7 ICA-11 NSA-2 ARMY-4 OTHER CIA-10 AG-8 COM-10 IR-3 FRB-3 XMB-4 USIA

SUBJECT: Remarks of Minister of Finance in São Paulo

On July 28 Minister of Finance Sebastião Paes de Almeida appeared at the Commercial Association of São Paulo and made a speech from which the following highlights are extracted.

The Minister said that the Government goal this year was currency stabilization. Two measures in this direction, he said, were Instructions 192 and 193. The former placed the proceeds from most exports into the free exchange market, with a fixed payment of Cr$130 per dollar in cash (and the remainder in six months' bills). The latter made additional import exchange available at fixed rates, over and above the sum sold at public auction, and prevented import exchange agios from soaring to Cr$350 a dollar, which he said otherwise would have happened.

The Minister then mentioned that it was very difficult to manage the Brazilian economy and particularly his ministry. He said that although he was responsible for the budget, there were actually three budgets. There was the normal budget, the parallel exchange agio collections, and a third of the autonomous State-owned enterprises over which he had no effective control.

On the subject of coffee the Minister said the past crop came to 44 million bags instead of the originally estimated 30 million bags. This, he said, forced the Government to intervene in the market and spend Cr$110 billion instead of an originally estimated Cr$67 billion. The Minister said it had been necessary to support the domestic price, without however attempting manipulations on coffee exchanges or resorting to consignment shipments. In respect to the current crop which came on the market on July 1, the Minister made the statement that if trading did not pick up at financing-base prices, the Government would again start buying coffee to support the market.

The Minister's remarks on the credit situation were to the effect that the ceiling of the Bank of Brazil for agriculture and commercial financing had been increased throughout the country and that the increase in São Paulo

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came to Cr$4.5 billion. He also said that credit usually tightens in June, primarily because of the heavy income tax payments that fall due in that month. To alleviate that situation he is suggesting that the President ask Congress to change the law so that income tax payments can be made in six or seven installments instead of the present four.

William P. Cochran, Jr.
Consul General

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REF : CERP C-2

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~~Dep - 1 Ara - 4 INR - 7 E - 3 ICA - 11 S - 5 Cia - 10 TR - 3 FAB - 3 Tsu - 2 Leb - 6~~

SUBJECT: MONTHLY ECONOMIC SUMMARY (May and June 1960)

~~Ar - 8 IN - 7 OSD - 4 Army - 6 Navy - 3 Air - 4 CIA - 4 FMB - 4 USIA - 10~~ ITEMS ~~NSA - 2~~

1. Introduction
2. Foreign Trade and Commercial Policy
3. Finance
4. Industry
5. Transportation and Communications
6. Coffee and Agricultural Developments
7. Labor
8. Minerals
9. Economic Indicators

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1. Introduction:

Note: This report concerns developments during the months of May and June and is submitted in place of individual reports for these months.

Rises in the cost of living during these two months were kept to very low levels, according to local sources. No increase in the cost of living in Rio de Janeiro was reported in May and a rise of less than one-half of one percent during June.

The cruzeiro on the free market remained stable at approximately Cr$185 to the dollar, somewhat stronger than the April average of Cr$190 to the dollar. Import aglos paid for dollar imports were down in both the general and special categories.

An important development in the coffee area was the modification during late June of the exchange rate applicable to coffee exports. The "coffee dollar" was raised from Cr$76 to Cr$90 to the dollar.

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2. Foreign Trade and Commercial Policy:

The visit of the American trade mission, headed by Charles A. Lewis of the Department of Commerce, took place from May 19 to July 2. Mission members spent several days in Rio de Janeiro and São Paulo after two days of official visits in Brasilia, and made shorter visits to Belo Horizonte, Recife, Salvador, Curutiba and Porto Alegre. Press coverage was wide and generally favorable. The mission spoke before some 1700 businessmen and government officials in various gatherings and had some 325 individual meetings with local businessmen.

A Russian trade mission which arrived on April concluded negotiations with Brazilian officials for the purchase of $8.2 million worth of coffee by Russia and the sale to Brazil of $20.1 million worth of Russian products, including crude oil, diesel fuel and wheat.

A new trade agreement with Czechoslovakia was signed on June 24, providing for an annual level of trade of $70 million in both directions. The agreement is for five years.

A Brazilian trade mission to Venezuela left that country after nearly two months there. The chief of the Brazilian mission is reported to have expressed disappointment at the results of the group's visit.

3. Finance:

In the field of exchange and finance the major event was the issuance of SUMOC Instruction 196 on June 25 modifying Brazil's foreign exchange regulations so as to provide an effective rate of exchange of Cr$90.00 per dollar for exports of coffee and cacao in place of the Cr$78.00 per dollar rate previously in effect. Instruction 196 was issued in conjunction with the announcement by the government of its coffee purchasing and financing program for the crop year 1960/61.

During the exchange auctions held in May $30,883,000 of regular offerings and $6,334,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers. The corresponding figures for June were $26,045,000 for the regular offerings and $6,822,000 for the supplementary offerings.

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In Rio and São Paulo, during May, the agio paid for dollar imports moved from Cr$221.00 to Cr$217.00 in the general category and from Cr$510.09 to Cr$466.50 in the special category. In June the agio in the general category moved from Cr$216.00 to Cr$213.00 and from Cr$486.00 to Cr$443.00 in the special category.

During the months of May and June money in circulation increased by Cr$2.8 billion and Cr$2.5 billion respectively. The increases were +1.8% for May and +1.6% for June.

Preliminary data obtained from the Getulio Vargas Foundation showed no increase in the cost of living in the State of Guanabara in May and only 0.4% in June. These figures compare with 2.8% for April and 1.3% for March.

On May 24, a drawing equivalent to $47.7 million was secured from the International Monetary Fund for balance of payment purposes, to be repaid within six months.

On June 20, Brazil paid $7,735,000 into the Inter-American Bank. This included $5,157,000 for its capital quota and $2,578,500 for the Special Fund.

The average check buying rates in the free market for May and June were respectively Cr$186.47 and Cr$184.72, which compare with Cr$138.82 and Cr$136.27 for the corresponding months of 1959.

On June 1, Marcos de Souza Dantas, head of SUMOC, was replaced by Francisco Vieira de Alencar, former Cabinet member and high official of the Bank of Brazil.

4. Industry:

Automobile and truck manufacturers in Brazil were reported to be upset by Congress's failure to pass the draft bill extending exemptions from payment of customs duties and other taxes on imports of equipment and materials for use in the automotive industry. The original law granting these favors expired on June 6, 1959 and since that time automotive manufacturers have continued to import, under responsibility bonds, equipment and parts without payment of duties. On June 4, law 3768 was passed, permitting the import until June, 1961, of such goods under responsibility bonds. The draft bill extending exemptions was still under consideration by Congress.

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5. Transportation and Communications:

In the aviation sector, the outstanding event of the two-month period was the June 24 crash in Guanabara Bay of a Real Convair 340 in which all 49 passengers and five crew members were killed. An Air Force investigation is under way. The accident, the third of major proportions in the Rio de Janeiro area in six months, gave rise to press and Congressional demands for the release of the reports on earlier accidents, and for a thorough examination of Brazilian air safety and maintenance standards and practices. The union of flight crew personnel issued a manifesto alleging that the "immediate, single, plausible" cause of the accident may have been the acute fatigue of the cockpit personnel as the result of excessive hours of work. This claim, which was refuted by the Real management and by the Director General of Civil Aeronautics, is part of the union's campaign to have reinstituted the joint Ministry of Labor - Ministry of Aeronautics document regulating conditions of work for flight crews which was invalidated by court action in March. There are signs that the crash may stimulate Congress to quicker and more generous action on appropriations for improving air navigation facilities.

Also on the domestic aviation scene, air fares throughout Brazil (except on certain routes in the Amazon area) were increased ten percent by action of the Civil Aeronautics Directorate, effective June 23. The new rates include an increase in the basic Rio-São Paulo and Rio-Belo Horizonte fares. These rates had not been affected by the 20-30 percent increase instituted in December 1959. On the basis of previous experience, it appears that the new fare rise will lead to a moderate but temporary decline in traffic--possibly accentuated in this instance by the psychological effects of the Real crash. In any event, there should be a net increase in carrier revenues.

Internationally, the period saw the inauguration of Pan American's once-weekly Boeing 707-321 jet service to Brasilia from New York. The formal beginning of similar VARIG service was postponed from late June to early July. As work on Galeão International Airport in Rio de Janeiro progressed, it became almost certain that heavy jet operations could begin from the former capital at the end of July or early August. Both PAA and VARIG plan to route the bulk of their jet services to Brazil--now planned by both to be three flights per week--out of Rio. Connections south of Rio will be made by PAA with DC7B's and by VARIG with Caravelles. Pan American figured in Brazilian aviation developments in another way when it announced -- with very little press publicity--on June 5 that it had reduced

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its participation in Panair do Brasil from 48 to 30 percent by means of the sale of substantial amounts of stock to a group of Brazilian businessmen associated with the present board of directors of Panair. No information was released on the selling price of the stock. It is pertinent to note that Panair showed a loss of a quarter of a billion cruzeiros in its annual report for 1959.

In shipping, the likelihood of the formation of a national fleet of bulk carriers increased with the delivery in late June of a favorable report by a working group established to study the matter. According to the press, the report recommended that the fleet, to be called FRONAGRA (Frota Nacional de Granels Sólidos -- the National Solid Bulk Products Fleet), be capitalized at 2.4 billion cruzeiros. Although the report is to be reviewed in mid-July and although there is some question about the role to be played in the proposed organization by the fleet of ore carriers now owned by the National Steel Company (CSN), it seems likely at present that the fleet will be established in some form. The proponents of FRONAGRA hope that eventually the shipyards being installed in Brazil will be able to supply the ships--units of 35,000 DWT each are being talked about--for the fleet. A development of importance in connection with the shipbuilding industry occurred on May 17 when the Transport Minister swore in the members of the new Coordinating Council for the Shipbuilding Industry (COCICON), which replaces the old Executive Group (GEICON). As one of its first acts, COCICON, whose only major point of difference from GEICON is in its subordination to the Transport Minister instead of the Development Council, adopted a resolution governing the installation of plants for the manufacture of diesel propulsion engines. The resolution, which may afford opportunities to some US manufacturers in the field, had not been published in the Diario Oficial by the end of the period, however.

Early in June the President announced that the final highway goal of his administration would be the completion by the end of his term of a 90-kilometer road linking Manaus and Porto Velho in Guaporé Territory. Aerial reconnaissance of the route was underway in the latter part of the month. At its western terminus the road will connect with the Acre-Brasilia road, construction of which is continuing, with December as the target date for its completion.

On June 3, the important Engineering Club inaugurated a series of lectures by distinguished persons interested in railroad matters on the serious, and deteriorating state of the Federal Railway System (Rêde Ferroviária Federal) and on ways and means of arresting the decline. The discussions are using as their point of departure the Rêde's annual report for 1959, which pointed out

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the necessity for a full reexamination of railroad policy. So far the principal speakers have been in agreement on the general means of attempting to improve the Rêde's situation: increases in traffic density; elimination of uneconomic branch lines or even entire railroads; establishment of realistic freight and passenger rates; reductions in the number of employees; and the establishment of an overall government transportation policy to permit a rational relationship between highway and rail transport. As in the case of the annual report of the Rêde, which also stressed precisely these factors, the Engineering Club speakers have confined themselves pretty much to a general analysis without pointing out details of execution.

6. Coffee and Agricultural Developments:

The major development in the coffee field during these two months was the issuance on June 25 of IBC resolution 125 concerning financial policy for the 1960/61 coffee crop. Under this resolution, the exchange rate on coffee exports was raised to Cr$90 to the dollar from the Cr$76 to the dollar rate applied to exports from the 1959/60 crop. Total production in the new crop to be registered with IBC is estimated at 27 million bags. Of this quantity, 70 percent will be for export, 20 percent for internal consumption and 10 percent of the lowest quality coffee will be classed as expurgo grade (not for food consumption) and bought at a low price. Coffee for internal consumption will be purchased by the federal government at prices ranging from Cr$2000 to Cr$2950 a 60-kilo bag, according to the grade of coffee and producing area. Expurgo coffee will be purchased at Cr$200 per bag. Financing and purchasing provisions of this instruction follow the pattern set during the previous two years.

The office of the Agricultural Attaché prepared and forwarded to Washington, among others, a report on bean production in Brazil, showing recently revised preliminary figures on planted area and production of beans in the four largest producing states in 1960 (FAS report 153, June 14), a comprehensive report on Brazilian agricultural policy giving details on how Brazilian agricultural policy is made and carried out (FAS report 155, June 16) and a report on the fiber situation which gives a considerable amount of new information on jute production in the Amazon Valley (FAS report 160, June 28).



7. Labor:

A movement appeared to be under way to raise the minimum wage. Various labor leaders in São Paulo, Minas Gerais and the city of Rio de Janeiro made public statements in support of such action. The strongly nationalist, leftist newspaper Ultima Hora was campaigning on behalf of the rise. Cr$10,000 has been suggested as an appropriate minimum wage for the cities of Rio de Janeiro and São Paulo, where minimums are now Cr$6,000 and Cr$5,900 respectively.

A declaration of May 1 by the presidents and other highranking officers of the country's three major trade union federations called for a "drastic revision" of the labor laws to free unions from government supervision and control.

8. Minerals:

A special investigation committee was set up to study the problem of Brazil's iron and manganese. The group was to study, among other things, the Hanna group's activities, the position of the Companhia do Vale do Rio Doce and the advantages and disadvantages of the export of iron and manganese ores from Brazil.

Hanna announced that it had sold its St. John Del Rey gold mine properties to a Brazilian group. Hanna reportedly retained a 25 percent interest in the gold mine.

9. Economic Indicators:

Free Market Dollar Rate in Rio de Janeiro (Check Buying Rate)
(in cruzeiros)

1959	Month's Average	Month's High	Month's Low	Change from Last Month's Average
January	145.44	150.00	140.00	+ 6.44 %
February	141.58	145.00	139.00	- 3.86 %
March	139.60	141.00	138.00	- 1.92 %
April	138.32	139.00	133.00	- 1.28 %
May	133.82	136.00	132.00	- 3.26 %
June	136.27	145.00	131.50	+ 1.83 %

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1960	Month's A Average	Month's High	Month's Low	Change from Last Month's Average
January	187.34	194.00	185.50	-12.20 %
February	184.51	186.50	181.50	- 4.00 %
March	187.80	191.00	184.00	+ 3.29 %
April	190.16	192.40	188.45	+ 2.36 %
May	186.47	189.50	183.00	- 1.94 %
June	184.72	187.00	183.50	- .98 %

Source: Rio Exchange Houses.

Average Agios Paid in Rio de Janeiro for US Dollar in the General Category
(cruzeiros per dollar)

1959	High	Low
January	259.30	197.50
February	292.00	240.60
March	288.50	246.00
April	260.10	240.00
May	200.20	140.00
June	181.00	151.00
1960		
January	198.00	181.30
February	201.20	186.50
March	237.10	210.00
April *)	224.00	222.00
May *)	221.00	217.00
June *)	216.00	213.00

Source: Rio Exchange Houses.

*) Embassy's Note:
Agios were approximately the price set by the Bank of Brazil for extra-auction sales.

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Total Currency Issued at End of Month (Millions of Cr$)

	1959	1960
January	116,810	154,616
February	116,804	154,615
March	120,993	154,612
April	122,885	157,908
May	125,279	160,703
June	125,271	163,296

Source: Amortization Office,
Ministry of Finance.

Cost of Living in Rio de Janeiro (1948 - 100)

1959	Food	Cloth-ing	Rent	Furni-ture	Hygi-ene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	501	348	498	321	398	413	561	470	4.2
Feb.	570	376	504	351	411	500	580	514	9.4
March	576	387	513	369	414	522	580	523	1.8
April	590	395	521	385	457	522	580	538	2.9
May	611	402	529	390	498	522	580	548	1.9
June	615	415	538	398	498	522	580	557	1.6
1960									
Jan.	809	476	601	488	623	632	767	691	.8
Feb.	807	480	609	512	623	652	767	696	.7
March	808	498	614	522	623	652	824	705	1.3
April	836	508	620	534	660	770§	824	725	2.8
May	818	528	631	552	682	699	826	725	-
June*	811	530	639	577	711	699	826	728	.4

Source: Getulio Vargas Foundation

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* - Note: Last month: Preliminary figures



Coffee Exports in 60-kg Bags

Coffee Year 1958-59 (July 1-June 30)	Month	Cumulative
July	868,810	
August	1,172,929	2,041,739
September	1,040,443	3,082,182
October	1,538,438	4,620,620
November	1,416,416	6,037,036
December	1,056,521	7,093,557
January	1,410,933	8,504,490
February	1,707,229	10,211,719
March	1,258,871	11,470,590
April	1,416,995	12,877,585
May	1,181,410	14,058,995
June	772,195	14,831,190
1959-60		
July	1,891,166	
August	2,179,884	4,071,050
September	1,689,183	5,760,233
October	1,189,878	6,950,111
November	1,757,117	8,707,228
December	1,261,685	9,968,913
January	1,027,428	10,996,341
February	1,460,026	12,456,367
March	1,320,803	13,777,170
April	1,290,000	15,167,170
May	1,531,141	16,598,311
June	1,313,325	17,911,636

Source: Brazilian Coffee Institute (IBC)



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BRAZIL'S FOREIGN TRADE (in US$1,000,000)

	1960				(Percentage of total)			
Imports	Feb.	Mar.	Apr.	Jan/Apr	Feb.	Mar.	Apr.	Jan/Apr.
Total	109.1	104.8	110.6	429.3	100%	100%	100%	100%
USA	22.9	34.3	28.-	119.8	21	33	25	28
C.B. *	8.9	7.7	2.4	22.4	8	7	2	5
Exports								
Total	99.8	98.6	101.1	382.2	100%	100%	100%	100%
USA	48.2	41.9	50.4	177.3	48	42	50	46
C.B. *	4.5	4.8	1.9	16.7	4	5	2	4

*)-C.B. refers to the Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Communist China, Rumania, USSR, Albania and Bulgaria.

* * * * *

For the Ambassador,

Gerald S. Pierce,
Commercial Officer.

Approved:

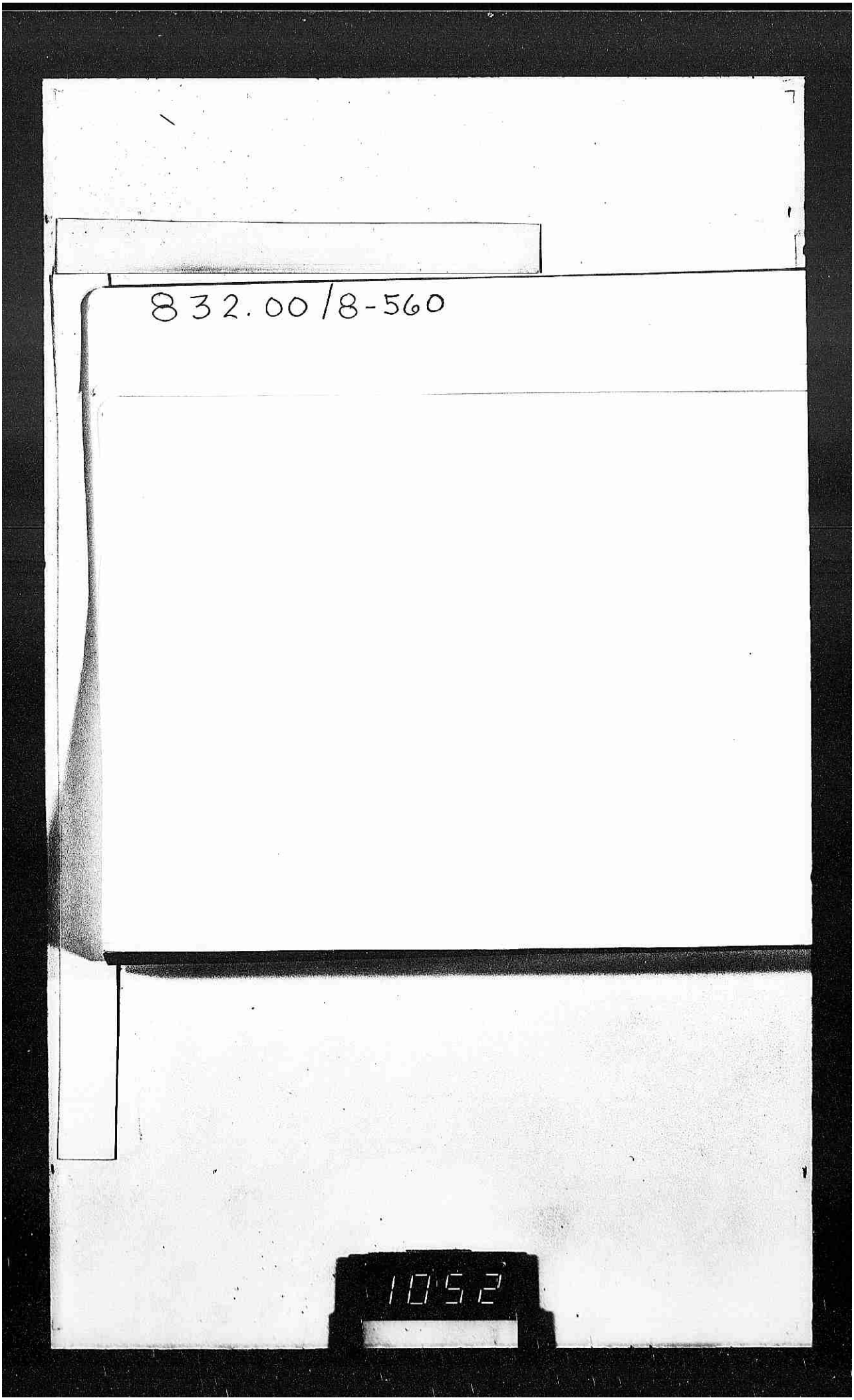
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FROM : Amembassy, Rio de Janeiro

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DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 10, 1960
DATE

REF : 1) Country Program Book; 2) Emb.Desp. 165, 8/29/60; 3) Emb.Desp. 184, 8/1/60; 4) Emb.Desp. 43, 7/11/58; 5) Emb.Desp. 55, 7/22/60 6) Emb.Desp. 812, 2/18/60 S/S-3

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	REC'D 10/19	INFO OTHER CIA-10 COM-10 IBA-2 IA-3 ERB-2 XMB-4 DLE-1 AG-8 IN-7 OCB-1 USIA-10

SUBJECT: Economic Stresses in Brazil-United States Relations

National elections in both the United States of Brazil and the United States of America coincide with the reporting officer's transfer from Rio de Janeiro to Washington. Here is his swivel-chair view of the expectations of each of the other and his appraisal of basic elements as they bear upon the relationship.

The CONCLUSIONS which follow the forecast of EXPECTATIONS, the analysis of the ECONOMIC SITUATION and the exposition of MECHANISMS underscore the necessity of our continued effort to assist Brazil in ways that serve our mutual interest. Extensive financial help is recommended, bilaterally and multilaterally, particularly for development, but also for balance-of-payments purposes if combined with efforts toward stabilization. A new PL 480 agreement with most-favored-nation treatment is considered to be in our interest if Brazil acknowledges appropriately that it is mutually beneficial and not simply a U.S. dumping measure. Continued and expanding technical assistance is so important that we should provide all Brazil wants and uses effectively. Coordinated participation of Brazil and the United States in existing regional and international organizations is imperative. The Act of Bogotá should be implemented in the spirit of OPA as soon as possible. Her expressed pleasure with the Act of Bogotá is a fortuitous circumstance for post-election discussions. We must show sincerity. Commodity and other economic problems of both countries should be approached directly and in global discussions. While no specific mechanism is proposed here for improving bilateral cooperation, the importance of a continuing dialogue is underscored. We should seize the initiative soon after the elections.

A. EXPECTATIONS

Many of the objectives of Brazil and the United States in each other have been formally stated in treaties, agreements or other written government-to-government understandings, some bilateral and others multilateral. Others are less openly known. Some of the things we expect from each other are rooted in history or habit, and their mutual benefits are so self-evident they need not be articulated. Nevertheless, failure to understand precisely what one wants of the other is likely to strain the

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relationship. Indeed, some of the fundamental stresses in our current relations seem to rest on imprecise awareness of the points of mutual interest. Accordingly, definition of expectations and continuing appraisal of fulfillment are imperative to improvement of relationships.

Identifying our interests in Brasil and here in us, while a necessary prerequisite to negotiations, is complicated by our democratic processes. Precisely because of their basic importance some issues cannot in the near future, at least, be definitely resolved; for example, surpluses of wheat for us and coffee for Brasil. Some issues such as development of Brasil's oil resources or of her atomic minerals have become too sensitive for public affirmations of preferred relations with us. Other decisions concerning certain social reforms that rest on longings of the politically inarticulate may not be called current GOB expectations from us but their identification by us may be fundamental in our relationship.

Our objectives in Brasil have been stated by OCB and have been reiterated in the Country Program Book and various Embassy documents. We clearly want her to grow as a partner for trade, for defense and for support in world councils. We would like her to continue as a democracy oriented toward free-enterprise. However, we do not presume to prescribe the extent of state control. In our view she should undertake certain basic economic and institutional reforms which we consider as fundamental to both democracy and productivity. Because of our size, strength and global responsibilities our expectations of Brasil are different than hers of us. Our precise wishes vis-a-vis Brasil are not very clear and our new administration, whether Republican or Democratic, may change the OCB objectives or the means of seeking to achieve them. Speculation on these is not appropriate.

Irrespective of the election results, Brasilian claims on us will center on financial and technical assistance as well as defense against possible Communist aggression. But she would like help in a way that will not in any manner discredit the rising greatness which serves as the impetus for national effort to become greater. She would prefer loans (soft, of course) to grants and prefers multilateral aid that minimizes her mendicancy. Nevertheless, there are certain services that she wants from us directly: for example, technical skills in which we excel. But more important than the method is the availability of help. Had we offered large-scale bilateral loans, she might have dropped OPA.

An important aspect of her expectations of economic support is the belief that we owe it to her. By some curious twist, articulate spokesmen have pictured us as responsible for the low state of development, mostly on the grounds that we have paid too little for her basic commodities. Moreover, she is reluctant to acknowledge any help we may give. This reticence may have been a tactic for initial shock treatment in OPA but it should not persist in the longer pull.

Brasil considers her relationship with us a special one, partly because of admiration for our size and progress but also because of her image of her irresistible economic beauties and of her faith in our human weaknesses. Here is a Latin view; ours a colder, more pragmatic one. What she would like is a monogamous relationship, with us remaining strong

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and continent under our protestant ethic and not being insistent on her catholic adherence to classic economic principles. Here is an assertion of delicate feminine propensities, not of weakness. Her positivist motto, which appears on her flag, should appeal to us too: "Order and Progress." While her idea of the means of economic progress may differ from ours, she is equally fervent in the belief. An important difference is her denial of the existence of conflict as a fundamental of human relations. Positivism, Catholicism and the relative non-violence of her political transformation underlie this organic view of society and have encouraged paternalism, not liberalism, in economic institutions. Her elites tend to believe that goodness and right will overcome the evils that impede economic progress; also that God, being a Brasilian, can be expected to provide whatever is required.

More specifically, Brasil probably will want and expect our help in the following:

1. Balance of payments deficits will be a major problem of the new government, the old one having postponed any basic solutions, largely by "swaps." GOB will want our sympathetic support through IMF and bilaterally, perhaps from official funds and private banks. Refunding of debts is a likely request.

2. Development loans in the fields of power, transportation and communications may be expected. Eximbank loans virtually stopped during the past year and DLF has not been accessible to GOB. The international institutions in this field, especially IDB, will undoubtedly be approached for funds. U.S. aid under the Act of Bogotá and in the spirit of OPA will be sought for economic development as well as for social infrastructure projects. GOB may press for more funds faster than we are able to make them available. She may seek DLF help. GOB will want public acknowledgment of her role in OPA. She will still complain that we do too little.

3. Bilateral technical assistance has been welcome and more will be wanted. GOB virtually takes for granted its continuation and expansion.

4. A large long-term PL 480 Title I sales agreement (mostly wheat) will be sought, with no maintenance of value clause, a low cruzeiro-dollar exchange rate for sales, no or little

Cooley Amendment funds, low U.S.-uses portion and perhaps regional earmarking for the Northeast. Loans will probably be preferred to grants. GOB would like to barter the normal-marketing quantities of wheat.

5. PL 480 Title II aid may be requested but the provisions are not well understood.

6. PL 480 Title III aid will be desired by the religious agencies and UNICEF and GOB will accept but not choose to give much support to the program. Distribution is not likely to be wholly effective but there are good intentions and appreciation.

7. GOB will ask for a voice in DAC on the grounds that a program designed by the givers will reflect givers' interests and ideas rather than those of recipients.

8. A sugar quota for Brazil is a major goal. GOB feels her place as a producer warrants a quota. She will lobby our Congress and Executive using U.S. wheat imports as quid pro quo.

9. She will expect us to understand the basis of her political problem of controlling coffee and is unlikely to take effective production control measures. Our continued support of the international coffee agreement is taken for granted. She would be disconsolate if synthetic coffee should appear, but is not preparing to meet such an eventuality. Little is being done to find industrial uses for coffee.

10. GOB would like us to acknowledge Petrobrás and make at least a symbolic loan. Oil exploration policies will continue. State control of transportation, distribution and refining will likely increase. GOB and the public will continue to be sensitive to any official manifestations against her policies in this field.

11. GOB wants our continued help in atomic development including a loan for a power plant. She likely will continue to cooperate with us in LARA and other world councils.

12. Development of various minerals jointly with foreign capital is possible after the elections. U.S. public funds may be sought for dollar costs of equipment.

13. Quartz crystal, tungsten and industrial diamonds seek the U.S. market, and lobbies will be employed to promote sale or barter.

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14. GOB wants us to acquiesce in her restrictive shipping practices on the grounds of her need to save foreign exchange. She seems adamant about assuring Brazilian bottoms preference and she is seeking to establish a general pattern of a bilateral 50-50 division of cargo, with third flags eliminated as a direct challenge to our traditional maritime policy.

15. GOB intends to insist on a share in international air commerce commensurate with her size. She is advocating basic changes of a restrictive nature in the aviation bilateral.

16. Our support in working toward a Latin American Free Trade Area is assumed. GOB will continue to press for better assurances vis-à-vis the European common market.

17. In GATT, GOB appreciates our understanding of and support in her difficult problems. She expects us to continue to be generous in our support.

18. In various UN specialized agencies, our close cooperation is expected. UN Special Fund is counted upon for São Francisco Valley feasibility study.

19. Private capital from abroad is sought but there have been indications of increasing restrictions on profit remittances. Foreign banks may be in trouble unless reciprocity treatment is forthcoming.* GOB would like to have us decrease tax requirements on U.S. investment earnings in Brazil. There have been no recent signs of interest in an investment guaranty agreement or a convention for the avoidance of double taxation.

20. Trade with USSR and bloc countries is likely to continue to the extent it is advantageous to GOB, particularly in coffee on one side and capital goods on the other. We are expected to understand the GOB need for these markets and imports. So far GOB has cooperated in Battle Act problems.

21. GOB expects at least most-favored-nation treatment in all trade and aid. She fails to acknowledge that Marshall Plan aid helped Brazil indirectly in quick restoration and expansion in European trade. Brazil has felt we neglected her. Now, she feels we are too preoccupied with India and Africa.

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* New York State has recently provided such and pressure in Brazil may diminish.

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B. BRAZILIAN ECONOMIC SITUATION

At the risk of oversimplification, and without acknowledging certain evident progress, here are the conditions which underlie such manifestations as inflation, development without stabilization, overproduction of coffee and imbalanced growth.

1. Psychological. The basic economic problem is that most literate Brazilians want more than they can have. The gap between their aspirations and their achievements underlies their impetuous desire for improvement and development. Thinking that God is a Brazilian, they can press close to the margin and feel confident that God or friends (i.e., the U.S.A.) will help them out of any problem. With more hope than precise knowledge of their vast resources and with unbounded faith in the future, they expect the best and work hard, if a bit aimlessly, to achieve it. So high are their expectations and so avidly do they fan these desires that even their best efforts toward increases in productivity will fall far short of needs. The gap between what they have and what they want is a fundamental impediment.

2. Institutional Inadequacies. The institutional matrix of this society is weak in several fields, particularly education, politics, jurisprudence, commerce and bureaucracy. With fewer than one-half of its population registered as literate by the census and perhaps one-third effectively literate, Brazil can become neither a bona fide democracy nor a successful industrialized nation. Her masses are open to demagoguery and her people cannot acquire the knowledge rapidly enough to develop industrially or, for that matter, agriculturally. Politics are capricious and parties and goals relatively undefined. The unpredictability of national, state or municipal politics leaves economic development to the whims of unscrupulous demagogues except for an occasional leader who has caught the spark of democracy and has built on sound economic ideas. The legal framework, while as sacrosanct as the church, was unable to prevent demagogic expropriation of American and Foreign Power Company property in Rio Grande do Sul. Something is missing in the legal structure. Also, the wheels of justice move slower than in some other democratic countries. Commercial institutions are cumbersome and heavy, too burdened with privilege and nepotism and deals and the bureaucratic superstructure to permit optimum conditions for trade. The fifth institutional weakness is the bureaucracy itself which is heavy and unable to bring about the other changes in the economy that permit rapid economic development. These institutional inadequacies invite communist subversion and chaos which delay economic development.

3. Imbalances in the Economy. Under this heading are: infrastructure, commodity dominance, overemphasis on industry, and regional neglect. Among the gaps in the economic structure are the lack

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of roads, railroads, ships, ports, internal waterways and communications. Power is particularly short. Kubitschek has made a special effort to achieve 30 economic goals identified at the beginning of the Administration. Some progress has been made but gaps continue. Commodity imbalances are serious, particularly with respect to coffee, which has an enormous competitive economic advantage over other producing countries. Even with an exchange rate considered confiscatory by coffee producers, the over-production continues unabated. The Government is unable to control production and has only recently undertaken a sales campaign that has restored a portion of Brazil's historical place in the world market. Cacao is another crop easy to produce in Brazil but so far there has been little scientific application to increase production. Minerals, which could contribute enormously to earnings of foreign exchange, are virtually undeveloped and nationalistic attitudes against foreign participation have prevented exploitation, particularly in the case of iron ore. Industry has had a disproportionate emphasis in recent years and agriculture, except for coffee, has lagged behind. This has led to actual shortages of certain foods, including beans, wheat and meat. It has also prompted politicking for agrarian reform. A few voices wail on behalf of agriculture; the demands of industry are still heard above them. Regional contrasts of note are the neglected Northeast with almost a third of the population and a fraction of the national income, on the one hand, and the triangle of São Paulo, Belo Horizonte and Rio on the other. The pace of development in the latter area, particularly in São Paulo, is so fast that the halted Northeast stands in stark contrast, notwithstanding various Federal subsidies and its recent program under SUDENE, for development of the Northeast. Not only drought in that area but occasional floods and woeful neglect in the basic institutions and infrastructure have held back the Northeast since slavery was abolished three quarters of a century ago. The far south also retrogressed comparatively due to lack of "meta" investments and to corrupt state administration.

C. MECHANISMS

Identity of interests of two countries can be obtained only by means of a definition by each of its objectives and accommodation of the interests of one to the other. This process is diplomacy. Let us consider mechanisms for improving the diplomatic dialogue as a method for identifying interests of Brazil and the United States.

Among the factors which render one mechanism appropriate or not are experience with formalized mechanisms as contrasted with personal

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relations, habits of negotiation and the traits of the negotiators. Both cultural and personal traits of the participants are important. Also, the uniqueness of the situation must be considered in choosing a particular method of negotiation or a coordination mechanism.

Institutional inadequacies in Brazil were described above. The Brazilian economy is not organized for coordinated identification of her national interests let alone for finding accommodations to the interests of other countries. The dearth of trained personnel is a handicap, yet some of the most efficient diplomats in history have been Brazilians and limited numbers of such diplomats are active today. Reliance on the "jeito," described by Roberto Campos as a necessary adaptation to an impossible legal structure, characterizes the Brazilian official. He is accustomed to seeking solutions peripheral to codified and agreed procedures. Accordingly, he cannot be expected to bow to an agreed line, or even to reveal his true intentions or his problems. Another trait is extreme personalization of negotiations. Brazilians want informal and "simpatico" relationships, rely more on their appraisals of the weaknesses of their negotiating adversary than on his intelligence or technical knowledge. Intimate discussions and relaxed environments are necessary for thinking out joint problems. Infinite patience is required. Premises must be considered as relative. Problems are rarely approached head on, hence the dialogue requires considerable time as well as patience. The Brazilians expect and demand formal politeness and relative calm. (There are exceptions such as Frederico Augusto Schmidt.)

The personal and family nexus of life in Brazil is exemplified in the family empires which control industry and the plantation-type estates. Corporations are rare although becoming less so. This loyalty to the primary group explains to a degree the general priority of personal gain over national welfare. It also constitutes a barrier to identifying mutual interests with groups outside the family, and this difficulty possibly extending to international dialogues. It also justifies, in the individual's mind, his stealing from the public to benefit his family. The concept "conflict of interest" has little meaning among Brazilian government officials. Even the most honest of them serve as paid consultants to business firms while holding high government positions. This milieu of unseen forces in the dialogue includes political parties' interests, of course.

Various mechanisms for the coordination of Brazilian-U.S. interests have been tried. Joint commissions have apparently been successful in military sectors and in some other limited areas. A joint serviço in public health, SESP, was among the most successful and continued 18 years. This has now, with our concurrence, become

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a completely Brazilian entity. In the economic sphere a joint economic commission was short-lived, being terminated unilaterally by the United States in 1953 because the mechanism was being used by the Brazilians to try to squeeze unpremized concessions from the United States which they claimed were not being fulfilled. The commission produced important economic studies which were the basis of Kubitschek's "metas" and which led to the creation of the Economic Development Bank. Its termination, however, by the United States strained relations between the two countries. Many Brazilians look back upon the mechanism nostalgically. One of its shortcomings was failure to encompass in its activities the most serious problems of the relationship, particularly oil and coffee. Its weakness was its failure to identify mutual interests completely. It succeeded on some issues partly by avoiding more basic ones.

Coincident with the closing of the Joint Commission in 1953 was an effort on our part to consolidate and coordinate our various technical assistance programs leaving economic "assistance" to the Ex-Im Bank and considering Brazil as a good creditor rather than an intimate partner. Our efforts to coordinate were impeded by failure of the Brazilians to coordinate. Only in 1955 was a Brazilian coordinator for technical assistance appointed and he was not chosen from the Brazilian Executive but rather was Vice President of the Senate. Not until October 1956 did the President appoint as his representative to coordinate Point IV activities an executive, Dr. João Guilherme de Aragão, who was, in fact, the head of the biggest administrative body in GOB, the DASP. His main shortcomings included insufficient time to devote to his job as coordinator, no staff support and little influence with the ministries and agencies of the government, particularly with the Foreign Office which had the responsibility for coordinating multilateral technical assistance. Tension between the Point IV Coordinator and Itamaraty continues to this day. The Coordinator's Office managed to obtain a small amount of money for staffing but forthwith applied it as a personal bonus for the Coordinator and his Executive Secretary. The few tangible achievements included formation of an advisory council, which has met a few times, and the inclusion in the 1961 budget proposal of a fund of Cr$2,200,000,000 to assure Brazilian funding of the cooperative technical assistance projects. Many tax and administrative matters have been solved, but rarely with neatness and despatch. While responsibility was focused in one office, there was little real effort to coordinate technical projects one with the other, to set priorities and to link them directly with economic development. Nevertheless this mechanism, weak as it is, is useful. But something better is needed.

Recognizing that the missing prerequisite to our dialogue is decision-making facilities, on the Brazilian side, we might consider some of the possibilities.

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The National Economic Development Bank was designed to stimulate development. With proper staffing, appropriate delegation of authority and interest, this institution could fill the bill. However, under the present circumstances it would not work because of the political orientation of the leadership, the infighting among directors and the lack of interest in subjects other than financing and politics.

The Economic Development Council could coordinate, but it is not properly staffed to handle our bilateral economic arrangements.

The SUMOC Council, which includes all of the principal economic ministries and agencies dealing with finance, has a high level of technical competence but would have to be re-staffed and oriented more broadly to serve the purpose.

The Foreign Office Economic Department, headed by Edmundo Barbosa da Silva, should be the logical coordinating office for the Brazilian Government, but its status among the ministries and agencies has been reduced and many of its personnel at the working level are not competent in economic matters. This shortcoming has been acknowledged indirectly by the present Minister of Foreign Affairs in his appointing a new inter-agency advisory group with Miguel Osório de Almeida as the Executive Secretary and with Roberto Campos as an adviser. Because the committee exists outside the Department of Economic Affairs, there is constant conflict between the two organizations. Another group to coordinate multilateral technical assistance exists and is headed by Wagner Pimenta Bueno. The United Nations TAB representative and other UN agencies have not been satisfied with the coordination nor has there been evidence of cooperation by Pimenta Bueno with the bilateral coordinator, Dr. Aragão.

Responsibility for Brazilian participation in the United Nations specialized agencies and other international groupings centers in the Foreign Office Department of Economic Affairs, but considerable autonomy is given to other Brazilian organizations. For example, the Coffee Institute and the Ministry of Finance dominate coffee negotiations. The Sugar Institute handles sugar, although Edmundo Barbosa da Silva has a strong personal interest and much influence. Trade agreements of various kinds are negotiated through CACEX which is dominated by Ignacio Testa Filho, but the Foreign Office does coordinate to some degree in this area. Wheat purchases, which are government-controlled, were taken from the Foreign Office and put in the Ministry of Agriculture. Oil policy is controlled by the Petroleum Council. International shipping policy is strongly influenced by the financial organs, the Merchant Marine Commission and the government shipping line. The Air Ministry dominates international and aviation policy. In both these sectors, the Foreign Ministry retains an important, but not decisive, voice.

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Brazilian affairs concerning GATT center in the Economic Department and the President of the High Contracting Parties of GATT is presently Edmundo Barbosa da Silva. Valentim Bouças, a former high official of the Ministry of Finance, does much of the detailed negotiating for Brazil. The Customs Policy Council plays an important part in GATT matters. IAEA matters are handled by the Nuclear Energy Commission in consultation with the National Security Council and the Ministry of Foreign Affairs.

Representation at the annual IMF-IBRD meetings is usually headed by the Finance Minister. A new permanent representative, Maurício Bicalho, has just been appointed to represent Brazil and certain other Latin American members. Bicalho has most recently been President of the Bank of Brazil.

An important aspect of coordination of Brazilian problems is the high degree of States' rights. Point IV has entered into agreements with several States and there is strong pressure for even more direct contact. We found nearly insuperable difficulties in lending aid and drought assistance to various regions because the local governors wanted us to deal directly with them whereas we were obligated to obtain Federal Government sponsorship to avoid being caught in the crossfire of governors and President.

Regional organizations, particularly SUDENE for the Northeast, must also be taken into account. Celso Furtado, present head of SUDENE, claims to have sufficient support of the President to override decisions of various ministries or the Development Bank. While requesting Point IV help he has not gone through the Presidential Coordinator.

Certain foundations and universities which constitute the core of Brazil's educational system desire to deal directly with USOM. However, they have been willing to work through the Presidential Coordinator. This applies also to certain trade associations or industrial groups.

Several foreign governments have offered technical assistance to Brazil directly—the Germans and the French have consulted with us from time to time. The French have given sizeable help to SUDENE, as a result of a stated preference by Furtado, without consulting with us.

GOB does not rely solely on her agencies and officials in Rio to conduct her diplomacy but has missions in all of the larger countries of the world. She also has appropriate representation at the sites of the various international agencies. A device which seems to be used with increasing frequency is direct lobbying in Washington. Not only does she have substantial legal representation but she also deals with various pressure groups in the U.S. For example, she accepted willingly the offer of the Mid-West Wheat Growers Association to get support for

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a sugar order from the U.S. She is actively using these channels to obtain a permanent sugar quota.

The multiple points of contact between Brazilian agencies and ours undoubtedly serve to link us closer together and in general facilitate the identification of interests and mutual accommodation thereto. What is missing is a strengthening of the decision-making capacity of the Brazilians and a more institutionalized and orderly channel for viewing together on a day-to-day basis our economic and technical problems. While coordination among U.S. agencies is far from perfect, it is good compared to Brazilian coordination. Much better staffing and coordination of policies and decisions of Washington departments and agencies is needed. Maximum cooperation of representatives abroad, under the Ambassador, is imperative.

The view expressed above implies that all representatives abroad are, in fact, there to serve U.S. foreign policy. The reporting officer has elaborated this point in the paper "Diplomats and Diplomatecs," a copy of which will be forwarded separately. The paper emphasizes the need for better orientation of technicians to use their professional skills in the service of Uncle Sam.

D. CONCLUSIONS

Continual efforts to identify and accommodate Brazilian and U.S. interests is imperative, but difficult. The normal diplomatic mechanisms need to be strengthened and tooled for the increasing complexity of our inter-relationships. Brazilian expectations of us, after elections in both countries during October and November, are high, undoubtedly more unreasonable than ours of her. What follows, particularly where the personal pronoun appears, are personal opinions, not necessarily reflecting Embassy views, as to what we should do concerning the Brazilian desires listed in Part A.

1. For us to give balance of payments assistance to Brazil without some serious stabilization program would be unhelpful to Brazil and against our interests. GOB officials during the campaign and at Bogotá last week reiterated their determination to develop with or without stabilization, and publicly affirmed that, at Bogotá, the U.S. abandoned its "put-your-house-in-order-first" doctrine. Nevertheless, the post-election period offers some hope of a reasonable acquiescence in IMF policy. While we should support IMF fully in inducing stabilization, we should not abdicate our bilateral negotiating freedom with Brazil. The mantle of multilateral anonymity does not hold in this case, because GOB has already presented us to its public as the unseen bogey man in any IMF action. In the unlikely event that the new GOB government evidences no recognition of the need for stability we should limit help to other than Balance of Payments financing. If she shows some acceptable effort to avoid dissipation of her resources,

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we should come forth with tangible encouragement, appropriate to the effort, and done in a way that will underscore our willingness to help. Complete reform of the exchange system or better control of coffee should not be hard and fast prerequisites for initial aid but some reform should be required for extensive assistance. Carrot and stick should both be used.

2a. GOB should have greater access to development loans than heretofore through Ex Im Bank and DLF; the amounts and terms should be considered in the context of our whole economic-technical program, bilateral and multilateral. USG should speak with one voice in Washington and in Rio.

2b. We must implement the Act of Bogotá but we should clarify to the Brazilians the extent of possible help during the next few years. There is danger of expectations that we cannot meet in the immediate future without additional Congressional action. GOB should be disabused of the belief publicized upon his return by Chairman Schmidt that we abandoned our insistence on stability and our hope for major contributions from private enterprise in economic development. Evidently Brazil feels that her victory over the so-called U.S. inflexibility in the Committee of Nine was absolute. Soon after the elections another dialogue, perhaps a bilateral one, will be necessary. It is important that some projects under the Act of Bogotá begin at once. USOM/B's proposal for community water system development is excellent. Brazil's technical competence and detailed plans, together with evident needs, make this a priority project. It could be financed partially from DLF or IDB. Offers for assistance in education at all levels should have high priority. We should stand ready to help development of the Northeast but the manner of such help needs further study of the program and direction of SUDENE.

3a. Bilateral technical assistance should be offered in the magnitude and manner that Brazil is prepared to request and use. It should be aimed at developing human resources by building institutions and multiplying training. We should consider this as fundamental and of over-riding importance. It is basic to our economic interests in Brazil. Moreover, responsible Brazilians want even more technical assistance than we have given so long as we continue to keep it non-political and jointly planned. We should seek to assist Brazil in remedying the institutional imbalances described in Part B above. Our aid should be linked with social and economic reforms that contribute to economic growth and that serve other mutual interests. While Brazil should be required to acknowledge publicly our participation in this and other aspects of her development, we should not be as concerned about getting publicity and public credit on technical cooperation projects as on economic assistance. We should, of course, identify with markers equipment furnished by us.

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3b. The exchange of persons program should be more closely associated with the participant training aspects of Point IV. More flexibility is needed to maximize the technical aspects of the cultural and political exchanges and vice versa. Once it becomes clear that sending Sr. X to the United States is in U.S. interest, either ICA or IES program should be available to offer maximum treatment. Local coordination has been good but the rules are insufficiently flexible. A case in point is the program for labor participants. I think that most of those from Brazil should be sponsored by IES rather than ICA, principally because all ICA participants are obliged to have approval of the Point IV Coordinator, who might not agree to some of the choices made by USOM, the Labor Attaché, a consular officer or a USIS representative.

4a. So clearly is PL 480 a useful mechanism in serving mutual interests of the two countries that negotiation of a new agreement should be undertaken immediately. The Embassy recommendations in Despatch No. 812 and No. 55 already reflect my views. What is important and basic to an agreement is establishment of mutuality of interest. This requires that Brazil, in the first instance, must request the agreement as tangible recognition that we are not merely unloading surpluses in Brazil. She should also agree to acknowledge in writing the benefits in foreign exchange savings and in furthering economic development. I believe that GOB will be ready to make such agreements. Once we have assurances we should be generous and seek to maximize the economic and political advantages to both of us. The conditions of a Title I agreement should be at least as favorable as those to India. It would also be a major achievement for us, on our own initiative, to cancel the gold clauses, i.e., the maintenance of value provision of the second agreement - December 31, 1956. Once a new agreement is under way, we should conduct periodic polls of the extent to which mutuality is being understood. As necessary, we should enter into high level discussions of the problems, always insisting on clear public understanding of the benefits of PL-480 to Brazil.

4b. A study of U.S-owned cruzeiros (U.S.-uses portion) should be made at once with view of accelerating spending to pay official expenses, to cash dollar checks of U.S. personnel, or to finance schools or other high priority projects.

5. Title II assistance may be particularly useful in assisting in the payment of salaries to workers in the Northeast program. Here we could afford to take the initiative in making the suggestion. This would demonstrate our grassroots interest in Brazilian development. Whenever a catastrophe necessitates, we should be ready to offer prompt assistance under Title II as was the case during the drought of 1958 and the floods of 1960.

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6. Title III assistance should continue as desired so long as we have reasonable assurance of Brazilian Government acceptance and of minimum losses. Entry through customs should be simplified. Here we will have to be patient because the facilities are not good. End-use checking in a dignified limited manner is necessary.

7. While the GOB insistence on having a voice in DAG may be exaggerated, it would be helpful to find some means of formalized communication, even an invitation to a Brazilian member of some international economic organization—such as Barbosa da Silva in the role of GATT President—might be appropriate.

8. Considering the size of Brazil, her desperate search for exports and her ability to produce sugar efficiently and cheaply, I believe that she should have a larger place in world sugar markets. An invitation to sell us up to 300,000 tons would have been a major plus in our relations and would have prevented some of the wheat purchases from Russia during the past few months. Brazil's plea for a quota should have an audience.

9a. For us not to give sympathetic help on coffee would be a basic mistake. Our role in negotiating the international agreement gained us much good will. Brazil expects further help in negotiations with other countries, particularly in lowering tariffs for revenue in other consuming countries. She also wants us to desist from giving technical assistance to competitors in coffee production. We have ICA regulations generally prohibit it. She hopes that we will not permit synthetic discoveries to replace our purchases. How we can meet Brazil's wishes on this fundamental point is unknown. We might offer assistance in seeking new uses through scientific research in magnitude unknown in Brazil. Such a manifestation of our interest would gain good will cheaply.

9b. While GOB knows that we have not solved our own surplus problems she is aware of our effort. We should continue to press her for better production and distribution controls both informally on a bilateral level and in the international commodity forums.

10. So firm is the symbol of Petrobrás and so unchangeable the state control of oil that we should no longer consider a change to be possible. Accordingly, it would seem in our interest to help make Petrobrás more efficient. We should, of course, protect American investments in this sector, perhaps as quid pro quo to any help we might be able to give. Enormous good will could be obtained by offering a small loan to Petrobrás. We should go out of our way in avoiding public comments against this chosen mechanism in Brazil.

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11. Our assistance in the atomic field has paid political dividends. We should continue to give scientific help including equipment. We should also be prepared to finance a power reactor if and when a feasible project is presented. We should offer to train Brazilians and to continue and expand our geology education programs. If we should have need for more intelligence on atomic minerals than we now have, say on some new mineral, we should find a way to have geologists in the field in the most unostentatious way possible.

12. Official U.S. help in conjunction with U.S. private enterprise may be necessary for the exploitation of various minerals in Brazil. In principle this would be in our national interest depending, of course, upon the nature of the proposal. Private foreign investors should be encouraged to identify themselves with Brazilians and with Brazilian interests. It will be in their interests and U.S. interests to combine capital; to offer shares to the Brazilian public; to use Brazilian executives and technicians; to act as if the company is here to stay.

13. GOB will continue to press us to take certain surplus minerals which, partly because of their high strategic value to us, we have purchased and encouraged increased production capacity in Brazil. Each case must be considered on its merits.

14. GOB's desire to decrease deficits in invisibles in its balance of payments is understandable, but we will have difficulty in reconciling Brazil's views and ours, on the question of discriminatory shipping practices, unless we are prepared to make some major changes in our long-standing policies. It should be noted that GOB feels, at least partly sincerely, that she is seeking the same kind of preferences that we insist upon for ourselves. The forthcoming aviation consultation will be difficult and there appear to be few important Brazilian demands that we can meet without doing violence to basic world-wide policies and to carrier interests.

15. While we cannot and should not offer gratuitous commercial concessions to Brazil, we should give the same sympathetic consideration to her interests that we do to other comparable countries.

16. Although we are skeptical of tangible progress in the foreseeable future, the objective of a Free Trade Area in Latin America should have our sympathetic ears.

17. Brazil's performance in revising her tariff structure has been exasperating to us and to GATT. Her case for tariff reform was well-taken and the U.S. support that followed probably prevented Brazil's withdrawal from GATT. Also her promises to revise her exchange structure were well intended. However, the turmoil in the economy that came with the Kubitschek 50-years-in-5 development program and the irresponsible party and parliamentary actions left Brazil's GATT

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representatives unable to carry out their plans. Even in the face of damage to national prestige when the next-to-the-last GATT waiver was about to expire, Congressional approval of GATT was not forthcoming; there was no way to get a quorum in Brasilia. Barbosa da Silva and Bouças were beside themselves. Here our understanding and support for an additional 30-day waiver was particularly appreciated. We must always be willing to be understanding and helpful. However, firmness and clarity are sometimes needed to bring about internal Brazilian actions that require an outside nudge. To ascertain appropriate action is the job of diplomacy.

18. In addition to our continued support of the UN Special Fund, we should stand ready to consider development plans and eventually loans following the feasibility study in the San Francisco Valley. Private foreign investment opportunities may be opened up.

19a. As stated in No. 12 above, it is important that foreign capital coming to Brazil should contribute to the development of the country to the maximum degree. Foreigners should let the public know precisely how they are helping Brazil.

19b. We should continue to work with the American Chamber of Commerce and the Brazilian organizations that support and foster private enterprise. Brazilian spokesmen are far more effective than ours. American firms should be encouraged to associate themselves increasingly and more intimately with Brazilians. Considerable progress has been made through efforts of USIS and Embassy to stimulate U.S. and Brazilian groups, especially the American Chamber of Commerce, to publicize the benefits of foreign private investments. This effort should be expanded. Groups which actively sponsor private enterprise, such as CONCLAP, should have our support through appropriate channels. The Embassy should strive to give even better service to business, not only to promote trade but to convince businessmen of their long-term stake in better business practices.

19c. Further U.S. tax benefits, (such as contemplated in the Boggs bill) to American companies investing in Brazil would be helpful. Brazil should be constantly encouraged and shown how to maximize the fruits of foreign private investment. So far foreign capital has flowed to Brazil freely. The Brazilian Government has not been obliged to offer specific inducements to foreign investor except SUMOC Instruction 113 which favors foreigners. There has been little difficulty with remittances and repatriation but there was an evident rise in public debate on the question.

19d. Considering the history of the ill-fated negotiations for an Investment Guaranty Agreement, we should not appear too anxious but be ready to continue negotiation. Our over-eagerness at one point

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led Brazil to look for non-existent hidden motives.

19e. Speculative purchase of land in Brazil by Americans may become serious. Particularly in view of the uncertainty of land titles in Brazil on the one hand and the promotional tactics of certain American real estate companies on the other, U.S. official voices should caution rather than encourage this activity. Too much foreign ownership of Brazilian land, particularly for speculation, would undoubtedly foster ultra-nationalism.

20a. We should continue to seek to keep Brazilian trade with the Soviets and the Bloc at a low level. However, it would seem unreasonable and perhaps unhelpful, at this juncture, for us to make a major issue of Brazil's trading coffee for oil or wheat or capital goods. Not only is there pressure to sell surplus extra-quota coffee but foreign exchange is lacking for oil, wheat, and many other things. Moreover, Brazilian officialdom has been obliged to make a show of "impartiality" and freedom from U.S. domination. One of our post-election priorities should be to seek high-level Brazilian willingness to deal objectively on this matter and to create more public awareness of the risks of large deals with the Soviets.

20b. While Communism has not established a firm bridgehead in Brazil the threat is probably greater than ever. While the Communist Party is illegal in Brazil, it has successfully infiltrated private and governmental institutions, such as the press, labor unions, political parties, etc., and it effectively articulates its programs through its subversion of ultra-nationalist currents; it has been operating openly particularly during the recent pre-election period, and is again seeking legality. It has been especially active among students and labor. The Brazilian Foreign Office, at least, realizes Brazil's inability to cope with a large influx of Soviet technicians and traders and has resisted renewal of diplomatic relations. However, it is hard to convince the public that Brazil should stay at arm's length while other countries, including the U.S., invite trade and cultural exchanges with USSR. Also the fruits of neutralism, in the form of loans and trade, appeal to those Brazilians who would profit, both, politically and commercially. Others can see the risks and a few understand that the Communists want chaos while we genuinely want economic progress. We need to dramatize this fact more than heretofore. Our aid in the Public Safety Project is of basic importance in assisting Brazil to identify and deal with communist agents as well as to provide the public order basic to economic and political growth. We should be ready to expand it as desired by Brazil. We should not be surprised at efforts to discredit it, such as the recent demagogic outburst of Governor Brizola.

21. There is some justification for Brazil's feeling that we have given more help to other countries than to her. The invidious comparison of the moment is India. Brazil feels that she should have comparable treatment. While I agree in principle, the problems are



different and each issue should be decided on its merit. In the case of PL 480, Brazil should be entitled to equal treatment with India or any other country.

The foregoing observations and recommendations are not mutually exclusive, they are not exhaustive and they are not presented on a single principle. But through them runs a thread that our fundamental objective is to identify mutuality of interest. There is also an expression of the view that joint participation in the process is fundamental; that a continuing dialogue at many levels bilaterally and multilaterally is required; that much patience is needed; that we as the larger and stronger country must give most. We should not presume to know what is best for Brazil but should draw her into discussions whenever possible before making decisions about her welfare, whether in Washington, in regional forums or in world councils.

For the Ambassador:

Howard R. Cottam

Howard R. Cottam
Minister for Economic Affairs

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PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, Belo Horizonte, Brazil
DESP. NO. 2

TO : THE DEPARTMENT OF STATE, WASHINGTON.
DATE August 5, 1960
(Pouched on Aug 5, 1960)

REF :---

	ACTION	DEPT.
For Dept. Use Only	REC'D 8/12	INFO OTHER
		COM-12 REP-1 IRC-7 ARA-4 E-3 ICA-11 CIA-10 TAR-2 TR-3 FAO-3 XMB-4 AGR-2 OSD-4 Army-6 Navy-3 NSA-2 CU-4 USIA-1

SUBJECT: ECONOMIC REVIEW - Minas Gerais (June-July 1960) IN-7 4AB-1

INDEX

1. U.S. Trade Mission Visits Belo Horizonte
2. New Fertilizer Plant
3. New Zetor Tractor Shipment
4. Communications and Transport
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6. Republic Steel Obtains Control of Brazilian Firm
7. The Minas Oil Refinery & Pipeline (cont.)

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1. U.S. Trade Mission Visits Belo Horizonte:

The United States Trade Mission to Brazil visited Belo Horizonte in June. During its visit the Mission members had several opportunities to meet with Brazilian businessmen of the Minas Gerais area. The two largest of these meetings were held at the Associação Comercial and the Federação das Industrias, respectively. At these meetings in which over 200 people took part, interest appeared to be enthusiastic although there was a tendency to lecture the Mission on the shortcomings of both United States and Brazilian trade policies.

On the final day of the Mission visit some 25 businessmen sought out members of the team at the Consulate for private interviews at which time proposals brought by the Mission and those presented by local business interests were discussed.

Comment: While press coverage was for the most part favorable there appeared to be misunderstanding both in the press and among some business groups as to the purpose and negotiating power of the Mission. It is the Consulate's opinion that this misunderstanding was generated by the numerous trade missions which have visited Brazil from Communist countries and have been empowered to make final agreements in the name of the government-controlled industries that they represent. This, of course, is in marked contrast to the U.S.Mission which acted more as a catalyst - - - - - - - - - - - - - - - - - - -

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between U.S. and Brazilian business interests in the hope that formal agreement could be reached at a later date.

Of perhaps more serious nature was the criticism that most of the proposals carried by the Mission would increase the market for American products in Brazil while very few of the proposals would assist Brazil in increasing its exports to the U.S. Moreover, the few joint ventures which were offered were concentrated in the light industry category. This complaint may be unique to the State of Minas Gerais. However, it is universally felt here that what this state needs is an influx of basic industry. While any industry would be welcome, local opinion favors the view that with the mineral resources available in the vicinity, the future of the state lies with heavy industry and in developing the area into a Brazilian Ruhr.

Brazilian businessmen apparently are resigned to the red tape involved in obtaining import licenses from the Brazilian authorities. This resignation combined with the present unfavorable exchange rate results in very few of these businessmen being interested in outright purchase of American equipment. They prefer an arrangement under which equipment and other U.S. products can be supplied by American business as its share in a U.S.-Brazilian joint-venture enterprise.

2. New Fertilizer Plant

During the reporting period a new fertilizer plant was opened in Minas Gerais. The firm was originally set up as Fertilizantes Minas Gerais S.A. (FERTISA) with the Minas Gerais State government holding 99% of the stock. As such, it became a plum for political appointees and in 1957 was the center of a legislative inquiry which resulted in its reorganization. Since that time the company has been under the control of Companhia Agrícola de Minas Gerais (CAMIG), a firm which was organized with state and private funds. With a new name, Fábrica de Fertilizantes de Araxá, and under new management, the plant was completed in June and initial production was begun in early July.

The first product to be marketed by the company is a pulverized apatite which is produced with imported German equipment. According to Sr. João Quintiliano de Avelar MARQUES, president of CAMIG the factory will produce 45,000 tons of phosphate fertilizer during the initial stages of production. As the plant is gradually completed production will be increased until planned capacity of 999,000 tons per year is reached in about 1970. Estimated value of plant and equipment is slightly over $1,000,000 dollars.

3. New Zetor Tractor Shipment

Companhia Agrícola de Minas Gerais (CAMIG), also mentioned in

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item 2 above, has received its latest shipment of 643 ZETOR tractors from Czechoslovakia. These tractors which arrived with "Made in Czechoslovakia" signs announcing their origin have been imported as part of an earlier agreement reached between Brazil and Czechoslovakia. The shipment contains 300 units of the Zetor Super 50HP tractor which will sell for Cr$500,000. The remaining units Zetor 25A, 26HP tractors will be sold for about Cr$300,000. Both units may also be purchased under a three-year financing plan.

4. Communications and Transport

Two new hard surface roads were inaugurated by Governor Bias Fortes during the month of June. The first inauguration followed completion of the last 73 kilometer stretch connecting Paraopeba and Curvelo. In effect this opens an asphalt highway halfway to Diamantina in northcentral Minas Gerais. Shortly before the end of July work was begun on the remaining unpaved section to Diamantina.

The second paved road, opened for traffic during June, connects the cities of São João del-Rei and Barbacena. This 60 kilometer spur from the Rio-Belo Horizonte-Brasilia highway is estimated to have cost Cr$300,000,000. Interestingly enough, this highway connects the hometown of Governor Bias Fortes and his heir apparent and fellow PSD member Tancredo NEVES.

5. New Aluminum Plant

The Hanna Group received some good publicity for the first time in several months with the recent announcement that it would participate in the building of an Aluminum plant in Poços de Caldas, Minas Gerais. The firm which will operate under the name of Companhia Nacional de Alumínio, represents investment from three sources: Aluminium Company of America (45%), Byington interests (Brazilian), (35%) and Hanna (20%). According to Mr. Earl Irving, local manager of Hannaco, initial investment will run between 39-41 million dollars. Production is scheduled to begin in 1963 on a 20,000 ton per year basis. A complete aluminum operation is planned from extraction of bauxite to production of aluminum sheet, foil and other aluminum products.

Comment: It is interesting to note that during the visit of the U.S. Trade Mission the above venture was brought to the attention of the Mission during the general meeting held in Belo Horizonte. At that time, the newly formed company was held up as an example of the type of venture that the state hoped to see established in Minas Gerais.

6. Republic Steel Obtains Control of Brazilian Firm

Republic Steel Corporation has purchased controlling interest

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in the Brazilian firm São Carlos Minérios S.A. By this acquisition Republic gains access to a 400 hectare tract of land in Barão de Cocais, some 28 miles east of Belo Horizonte. At present the board of directors is made up entirely of the Brazilian minority stockholders although Republic has sent one American geologist to the site to supervise operations. According to Mr. Richard David Jones, the geologist in question, the company plans to conduct an intensive survey of the 400 hectare area to determine the extent of the ore deposits prior to any large scale extraction. This preliminary operation is likely to take some two years although Mr. Jones admitted that it might be necessary to extract small amounts of ore for local sale in order to comply with Brazilian requirements concerning the working of mineral claims. It has also been learned that Republic is negotiating the purchase of another property, about the same size, in the vicinity of Rio Acima, 14 miles southeast of Belo Horizonte, although this second purchase is temporarily held up because of a disputed title.

Republic is aware of the present difficulties that other American firms are experiencing in the ore export field and it appears that they will sit on the side lines until some definite decision is reached vis-à-vis the Hanna Corp.

7. The Minas Oil Refinery & Pipeline (cont.)

The wheels continue to move slowly toward a final decision on the Minas Gerais oil refinery and its connecting pipeline. Despite local press reports to the effect that preliminary work has begun on what has come to be called the "Juscelino Kubitschek" Refinery and the pipeline, it appears that the fate of the two projects remains in the hands of the Conselho Nacional do Petroleo. Although this group has conducted two preliminary studies on the subject they have postponed final decision on the project until a new report covering financial, economic and technical aspects of the undertaking is completed by Petrobras. The head of this latter group is Newton de Paiva FERREIRA, Financial Director of Rêde Ferroviaria Federal. Speaking before the local Associação Comercial he is said to have stated that he and his commission would have their report in the hands of the Conselho Nacional do Petroleo "within thirty days". Lest local groups become overoptimistic, however, Brigadeiro Henrique FLEUISS, head of Petrobras, has stated that, despite information to the contrary, no definite word can be given at this time as to when a final decision will be made on the refinery project.

Edmund A. da Silveira
American Consul

cc AmEmbassy/Rio de Janeiro

J.K.L.

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE

8
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 5, 1960
DATE

REF : 1957 CERP - Section requirements; Section C, Item 1

AUG 9 - 1960

For Dept. Use Only	ACTION RECD	INFO	DEPT. / OTHER
25	Com-10		Rep-1 Ara-1 IRC-7 E-5 ICA-11
	8-16		Cia.-10 Ag-8 Tar-2 TR-3 FRB

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - July 1960

AMSG-2 XMB-4 Lab-6 IN-7 Army-6 EL-4 OSD-1 navy-3 air-4 USIA-10

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance
7. Labor

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LWS

SUMMARY

The weather continued favorable in July and crops benefited from some rainfalls throughout the month. No unfavorable reports were received from cattle areas. Rice planters will get more for their rice. Due to attractive prices in world markets exporters are anxious to ship soybeans overseas. Less cattle were killed this year by packers. State expects to obtain assistance from European agricultural technicians. Sales reports continued favorable, with cruzeiro amounts well above a year ago. The money market remained tight. Slow progress in electrification program reflects in limited power capacity. General activities were halted for a day in protest of high cost of living.

1. Agricultural Developments:

a. Rice - The first allocation of Federal government funds for IRGA's use totalled Cr$1,250 million, of which Cr$700 million will be applied against the present crop. IRGA has purchased small amounts of rice and in an inactive market, was successful in steadying local prices, although at levels below the established minimum. No further financing is immediately available. It has been announced in the press that Rio Grande do Sul rice growers will now receive a higher ceiling for financing the crop, based on Cr$700.00 per 50-kilo bag, or Cr$120.00 more than previously. This will increase the price to consumers

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by Cr$3.30 per kilo. Price ceilings remain in effect in Rio de Janeiro notwithstanding strong pressures being exerted for increases and as a result, shipments to the North are substantially lower than for the corresponding period last year.

b. Soybeans - Present crop estimates are slightly less than reported in June and now average about 160,000 metric tons. With country-wide industrial capacity rated at 150,000 metric tons, prices have moved sharply upward, the latest quotations being close to Cr$750.00 per 60-kilo bag, as compared with Cr$420,00 for the previous harvest. If exported at current international price levels growers would receive Cr$800.00 per bag; however, exporters are seeking a special premium from Japanese and Polish importers which, if agreed upon, would make foreign shipments even more attractive. Exporters are, therefore, working hard to obtain licenses from CACEX. Industry on its part, hopes to stall the issuance of any export licenses until September, when they estimate about 90 percent of their needs will have been satisfied.

c. Hides - The agreement signed between processors and exporters of hides halted exports of this commodity from the State to forestall shortages in the market. This agreement is about to expire and a new study of the situation will then be made with a view to exporting this item.

d. Wheat - Permission to increase the fixed price for flour has not yet been granted by the Federal authorities in spite of pressure exerted by millers in order to grant a salary raise of 40 percent demanded by workers. Obviously, a rise in cost of flour will reflect in higher bread prices, to which the Supply and Price Control Commission here is opposed.

e. Cattle Slaughter - This year's official cattle slaughter for jerked, frozen and canned beef which was closed late in June showed a total decline of about 50,000 head of cattle from last year's season. Comparative figures released by the local Meat Institute are as follows:

	1959	1960	Difference
Jerked beef	129,726	139,375	+ 9,649
Frozen and canned beef	170,852	111,970	- 58,882
Total	300,578	251,345	49,233

The closing down of the Swift plant at Rio Grande in December 1959 (ref. Despatch nº 19, January 11, 1960) contributed to this drop in killings.

f. Agricultural Policy - Following his recent trip to Europe, Rio Grande do Sul Secretary of Agriculture Alberto Hoffman emphasized in a press statement that this State would soon have the

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assistance of European agricultural technicians, particularly for producing guaranteed seeds. Mr. Hoffmann stated that authorities in Italy, West Germany, France, the Netherlands and Sweden have been favorably inclined to cooperate. The Consulate will report further developments.

2. Domestic Trade and Commercial Activity:

Both retailers and wholesalers report favorable sales, with cruzeiro amounts well above a year ago. Collections of trade bills are said to have improved slightly during the month.

State sales for June 1960 (latest figure available) showed an increase over the previous month. Comparative figures, in thousands of cruzeiros, for May and June 1960, and June 1959 are as follows:

May 1960	June 1960	June 1959
21,853,366	23,981,606	17,135,851

3. Foreign Trade:

The exportation of the rice surplus amounting to 120,000 metric tons of milled rice depends on facilities to be created by the Federal government. A more favorable exchange is necessary because of lower international quotations. Facilities also include the possibility of exporting rice in exchange for Indonesian rubber.

Approximately 150,000 salt-cured hides are expected to be exported from Rio Grande do Sul slaughtering and packing houses during the coming semester (ref. item 1-c above). This figure is comparable to last year's. It is reported that world prices for salted hides have increased and that frigorificos are looking forward to good profits.

No major imports from Soviet Bloc countries have been noticed during the month under review. The local trade believes that business relations with those countries tend to expand because of financing facilities offered by them.

4. Industry and Investment Developments:

Steel Project - The Swedish technicians Nils Bergling and Minkel Mathiesen came to Porto Alegre to assist in the organization of a steel plant to be erected at Charqueadas, municipio of São Jeronimo, coal mine district near Porto Alegre (ref. despatch No. 5, July 7, 1960). These technicians are from the Hoganas Billesholms A.B. which is said to be the Swedish group that will participate in this project.

Survey of Business Problems - Professor Winston Oberg, Point

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Four technician on Public and Business Administration, who is assigned to the University of Rio Grande do Sul recently made a survey of the business problems here. Among the key problems identified in this survey were the following: shortage of capital ; competition from other states, particularly São Paulo, Minas Gerais, and Rio de Janeiro; inflation; a depressed agricultural situation in RGS; transportation; difficulty in getting materials and parts; and lack of good economic data. In this survey apparently the question of relatively higher Rio Grande do Sul taxes and inadequate electric power were not mentioned. The Consulate will submit the full text of Professor Oberg's study in the near future.

5. Transportation and Communications:

State Electrification Program - It has been announced in the press that Governor Brizola signed an agreement with Federal authorities in Rio de Janeiro assigning to the State the responsibility for completing the second stage of the Candiota (thermal) plant. The first stage (under Federal responsibility) is expected to be completed by January 1961 and will generate 20,000 KW. The second stage will generate an additional 20,000 KW. Completion time has not been announced. Financial resources have reportedly been allocated for the entire generating project by the Federal government.

Telephone Problem - A committee has been appointed by the State to evaluate the CTN property. This group will consist of a representative of the State Government, one of CTN, and a third person that will be selected by these two. This is understood to be a preliminary to possible participation by CTN in the proposed mixed capital company to be formed. The Consulate is informed that CTN is awaiting a fair valuation before considering further steps. Further developments will be reported by the Consulate.

6. Finance:

Exchange - The cruzeiro remained relatively steady in the free market during July, averaging Cr$186.90 to the U.S. dollar (check buying rate), compared with Cr$186.70 in June.

At the U.S. dollar auctions for commercial imports during the month of July the general and special category premiums showed little difference from the preceding month levels. The general category dollar premium averaged Cr$210.00 against Cr$213.27, and the special category averaged Cr$163.63 against Cr$160.20 in June. The Soviet Bloc agreement dollar in July averaged Cr$177.00 in the general category. No special category agreement dollars were auctioned.

"Brizoletas" - It has been announced in the press that as of July 12, 1960, "Brizoletas" issued by the State Government, according to law No. 3785 of July 30, 1959, totalled Cr$1,108,521,750.00, of

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which Cr$539,025,650.00 has been redeemed, leaving in circulation Cr$569,496,100.00 at that date. It is further stated that "Brizoletas" are generally accepted because of the fact that they are redeemable at relatively short periods and can also be used for payment of taxes and other Government debts.

Further discussions for the organization of a State Bank for Economic Development resulted in presentation of a draft bill to the Legislative Assembly. State Secretary of Economy Siegfried Heuser announced that this bank will be organized with Cr$150 million initial capital, and that the funds will be obtained from a State appropriation. The bank is supposed to give financial assistance at low interest rates over long repayment periods for State development programs. The inicial capital is proposed to be raised yearly by Cr$250/350 million. The Consulate will report further developments.

Money Conditions - The money market reportedly remained tight. To date IRGA has received less Federal financing for rice purchases. than previously anticipated and, consequently, the market has not benefited from crop money normally in circulation at this time of year.

7. Labor:

A general strike of 24 hour duration on July 6 effectively halted all transportation, commerce, and industry in Porto Alegre and to varying degrees disrupted normal conditions in many other municipalities throughout the State. The strike was a protest against rising living costs, and press reports estimated losses to the State at Cr$240 million. No serious civil disturbances were reported. The Commercial Employees Union filed a request for arbitration with the Federal labor court in order to obtain an increase in salary due to recent failure in reaching an agreement with employers, who offer only 30 percent. Civil servants are paid with considerable delay because of Government's present financial difficulties.

Unemployment - No official statistics on the number of unemployed are available for this State. Governor Brizola stated late in 1959 that there were 130,000 jobless (ref. despatch No. 18, Dec. 9,1959). A local source stated that his figure was mostly based on industrial workers, including seasonal workers in the meat packing industry.

Percy Warner
American Consul

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AUG 10 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 11
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. August 8, 1960
DATE

REF : CERP C-2

For Dept. Use Only	ACTION	DEPT.	REP-1 EAC-7 ARH-4 E-3 ECA 11
	REC'D 8/15	INFO OTHER	CIA-10 IAR-2 TR-3 FRB-3 XIMB-4 AG-8 IM-7 HAB-6 OSD-4 Army-6 Navy-3 NSA-2 USIA-10 C4-4 FAA-5 CAB-6 Air-6

SUBJECT: Monthly Economic Report - July, 1960.

I N D E X

1. Summary
2. Industry and Investments
3. Agricultural Development and Policy
4. Petroleum
5. Transportation and Communication
6. Labor
7. Finance
8. East-West Trade.

1. Summary:

As predicted in our economic report for June, the economy of Bahia improved during the past month. One of the main factors has been the gradual increase in purchase of cocoa by CACEX, although not yet on a large scale. An additional influx of money is also appearing as the first of the 180 day Bank of Brazil notes, issued under Instruction 192, are being liquidated. Exports are moving out in reasonably good volume although tobacco is still affected by the tobacco auctions in Europe. Together with this note of improved general economy there is also a negative side. PETROBRAS, the Brazilian oil monopoly, has had a very poor record of late in payment of bills. Suppliers and contractors for Petrobras are meeting such delays in payment that it is reported by the local branch of the National City Bank of New York that several have requested loan extensions.

The apparent easing of money in the private market has not yet been reflected in the payment of local trade bills. This situation has worsened noticeably over the past month. The level of bank protests during this period is the highest in many months. Another peculiar financial turn has taken place in that bank payments in the interior of the State are actually better than here in the city. The trend has been notoriously the oposite.

President Kubitschek visited Salvador briefly during the month of July and was enthusiastically received. While here he inaugurated

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the floating exhibitions of the accomplishments of his administration aboard the SS "MAUA" which will call at various Brazilian seaports during the next few months. Other Presidential acts performed while here: the signing of a message to be sent to the National House of Congress to approve the increase of royalties for petroleum production in Bahia from 4% to 8%; authorization of federal income tax concessions to four local industries judged to be essential to the economy of Bahia; creation of a group to study the feasibility of establishing a barium industry here; allocation of an additional 750 million cruzeiros to OPENO (Operation Northeast).

2. Industry and Investments

The Consulate continues to receive reports concerning proposed industrial undertakings in this area. While none of the reports is startling this month, they are listed below to indicate the continued trend towards industrialization in the Northeast:

(a) The Caixa Economica Federal (a bank organization) is going to build two apartment blocks in Brotas, a suburb of Salvador. Each block will have seven apartments which will be sold on the installment plan at reportedly reasonable prices to those who have money deposited in their bank. The amount of money to be invested is not known.

(b) Dr. Hans Eilb, Director of the Haemo Laboratory of Vienna, Austria, visited Governor Juracy Magalhães recently to discuss the possibility of installing a laboratory here to manufacture pharmaceutical products. The Vienna laboratory reportedly specializes in the manufacture of Salk vaccines.

(c) The Governor has announced that he will hold a meeting in the near future with the Secretaries of Agriculture and Transportation, representatives of the municipal government and the State Planning Commission to discuss the possibilities of building a cold storage plant in Salvador. The plant would increase the present storage capacity for fresh fruits, vegetables and fish considerably.

This type of storage is badly needed in Salvador. At present, fish and vegetables must be bought in the open market without benefit of adequate refigeration/and spoilage runs high.

(d) Sr. Nelson Rubino de Oliveira, owner of a paper factory in Mogy das Cruzes, State of São Paulo, visited Salvador recently to discuss the possibility of installing a paper factory here. He studied at first hand, the feasible locations of the factory, which requires easy access to raw material -- sisal fiber.

(e) A group of the Associaçãp Brasileira para o Desenvolvimen-



to das Industrias de Base recently visited Salvador to study the possibilities of installing new basic industries here.

(f) The Comissão de Planejamento do Estado (State Planning Commission) has invited a German engineer named Koening to visit Bahia for three weeks in August to make a preliminary survey regarding possible existence of iron ore in the vale do Rio de Contas region. The survey has the backing of the National Department of Mineral Production and is the result of a recent request made by the Governor for technical assistance from Western Germany through the Brazilian Federal Government. This is the first step towards German-Bahian technical cooperation.

(g) The foundation stone for a new fertilizer factory was set recently at Itabuna, Bahia. Itabuna is one of the most important cocoa-producing sections of Brazil. The factory will occupy an area of 10,000 square meters and will be located on the Ilheus-Itabuna highway. It is estimated that the annual fertilizer production will be 20,000 tons. It will be built by the Companhia de Adubos e Materiais Agricola da Bahia (CAMAB) which has applied to the Comissão Executiva do Plano de Recuperação da Lavoura Cacaueira (CEPLAC) for an advance of 20,000,000 cruzeiros, to be invested in the factory.

3. Agricultural Development and Policy;

(a) Cocoa. The major development in cocoa during the period under review was the announcement by Dr. Ignacio Tosta Filho, Directory of CACEX, that he has sold 1,300,000 bags from the 1960-61 Bahia crop. It is reported that for some time now he has been selling only for December-January delivery, so it is assumed that a good portion of these sales are for delivery no sooner than that, and possibly several months later. This means that these sales will be met with cocoa from the mid-crop presently being harvested and also with cocoa from the main crop starting October 1st. It is stated that if this were not true, the local processors would be in trouble for raw material, as the mid-crop is still estimated at between 1,300,000 and 1,400,000 bags at 60 kilograms each. As it is, local factories expect to continue processing beans for CACEX although perhaps on a somewhat reducted scale in comparison to previous crops.

News from the cocoa zone indicates that the weather remains cold and rainy, slowing arrivals into Ilheus and adversely affecting the size of the crop. Estimates for the total 1960-61 cocoa crop now range from 2,500,000 to 2,600,000 bags.

(b) Castorseed and Castor Oil. Two weeks of sunshine in the castorseed zone early in July brought a temporary improvement in the shipment of seed to Salvador. As a result, one of the local oil



manufacturers was able to build up his stock and crush seed at capacity. However, the weather has worsened once more, and the arrivals of seed are falling off again. It has been observed that São Paulo oil manufacturers are beginning to appear in the area as buyers on a large scale. This leads one to believe that the rumors concerning substantial damage to the São Paulo and Parana crops due to frost may be true. During the first half of this year approximately 20,000 tons of seed were harvested in the State of Bahia and it is hoped that the second six months may produce as much as 50,000 to 60,000 tons. The total 1960 crop is now estimated at between 70,000 and 80,000 metric tons.

(c) Tobacco Leaf. Very little tobacco has been purchased by foreign buyers during the past month. Interest remains slack because the auctions of Indonesian tobaccos are still in progress in Europe. Once these auctions are over, the Dutch buyers will probably also drop their demand for a 10% reduction in the prices presently being asked of the local exporters. About 25% of this year's crop remains to be sold abroad, but exporters do not appear to be concerned in this regard. The Netherlands, traditionally the largest buyer of local tobaccos, still has quite a bit to purchase, and it is felt that the West Germans will re-enter the market also. The latter's renewed interest can be ascribed primarily to the large purchases made by the United States this year in Germany's traditional markets, Colombia and the Dominican Republic, thus leaving insufficient quantities to meet Germany's needs.

In the interior virtually 100% of last year's crop has been sold. Preliminary reports indicate that plantings for the crop to be harvested this fall are well under way and on a larger scale than in past years due to the prevailling high price levels. The weather during the next few months is the key factor regarding eventual quality and quantity of the crop, therefore it is too early to give a production estimate.

It has been reported that the President of Brazil authorized a loan of 200,000,000 cruzeiros, through the Carteira de Credito Agricola do Banco do Brasil, to various Bahia cigar factories to avert a collapse in the cigar industry due to lack of working capital. This information sounds rather far-fetched but is reported as heard from a usually reliable source.

(d) Japanese Farmers. 95 more Japanese farmers arrived on the Japanese ship "America Maru" July 6, 1960. As preceding groups, they are destined to the agricultural experimental station "Nucleo Colonial Presidente Juscelino Kubitschek", in Mata de São João, Bahia. (See Economic Summary for April 1960 and previous). It has not been confirmed, but one of the local newspapers indicated that each farmer brought with him $1,000 worth of farming equipment.

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The colony is growing rapidly and it is reported that Salvador could be well supplied with vegetables etc. if transportation were available to ship the goods in from the Nucleo Colonial. When this transportation problem is solved, the food situation in Bahia should improve considerably.

(e) Sr. Zeferino Contrucci, President of the Instituto Nacional de Imigração e Colonização (INIC), arrived in Salvador recently to inspect Federal government-owned farms in the State of Bahia, principally those connected with rubber plantations in Una and Ituberá. Two more immigration posts will be build by the INIC at Senhor do Bonfim and Tucano for the purpose of lodging Brazilian immigrants in transit to southern States.

4. Petroleum:

The following were the important events of the month regarding petroleum:

(a) While visiting Salvador during the month of July, President Kubitschek signed a message to be sent to the National House of Congress to aprove an increase in royalties to be paid by Petrobras to the State of Bahia, from the present 4% to 8%. This will mean an increase in State revenue of 350,000,000 cruzeiros for a total of 700,000,000 million cruzeiros per year from this source alone. The Governor, Juracy Magalhães, suggested that the President issue a Decree to the above effect thus granting an immediate increase, but the President said that he would rather submit it to the House of Congress for action in order that it would be an integral part of Federal law thus assuring continuation after his tenure in office.

(b) He also inaugurated the installation of a new unit at Mataripe which will increase the daily oil production for the refinery to 42,000 barrels.

(c) The plan to open a Petrobras purchasing office in Salvador has finally materialized. Petrobras suppliers located in the south are now seeking office space here since certain goods sold to Petrobras from now on must be invoiced in Salvador. This should provide a welcome boost to the local economy.

(d) An explosion occurred recently in one of the under water oil wells-"Dom João" DJ-266, located at São Francisco do Conde, in the Reconcavo area of Salvador, causing damage presently estimated at 50,000,000 cruzeiros. The fire is still burning out of control and at night the glow on the eastern skyline of the bay presents a picturesque but awesome sight. After several days of suggestions and plans, including one report that the well would be dynamited, it has now been rumored that an American firm, experienced in these

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matters, will be called in to extinguish the fire.

5. Transportation and Communication:

(a) It has been reported that the sum of Cr$43,700,488, which corresponds to the national fund has been made available by the Federal government to pave highways in Bahia. It has been put at the disposal of the State Highway Department.

(b) The local Superintendent of Federal Railway Viação Ferrea Federal Leste Brasileiro, Sr. Alberto de Oliveira Rosas, who recently visited Rio de Janeiro to appeal for federal funds in the amount of Cr$80,000,000 to restore bridges, lines, etc. which were damaged by recent floods (see Economic Summaries for March and April 1960), has returned to Bahia and reported to the press that he obtained the sum of Cr$20,000,000 for said purpose.

(c) President Kubitschek, during his recent visit to Salvador, also signed a decree authorizing the opening of a credit of Cr$350,000,000 for construction of the Bahia-Brasilia highway, to be distributed in the following manner for various road sections: BR-25, 100 million cruzeiros; BR-39 (Jacobina-Remanso), 100 million cruzeiros; BR-39 (Lapa-Correntina and Passe), 150 million cruzeiros.

(d) Paving of the new runway at Ipitanga airfield (Salvador), will be completed within thirty days (See Economic Summary for March 1960). The Commander of the Airbase informed the reporting officer that this runway will be sufficient for modern transport jets, with the ultimate intention that Salvador will be a stopping place for international flights. The field averages very good visibility and will probably at least serve as an excelent alternate field for international flights.

6. Labor:

(a) According to a recent decision rendered by the Regional Court, a new salary schedule for the employees of the local flour mill, Sociedade Anónima Moinho da Bahia, has been established and will be published in the near future.

(b) An agreement was signed July 26, 1960 at the local office of the Regional Labor Court establishing a new salary achedule for newspapermen. They received an accross-the-board increase retroactive to June 15, 1960. In addition, they will receive another increase of 20% when the new minimum wage is established for the country.

(c) Cotton mill workers and manufacturers of the Companhia Fabril dos Fiaes recently received a salary increase of 25%-30%.

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There are many other reports of salary increases and proposed increases, all of which indicates that the cost of living will continue to rise in this area.

7. Finance:

According to the State Internal Revenue Department Cr$849,720,365 were collected during the first seven months of 1960 which constitutes an increase of Cr$191,012,024 over the same period in 1959.

8. East-West Trade:

Exports to Soviet Block countries during the month of July were as follows: Poland, 1,362 metric tons of cocoa beans, 200 tons of sisal fiber and 6,022 tons of manganese ore; Czechoslovakia 1,943 tons of iron ore.

James M. Flanagan

James M. Flanagan
American Consul

CC: Embassy, Rio de Janeiro,
Counselor of Embassy for Consular Affairs.

File 500

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 113 DESP. NO. — August 10, 1960 DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C-1

For Dept. Use Only	ACTION	DEPT. INFO OTHER
	RECD	

SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period covered July 24 - August 6, 1960)

INDEX

1. Currency Issue Increases
2. Sugar Sales to U.S.
3. Wheat Supply - 1960
4. Coffee Export Record Set for July
5. President Approves Appropriation for Air Navigational Aids and Traffic Control
6. Heavy Jets Begin Use of Rio's International Airport
7. Attacks in Chamber Against Pan Am-Panair Ties
8. Formation of Railroad Association
9. Rio Grande do Sul Iron and Steel Projects

* * *

1. Currency Issue Increases:

The outstanding currency issue increased by Cr$2.1 billion in July, following an increase of Cr$2.6 billion in June. Accordingly, the increase during the first seven months of 1960 aggregated Cr$10.8 billion as compared with an increase of Cr$8.1 billion during the same period of 1959. In percentage terms, the increase during the first seven months of 1960 amounted to 7.0 percent, as compared with 6.8 percent during the same period of 1959. (UNCLASSIFIED)

2. Sugar Sales to U.S.:

On August 3, 1960, Brazil sold the entire U.S. sugar allotment of 100,347 short tons to six buyers at a reported $109.878 per ton Recife and $108.268 FOB per ton Rio/Santos. It is expected that 20,000 tons will be loaded out at Recife on August 8 or 9. There are an additional 80,000 tons in Santos awaiting ships. Brazil has set a deadline of September 5 for the 100,347 tons to be

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on board and afloat toward the U.S. Each company being awarded a bid will have ten days, from date they are notified sugar is ready, to secure ship and begin export operations. Any firm failing to comply with this requirement will have its award cancelled.

One lot of 60,000 tons of Brazilian world sugar quota was sold to Cuban sugar dealer Julio Lobo, acting through his Brazilian agent, Umberto Costa Pinto, on behalf of the Olavarria Company of New York. The Brazilian Sugar and Alcohol Institute states that this sale will in no way interfere with the prompt delivery of the 100,347 tons of sugar to the U.S. (OFFICIAL USE ONLY)

5. Wheat Supply - 1960:

CACEX has furnished the Agricultural Attaché a breakdown of calendar year 1960 wheat supply as shown in the following table:

Source	Metric tons
Argentina (contracted)	720,000
Argentina (to be contracted)	280,000
Russia (contracted)	150,000
U.S.A. (contracted)	398,000
U.S.A. (contracted)	102,000
National wheat	370,000*
Source yet unknown	380,000
Total 1960 Supply:	2,400,000

(*) It is believed that within this quantity are 30,000 tons of nationalized Argentine wheat, plus 70,000 tons of "Paper Wheat". Statistically wheat consumption will be shown about at the 1959 level, but actually it will probably be somewhat less.

Indications are that the Brazilian Government has given up any hopes of receiving calendar year 1960 imports from a third P.L. 480 Agreement; therefore, the Wheat Consultive Commission has decided upon the following program to obtain the 380,000 ton shortfall:

(1) Additional 200,000 from Argentina;
(2) Additional 50,000 from Russia;
(3) New contract 10,000 from Rumania;
(4) Various payments - 120,000. (This 120,000 tons could be obtained by barter arrangements. It is understood that one U.S. grain firm has offered 20,000 tons of wheat for Brazilian tungsten.)

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Of the total wheat imports of near 2,000,000 tons, only 899,241 tons had been received or afloat by August 1, 1960. (OFFICIAL USE ONLY)

4. Coffee Export Record Set for July:

During July 1960, coffee exports amounted to 1,919,258 bags, an all time record for the month. July 1959 exports were 1,891,649 bags. Of the July 1960 exports, 165,000 bags were shipped to the Soviet Union. (UNCLASSIFIED)

5. President Approves Appropriation for Air Navigational Aids and Traffic Control:

On August 3, President Kubitschek signed a bill appropriating 1.725 billion cruzeiros to the Air Routes Directorate (DRA) of the Air Ministry for air traffic control and safety purposes, including the installation of modern air navigational aids at key airports in the country. (UNCLASSIFIED)

Comment: The appropriation, if released by the Ministry of Finance promptly, should permit a marked acceleration in the DRA program to improve air safety facilities and procedures. One very important segment of this program, the installation, with substantial USOM support, of up-to-date navigational aids at the Rio de Janeiro, São Paulo and Pôrto Alegre airports, has suffered significant delays as a result of DRA's chronic shortage of money. (OFFICIAL USE ONLY)

6. Heavy Jets Begin Use of Rio's International Airport:

Ten days after the formal inauguration by President Kubitschek of the lengthened and completely repaved runway at Galeão International Airport for heavy jet operations, VARIG, on July 29, began Rio-New York service with Boeing 707-420 jets. By August 3, other carriers had started jet service to Rio, Pan American and Braniff with 707's and BOAC and Aerolineas Argentina with Comets. (UNCLASSIFIED)

Comment: At present only about 2700 meters of the planned 3300 meters (10,800 feet) of Galeão are in use. Of the 600 meters still lacking, 100 have not yet been built, a section of 300 meters was not acceptable to the Brazilian authorities and the contractor is redoing it, and about 200 meters represent a safety zone for the construction still going on. Qualified observers, including airline pilots, have criticized the new runway on the grounds that some sections are very rough. (OFFICIAL USE ONLY)

7. Attacks in Chamber Against Pan Am-Panair Ties:

O Globo and Ultima Hora have published, as paid material, extensive excerpts from two of a series of recent speeches by Eloy Dutra, ultra-nationalist, demagogic deputy from the State of Guanabara, attacking the control which he claimed Pan American World Airways is continuing to exercise over Panair do Brasil in spite of the reduction of PAA's holdings in the Brazilian air carrier from 48 to 30 percent (BWER 5, June 21, 1960). In the course of making his charges, which, by and large,

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covered old ground, Dutra spoke in support of a bill before the Chamber to limit foreign participation in Brazilian airlines to 20 percent of the total stock. (OFFICIAL USE ONLY)

Comment: The Embassy has reason to believe that the publication in the two papers of the Dutra statements was paid for by VARIG. The Dutra attacks appear to be a belated reaction to the Pan Am sale of stock to the present Pan Am-oriented board of directors of Panair. As a result of the sale, the dissident stockholders (opposed to Pan Am), some of whom have close ties to VARIG, appear to have lost by a narrow margin a majority of the outstanding Brazilian stock. In addition to having the obvious negative effects on Pan Am, the publicity being given the attacks may well be intended to embarrass Panair at a time when it is seeking financing for its DC-8's in the United States. (OFFICIAL USE ONLY)

8. Formation of Railroad Association:

In an August 3 ceremony at the Engineering Club, the Brazilian Railroad Association (Associação Ferroviária Brasileira) was formally organized. The Association, whose fundamental goal is the development and improvement of the Brazilian railroads, is composed of persons, companies and entities interested in the various aspects of rail transportation. Manufacturers and suppliers of railroad equipment and railroad construction contractors have been principally responsible for the creation of the Association and provide its principal officers as well as, presumably, the bulk of its financing. The announced program of action of the Association includes such laudable aims as: the support, before public authorities, of measures to provide better rail transportation; cooperation with railway managements in the improvement of operating methods; the stimulation of public interest in railroad matters; efforts to bring railroad legislation up to date and into harmony with the present economic circumstances of the country; the encouragement of research with a view to the application of improved techniques in the railroad field and the promotion of railway conferences. The president of the Association is Dr. Jeronimo Monteiro Filho, who holds the chair of transportation at the University of Brazil. (UNCLASSIFIED)

Comment: The essentially private character of its membership should be helpful to the Association in the attainment of its goals. The participation of the major railroad suppliers and contractors is, of course, not totally disinterested—the railroads have been notoriously slow in paying their bills and this tendency has become more pronounced recently--but the financial resources of the principal members of the Association should enable it to make at least a good try in developing a "railroad mentality" to accompany the well-established "highway mentality" in Brazil. In a sense, the creation of the Association is a permanent extension of the series of Engineering Club debates on the present critical situation of the railroads. (OFFICIAL USE ONLY)

[redacted]

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9. Rio Grande do Sul Iron and Steel Projects:

News reports of an iron ore discovery and subsequent report of a plan by Governor Brizola to build a self-financed steel mill have probably more political than real significance. The iron ore deposits in this region are generally known to be poor. The fact that Companhia Siderúrgica Nacional will have nothing to do with the project is a good index of this fact. (OFFICIAL USE ONLY)

For the Ambassador,

Edward J. Bash
Commercial Attaché

Approved:
William A. Fowler,
Counselor of Embassy
for Economic Affairs

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FOREIGN SERVICE DESPATCH

FROM : Amconsgen SÃO PAULO

54
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 12, 1960
DATE

REF : CERP C - General Interest

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	ACTION	DEPT.	
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REC'D 8/22		OTHER	COM-12 ARMY-35 NAVY-20 AIR-30 OSD-1 AEC-2 USIA-10 AID-7 TN-7 TR-3 ZAR-2 FRB-3 IVSA-4 CIA-16 CAB-6 XMB-4 FAA-5 CAB-6

SUBJECT: Biweekly Economic Review (July 29 - August 11, 1960)

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1. São Paulo Gets East German Road Tractors
2. USSR Vessel Brings Wheat But Loads Nothing
3. São Paulo Finance Secretary Confers With Rio and Guanabara State Counterparts
4. Rural Society Urges Government Support Coffee Market
5. Development of Landing Facilities for Jet Aircraft
6. Cia. Paulista de Força e Luz Installs Two More Generators
7. Petrobras Drills at Guarei, São Paulo
8. Bakery Workers Strike

1. São Paulo Gets East German Road Tractors

Three São Paulo municipalities, Cravinhos, Americana, and Florida Paulista, each got one of the first 20 road tractors imported from East Germany. These tractors came under the transaction involving an exchange of coffee (see item 3 of despatch 263, January 29, 1960). Some 85 other São Paulo municipalities are to receive East German tractors when they arrive. The landed cost of these tractors is placed at Cr$1.5 million each, with exchange conceded by the Federal Government at cost (Cr$100 per U.S. dollar). The municipalities are to pay for the tractors in five equal annual installments.

2. USSR Vessel Brings Wheat but Loads Nothing

The USSR vessel "Uscile" arrived at Santos with 6,000 tons of wheat. This vessel originally was scheduled to take 90,000 bags of coffee on its return trip to Leningrad. Instead, it was instructed to proceed in ballast to Argentina and pick up a cargo of hides and other Argentine goods. The press reports that Kenyon & Cia., Santos agents for the Soviet vessels, received word that the next USSR boat coming to Santos also would not take coffee on its return trip.

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3. São Paulo Finance Secretary Confers With Rio and Guanabara State Counterparts

Mr. Francisco de Paulo Vicente de Azevedo, São Paulo State Secretary of Finance, left for Rio de Janeiro on August 4, 1960, to confer with his counterparts of the states of Rio de Janeiro and Guanabara. The meeting was called at the suggestion of the Governor of the State of Rio de Janeiro. The main subjects to be discussed were a fiscal agreement between the three states, and the harmful effects of the bill before the Federal Congress since last year which would alter collection of the sales tax to the location of the buyer instead of the seller. If this bill passes, the State of São Paulo stands to lose substantial revenue, as it is the principal industrial center of Brazil.

4. Rural Society Urges Government Support Coffee Market

On August 4 the Brazilian Rural Society sent a telegram to the Minister of Finance urging the Government to support the coffee market by resuming coffee purchases, as promised by the Minister during a recent visit to São Paulo (see item 3, despatch 29 of July 29, 1960). The Rural Society alleged that farmers in the interior needing ready cash could get no more than 70 percent of the base price set for financing in selling their coffee.

5. Development of Landing Facilities for Jet Aircraft

According to local press reports a 1,200 meter (3,856 feet) elevated extension to the Congonhas airport main runway is planned. The proposed extension would be built over a shallow valley at the south end of the present runway and would increase the length of the present main runway to approximately 9,980 feet. The extension would enable large jet airplanes to operate from Congonhas instead of the Cumbica military airport, which is 30 to 45 minutes by automobile from downtown São Paulo.

Viracopos airport, now under construction in the vicinity of Campinas, was recently designated as an alternate airport for jet operations although it is not expected to be in regular operation before the end of 1960. Viracopos is an hour and a half by bus from São Paulo, which many industry sources believe to be too far. Furthermore, some industry spokesmen have alleged that the use of Viracopos would increase airline operating costs by 30 percent. These same sources have suggested that military operations be transferred from Cumbica to Viracopos and Cumbica converted to a civil airport.

6. Cia. Paulista de Força e Luz Installs Two More Generators

The Cia. Paulista de Força e Luz (American and Foreign Power) installed two more generators at its Peixoto plant. These are generators of 47,500 KW each and bring the installed capacity at the Peixoto plant to 190,000 KW.

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7. Petrobras Drills at Guarei, São Paulo

Petrobras, the Government petroleum monopoly, is drilling a test well at Guarei, 100 miles due west of the City of São Paulo, to determine the possible existence of petroleum in commercial quantities. The drilling is being done by Geoperfuradora Brasileira S.A. under contract with Petrobras. Three months are expected to elapse before results are known. Drilling is to take place to a depth of 800 meters.

8. Bakery Workers Strike

Some 12 thousand São Paulo bakery workers walked off the job for 24 hours on August 4 and won a wage increase of 40 percent over existing wages. The strike shut down approximately 80 percent of the bakeries and particularly affected the city's supply of bread. Although a few minor incidents of violence were reported, the strike was in the most part peaceful.

Comment: A few weeks ago São Paulo gas workers struck and gained an increase of 38 percent. With the bakers gaining an increase of 40 percent, it now appears that wage settlements in this election year will be higher than in 1959 when the pattern was between 30 and 35 percent.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil — DESP. NO. 5

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE August 12, 1960

REF : CERP Requirement Section C, Item 2.

For Dept. Use Only — ACTION — INFO — DEPT. Rep-1 Area-4 INR-7 E-5 ICA-11 — OTHER Tr-2 Com-12 Treas-3 Fin-3 Dist-6

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - JULY, 1960

SUMMARY

During July 1960 retail sales were at a somewhat higher level than that reported for the past two months. Fresh meat is still in short supply at high prices, and fish, although abundant, has increased considerably in price. During this period credit to business has been easier. An adequate supply of wheat flour is now assured until December 1960, as there are ample stocks of grain on hand. Local retail outlets are continuing active trade promotion and advertising campaigns with satisfactory results.

The financial situation of the region is considered fair. SPVEA has allocated funds for several projects in the States of Pará and Amazonas. The Pará State revenue has been substantially increased. Those municipalities in the State of Para that are considered producing centers of Brazil nuts will receive financial assistance from the Brazil Nut Assistance Funds. Small farmers will be financed by the State Production Department on the basis of 50% of the value of their annual crop.

Imports during July 1960 increased slightly and exports continue to be very active.

With the installation of the third turbine, the Belém power plant is now generating a total of 22,500 KWS.

German firms are showing steady interest in purchasing large amounts of manioc flour, guarana seeds and black pepper from local firms.

The National Road Paving Fund allocated thirty million cruzeiros to the State of Pará for the month of July, 1960. By the end of 1960 the total allocation will be 150 million cruzeiros. Thirty million cruzeiros have been earmarked for the construction of a highway between Bragança and Vizeu, the work to be done by the Pará State Highway Department.

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DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Local merchants report that during July 1960, the overall sales volume was higher than that for the previous month. This was due in part to frequent arrivals of ships from Southern and Northeastern Brazilian ports that carried sizable quantities of goods and merchandise. Prices were thus kept at more reasonable levels with the exception/

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with the exception of a few food stuffs that continue to go up, such as butter, Nestle's products (powdered and condensed milk), cocoa, edible vegetable oils, laundry soap and lard.

Fresh meat in Belém continue to be in scarce supply. Meat packers are doing their best to meet the needs of the population, which is growing quite fast, a fact that can make the supply problem steadily worse. At present, fresh meat sells at 90/120 cruzeiros a kilogram. Fish supply has been fair to good, but top quality fish is retailing at 140 cruzeiros a kilogram which is considered highly expensive.

During July 1960, broader credit to business was provided by the local banks, making it possible for merchants to expand their operations.

The Moinho Paraense of the Sorim do Brasil S. A., in Belém, Pará, has received from Argentina two shipments totaling 5,500 tons of raw wheat. This quantity together with an additional 9,500 tons of Brazilian wheat that will be received within the next month, will be sufficient to supply this region with wheat flour and flour products until the end of 1960.

Retail trade circles in this part of the country are realizing more and more that sales promotions and advertising underlie any successful operation. In this connection, it has been noted that stores, even in the interior, are making full use of promotion devices coupled with advertising campaignthrough all available media. It is certain that results have been satisfactory.

F I N A N C E

During the period under review the financial situation in the Amazon Valley continued fair. SPVEA has released additonal funds for the electric power plant at Manáus, construction of raods and airports in the State of Amazonas, and some other projects (sawmills, tanneries) that are being undertaken by privates concerns. In the State of Pará, in July 1960, a total of 800 million cruzeiros was paid by SPVEA into the Agricultural Developing Fund of the Amazon Credit Bank and to other government and private enterprises.

The State of Pará Finance Department has reported that the State revenue has increased to a level 40% higher than that reached in the previous month. The production of Brazil nuts and black pepper as well as the systematic collecting of state taxes, have been the principal factors influencing the improvement of the State financial situation. The Brazil nut producing centers will benefit from a law that created the Fundo de Assistência a Castanha (Brazil Nut Assistance Fund). In this way, 50% of the revenue accrued from the 10% tax on the nut production will be allocated to FAREP (Agricultural-Rural Federation of the State of Pará) and the other 50% to the State Production Department. This law stipulates that monies from the Fundo de Assistência a Castanha, must be used in the development of the production of Brazil nuts. Furthermore the municipalities that produce Brazil nuts, are going to receive their share retroactively effective 1954.

The State of Pará/



(Classification)

The State of Pará Production Department has been authorized to finance small farmers in this region, on the basis of 50% of the value of annual crop. This financing is to be made by the Production Department for the time being. After the Pará State Bank begins its operations, it will undertake this financing.

The exchange free market during July 1960 went as follows: July 1st Cr$187.50 for purchase, Cr$182.50 for sale; July 31st Cr$185.80 for purchase, Cr$181.50 for sale, to one US dollar. The fluctuation in this period was Cr$187,50 for purchase and Cr$182.50 for sale, the highest; Cr$185.80 for purchase and Cr$181.50 for sale, the lowest, to one US dollar.

IMPORTS AND EXPORTS

During July 1960 there were received some shipments of raw wheat, road building and farm machinery, dried cod fish, olive oil and fertilizers. Export business was fairly active with shipments of Brazil nuts, black pepper, lumber, mahogany logs, wild animal hides and skins, alligator leather, manioc meal, balata and massaranduba gums.

ELECTRIC POWER

The Força e Luz do Pará S. A., put in operation in late July a third turbine with a rating of 7,500 KWS. The total output of the plant is now 22,500 KWS, which enables Força e Luz do Pará S. A. to meet a larger portion of the city's power requirements. A fourth turbine is expected to be in operation by mid-1961, bringing the plant's total capacity to 30,000 KWA. However, it is anticipated that by that time 30,000 KWS will be far below the actual power and light needs of Belém.

FOREIGN TRADE

The State administration has revoked the act that had halted shipments of manioc meal outside the State of Pará. A German concern is greatly interested in buying large quantities of this commodity to be used in the manufacture of balanced feeds for animals. During July 1960 approximately 10,000 tons of manioc meal were exported to Bremen, Germany. Larger orders will be filled in the coming months. Firms in Hamburg, Germany, have started negotiations with local shippers regarding the supplying of large amounts of black pepper and guarana seeds.

TRANSPORTATION AND COMMUNICATIONS

The Fundo Nacional de Pavimentação (National Road Paving Fund) paid in July to the State of Para Highway Department the sum of 30 million cruzeiros, corresponding to the share allotted to this State for July 1960. By the end of 1960 the State Highway Department will have received the total allocation of 150 million cruzeiros from the Fundo Nacional de Pavimentação, which will be used in the improvement of the roads throughout the State of Para.

The State Legislative/



Encl. No.
Desp. No. 5 - 8/12/60
From Belém, Para, Brazil

UNCLASSIFIED
(Classification)

The State Legislative Assembly of Pará has approved a bill authorizing the construction of a highway connecting Bragança to Viseu, running about 60 miles. Thirty million cruzeiros have been allocated for this work, and construction will start very soon.

A. José DeSeabra
American Consul

c.c.: American Embassy, Rio de Janeiro, Brazil.

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FOREIGN SERVICE DESPATCH

FROM : American Consulate, Curitiba, Brazil

9
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 12, 1960 AUG 12 1960
DATE

REF : CERP Section G2

55 For Dept. Use Only	ACTION	DEPT.
	COM-12	REA-1 IRC-7 ARA-4 E-3 ICA-11
	REC'D 8/20	INFO OTHER CIA-10 IAA-2 IRS-3 FRB-3 XMB-4 AG-8 Army-6 Navy-3 NSA-4 CIA-4 USIA-10 FCC-1

SUBJECT: ECONOMIC SUMMARY FOR JULY 1960 IN-7 LAB-6 OSD-4

832.00/8-1260

I SUMMARY:

Coffee exports out of Paranaguá declined somewhat over last month's figures but the amount of newspaper space devoted to the subject increased heavily.

Lumber exports continued low but there was a small increase at the beginning of August.

Retail sales were normal with a slight pickup around the end of the month in anticipation of Father's day. Credit conditions remained very tight and there were reports that some borrowers were unable to meet their obligations when loans came due.

New statistics on the cost of living show a 4% increase during the first 4 months of 1960. This conflicts with previous statistics issued by the same organization (the State of Parana Dept. of Statistics) showing a 10% increase during the first 3 months of the year.

The National Convention of Railway Workers was held in Curitiba and resulted in a flood of resolutions, most of them concerned with an increase in salary levels, the right to strike privilege and medical assistance to current and retired workers.

II AGRICULTURE

BRANCH CONSULAR RECORDS

1960 AUG 30 bM 1

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NAME OF OFFICER & OFFICE SYMBOL	RECEIVED	DATE OF ACTION	DIRECTIONS TO RM/R

SEP 8 1960

LWS

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II. AGRICULTURE

1. Coffee

Shipments out of Paranaguá during July amounted to 181,000 bags, a slight decrease over June shipments. Paraná coffee growers are asking for immediate financing of at least 25% of the new year's coffee crop.

Paraná state authorities want to impose a tax of 4.5% on coffee sales to the I.B.C., the tax to be collected upon delivery of the coffee to Paranaguá. The issue has become a political one, the P.S.D. defending the necessity of the payments, while the opposition parties are opposed.

Sources: "Diário do Paraná", July 1, 3, 5, 6, 7, 8, 14, 17, 20, 1960.
"Estado do Paraná", July 1, 3, 8, 12, 24, 29, 1960.
"O Dia", July 1, 12, 15, 1960.
"Gazeta do Povo", July 1, 3, 9, 12, 22, 27, 29, 1960.

2. Lumber

At the beginning of August imports of lumber by Argentina increased somewhat but not sufficiently to make a big dent in the supplies of lumber stored in the port city of Itajaí. The reporting officer was informed that lumber shipments out of Itajaí to foreign ports during the past twelve months were only about 35% of what they were a year ago. Argentina imports lower grade lumber which the United States and Europe are not willing to accept. Even so, there appears to be sufficient work in Itajaí to keep the stevedores busy, the virtual cessation of Argentine imports notwithstanding.

Sources: Personal observations and
"Diário do Paraná", July 2, 5, 8, 1960.
"Gazeta do Povo", July 1, 2, 1960.

III. LABOR

1. Minimum Wage

Labor leaders in Curitiba have been traveling to the interior of the state to drum up enthusiasm for an increase in the minimum wage from Cr$ 4.500,00 to Cr$ 9.000,00. The unions are attempting to get a single minimum of Cr$ 9.000,00 for the whole state. There are two sub-regions in the state with minimum salaries lower than Cr$ 4.500,00. The "Day Of Protest" boycott of Curitiba stores has been put off and there are no indications of when, if ever, it will be held.

2. National Railway Workers Convention

The second national Convention of Railway Workers was held in Curitiba

in Curitiba from July 16 to July 20. Workers from Paraná, Santa Catarina, Rio de Janeiro, Minas Gerais, Espirito Santo, and even one or two from Pernambuco attended. About 200 were present in all, and to this observer, the Convention appeared to be characterized by a distinct lack of enthusiasm. Most of those in attendence were more interested in obtaining their fellow worker's autographs than in listening to the drone of the secretary reading the more than 50 resolutions adopted. There was no evidence of any interest in, much less any enthusiasm for, the resolutions adopted. The resolutions were concerned with medical assistance to retired workers, participation in right-to-strike legislation and higher pensions. Another called for an increase in the minimum wage to 10,800 cruzeiros. There was also an appeal for support for ~~support for~~ the national automobile and tractor industry and another resolution asked for decreased dependence on foreign industry".

SOURCES: Personal observation and
"Diário do Paraná " 7/16; 7/20; 7/21
"Estado do Paraná" 7/18; 7/21; 7/13
"O Dia" 7/15; 7/17; 7/19

IV - INVESTMENT:

There were two comments during the month about the operations of the Cleveland Cliffe Iron Company in the Vale Rio Doce and the Hanna Mining Company. The generally pro-United States "Diário do Paraná" claims that the Cleveland Cliffe investment in Brazil really does not offer Brazil any guarantees that it will profit from the agreement and puts the risk for the investment on the Brazilian Government." Diário "is in favor of the Hanna investment because it claims it will provide Brazil with yearly exchange receipts of 50 million dollars and that Hanna will finance a complete iron ore shipment installation.

"O Dia", a leftist, ultranationalist sheet condems both investments, the Hanna project being described as an international trust's "Assault".

COMMENT: Much of the discussion about Cleveland Cliffe and Hanna can be attributed to the fact that this is an election year and that the PSD press loses no opportunity to expand on the "nationalist" theme.

SOURCES: "Diário do Paraná", Curitiba, 7/7/60
"Estado do Paraná", " 7/29/60
"O Dia" " 7/5/60

V. TRANSPORTATION AND COMMUNICATIONS

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V. TRANSPORTATION & COMMUNICATIONS

1. Ports

Port taxes in Paranaguá are likely to be increased by 50% to eliminate a deficit of 30 million cruzeiros. A federal appropriation of 750 million cruzeiros will be used for renovating warehouses, grain elevator construction, and purchasing loading and unloading equipment.

Sources: "Estado do Paraná", 5, 21, July, 1960.
"Gazeta do Povo", July 8, 1960.
"Diário do Comércio", Paranaguá, July 2, 29, 1960.

2. Highways

The much heralded "opening" of the Curitiba-São Paulo highway may be held on schedule (Sept. 12), but the highway will not be completed until at least December (see Curitiba Economic Summary for May 1960). There are large stretches which have not been asphalted and some areas where the earth has not even been cleared.

Sources: "Diário do Paraná", July 6, 22, 1960.
"Gazeta do Povo", July 27, 1960.
Personal observations.

3. Telephone & Telegraph

(1.) An agreement has been reached between the Companhia Telefonica Nacional (an I.T.& T. subsidiary) and the Curitiba city government according to which the Company will install 11.000 new lines over a period of three years, with about 1.000 being installed during the coming year. The agreement is said to be in line with "the plan for the progressive nationalization of the telephone equipment industry" ("Standard Electric", "Ericson do Brasil") and "Siemens do Brasil" will provide the equipment).

Comment: The main issue continues undecided, namely the rates CTN will be permitted to charge. However, the company has agreed that it will not finance the program out of debenture issues. The equipment will be 30% national during the first year of installation, 50% during the second, and 85% during the third.

Sources: "Diário do Paraná", July 24, 1960.
"Estado do Paraná", July 14, 1960.
"Gazeta do Povo", July 8, 1960.

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(2). Companhia Paranaense de Energia Elétrica (COPEL), which furnishes power to a number of municipalities in Paraná, is bankrupt. Its creditors have demanded payment of more than 17 million cruzeiros. The state government holds 98% of the company's shares but the state claims it has no money. The most immediate effect of COPEL's financial failure was felt in Paranaguá where the company which sold generators to COPEL threatened to withdraw the generators, thereby depriving the city of power. The city government decided to loan COPEL 28 million cruzeiros from funds it is due to receive from the state government. This, however, has created public discontent. It is claimed that the city is robbing the people to pay the state's debts. Pending receipt of the state funds the city of Paranaguá is incapable of doing anything.

Sources: "Monitor Comercial do Paraná", July 31, 1960.
"Diário do Paraná", July 13, 14, 20, 30, 1960.
"Estado do Paraná", July 5, 8, 19, 20, 1960.

VI. DOMESTIC TRADE & COMMERCIAL POLICY

Prices: Prices continued to rise in Curitiba. Onions rose from 40 to 80 cruzeiros per kilo, sugar from 22 to 30 cruzeiros per kilo, cheese from 150 to 180 cruzeiros per kilo, powdered milk from 90 to 110 cruzeiros per kilo. A study put out by the Paraná State Department Of Statistics shows that the cost of living rose by 4% from March to June of this year. However, during the same period of 1959 the increase was only 1%. - The price of black beans, however, has declined to 22 cruzeiros per kilo in Curitiba and is as low as 8 cruzeiros per kilo in Northern Paraná.

VII. FOREIGN TRADE & COMMERCIAL POLICY

Brazilian Sugar To The United States

In general, newspaper opinion is favorable to the sale of Brazilian sugar to the U.S. Most newspapers perhaps overly sensitive to possible criticism by the Castro regime adopt the line "politics is one thing, business another". A number of labor organizations, among them the Paraná Federation Of Industry Workers, have expressed opposition to the exports. Federation President, João Wagner, says Brazilian exports would show "lack of delicacy" with regard to the Cuban people and would be "prejudicial to the Brazilian internal market".

Edward M. Rowell
American Consul

cc: Counselor for Consular Affairs
American Embassy, Rio de Janeiro

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro — DESP. NO. 138

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE August 22, 1960

REF : CERP C-1

	ACTION	INFO	DEPT.
For Dept. Use Only	ARA-5		RMA-2 REP-1 INR-10 E-6 ICAA 4-2
REC'D 8/24			OTHER CIA-16 USIA-11 OSD-2 Army-35 Navy 20 NSA 4 AEC-30 OCB-2 COM-12 TAR-2 TR-3 FRD-3 XMB-7 AG-5 IN-7 WAB-6 FAA-5 CAB-6

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 9 (Period covered August 7-20)

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1. Brazil Requests Aviation Consultation
2. Arrival of New FRONAPE Tanker
3. Request for Funds for Rio-São Paulo Highway
4. Agricultural Developments
   a. Sugar
   b. Wheat
   c. Coffee

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 27 1960
File Copy
ARA 7-8-60

1. Brazil Requests Aviation Consultation:

In a note dated August 10, but not delivered until August 18, the Brazilian Foreign Ministry proposed a consultation with the United States for the purpose of reviewing the Annex and Route Schedules of the civil aviation agreement between the two countries. The note in effect left the choice of site to the United States but asked that the consultation take place at the earliest possible date. The note added that the Brazilian civil aviation authorities wished to utilize, within the framework of US-Brazilian civil aviation relations, the results of their most recent experiences and at the same time to seek terms of agreement which would preclude the "occurrence of circumstances contrary to the development of the interchange by air between the two countries." The Foreign Ministry informally expressed the hope to the Embassy that the consultation could begin in October. Contrary to earlier statements by Brazilian authorities, the note did not forward a copy of the proposed Brazilian replacement for the existing Annex, but the Foreign Ministry stated that it would be made available "before the consultation." Earlier, the chairman of the Air Ministry policy board on civil aviation had told the Embassy that, since the US side would need time to study the proposed new annex, a period of

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up to 90 days between the Brazilian request for a consultation and its realization would seem reasonable. (OFFICIAL USE ONLY)

Comment: The Brazilian authorities intend to seek a thoroughgoing revision of the existing Annex, and with respect to the route schedules they wish to spell out with precision the routes which both parties are to enjoy. Basically the Brazilians quite clearly feel that in the last consultation (the Fourth, September-November 1957, with the results made formal by an exchange of notes of December 1, 1958) they gave more than they gained. They are now trying to redress the balance. Their proposed new annex--which has undergone some changes as a result of recent negotiations with the French--is designed to replace all annexes now in effect with countries planning to operate jets to Brazil (OFFICIAL USE ONLY)

2. Arrival of New FRONAPE Tanker:

The newest acquisition of FRONAPE (The National Tanker Fleet), the 10,075 DWT tanker Candeias, arrived in Santos on August 15 after a month-long voyage from Copenhagen via Philadelphia where it took on a cargo of lubricating oils. The vessel is the first of six of this type to be built by Burmeister and Wain; the other five are scheduled for delivery during the remainder of this year and 1961. According to the published characteristics, the new ship is 134 meters (440 feet) long, draws 24 feet, and has a cruising speed of 14 knots produced by a seven-cylinder Burmeister Diesel engine. With the incorporation of the Candeias, FRONAPE now owns 35 vessels of about 480,000 DWT and claims supremacy in tanker tonnage in Latin America. (UNCLASSIFIED)

3. Request for Funds for Rio-São Paulo Highway:

On August 9, Acting President Ranieri Mazzili signed, in São Paulo, a message to Congress requesting the opening of a special credit of two billion cruzeiros for building a new highway parallel to the existing Rio-São Paulo road (BR-2, the President Dutra Highway). (UNCLASSIFIED)

Comment: The Rio-São Paulo highway is, economically, by far the most important stretch of road in all Brazil. The very heavy traffic which its two lanes have had to carry--and the load is constantly increasing--has led to marked deterioration of several sections and a very high accident rate. The demands by users for the duplication of the existing lanes have become increasingly

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strong in the past two years. There is no question but that favorable action by Congress would meet a critical need. The project is much more important to the national economy, in both the short and long runs, than other high-cost undertakings in the highway field, e.g., Acre-Brasilia and Belem-Brasilia.

(OFFICIAL USE ONLY)

4. Agricultural Developments:

a. Sugar:

The Sugar and Alcohol Institute reports that Brazil's 1960/61 crop year world quota is 678,000 metric tons. Of this amount, 149,000 metric tons have been sold on a bid basis. Recent sales were made at an average price of $75.80 per long ton FOB.

The total 1960/61 Brazilian sugar production schedule has been increased by 260,000 metric tons beyond world quota, present sales to the US and estimated local consumption. Indications are that, should the US desire more sugar from Brazil during calendar year 1960, there would be 300,000 metric tons available by the end of December 1960. The Institute hinted that, should the US desire Brazilian sugar during the period January/March 1961, production schedules could be increased to supply an additional 150,000 metric tons, for a grand total of 450,000 metric tons in addition to the recent sales of the special quota of 100,347 short tons.

(OFFICIAL USE ONLY)

b. Wheat:

The price of Argentine wheat has increased from about $57.00 per metric ton in May 1960 to almost $62.00 at present for new crop. In addition to the price increase problem, the Argentine Produce Inspection Service will not issue the sanitary certificate required by Brazilian law because the wheat has not been fumigated. Two small cargoes of Argentine wheat recently arrived in Porto Alegre highly infested with weevils. The Brazilian Wheat Commission is trying to work out a compromise solution to this problem.

(OFFICIAL USE ONLY)

c. Coffee:

Coffee exports through August 12th totaled 420,471 bags. This rate is considerably behind the August rate of last year when an export record of 2,179,886 bags was established. The current rate is also behind last month's rate when 1,919,258 bags were exported.



A new port, Florianópolis in the state of Santa Catarina, appears in the statistics this month with an export of 3,000 bags.
(UNCLASSIFIED)

For the Ambassador,

Edward J. Bash
Commercial Attaché

Approved
William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Contributors:
Items 1,2,3 - JHCrimmins
Items 4a,b - FMMilam
Item 4c - REAdcock

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SÃO PAULO

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DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 26, 1960
DATE

REF : CERP C - General Interest

For Dept. Use Only	ACTION	DEPT.	INFO	OTHER
	ARA-5	RM/R-2 REP-1 IRC-10 E-7 ICA-11 EUR		
	RECD 8/30			COM-12 ARMY-35 NAVY-20 AIR-30 OSD-2

SUBJECT: Biweekly Economic Review, August 12 - 25, 1960

OCB-2 OSIA-10 C/A-16 LAB-6 AG-5 IN-7 TAR-2 TR-3 XIMB-4 NSA-4 FRB-3

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2. São Paulo to Produce and Export More Sugar and Alcohol — A. D. Ventura
3. São Paulo Finance Secretary Urges Federal Government to Support Coffee Market — A. D. Ventura
4. Power Developments in São Paulo — A. D. Ventura
5. Polish Equipment for São Paulo Foundry — A. D. Ventura
6. Trade with Soviet Bloc — A. D. Ventura
7. Consumer Prices Remain High Despite COAP — A. D. Ventura
8. Meat Prices Rise Sharply — F. W. Traeger
9. Bread Shortage Threatened — F. W. Traeger
10. São Paulo Trade Unions Campaign for Increased Wages — J. F. Shea

832.00/8-2660 HBS

1. São Paulo Automotive Industry Breaks Past Production Records (UNCLASSIFIED)

Figures released by the Association of Motor Vehicle Manufacturers indicate that the São Paulo motor vehicle manufacturing industry broke all production records in July with a total output of 12,388 units, including trucks and buses, utility vehicles, jeeps and passenger cars. Passenger car production has expanded substantially since the beginning of 1960 and is an important factor in the continued climb of the total rate of motor vehicle production.

Comment: Since the start of 1960 sales have increased steadily. The introduction of new truck and passenger car models tends to prove that the industry no longer fears a slump similar to that which occurred in mid-1959 when lack of adequate financing of sales forced most manufacturers to slow down their operations.

A.D. Ventura, ad (see index for contributors) Gen
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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
AUG 31 1960

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2. São Paulo to Produce and Export More Sugar and Alcohol (UNCLASSIFIED)

São Paulo business circles received with satisfaction the news that the Sugar and Alcohol Institute approved on August 18 the increase of the sugar crop for the 1960-1961 season from a total of 50,894,790 bags of 132 pounds to 55,394,790 bags. The 4,500,000 bag increase is to cover eventual possibilities of increased exports. The São Paulo quota was raised by 3,000,000 bags to 23,530,462 bags. The State of São Paulo, since 1957 the major sugar producing center in Brazil, will thus account for over 42 percent of the country's entire sugar output.

The 1960-1961 crop year officially commenced on June 1, 1960, and already large quantities of Paulista sugar are available for export, with 628,625 bags at present stored in Santos awaiting shipment. Alcohol, too, is being exported from Santos at a high rate. A total of 55 million liters have been sold so far to firms in the United States, of which 12 million liters were shipped on August 21.

3. São Paulo Finance Secretary Urges Federal Government to Support Coffee Market (UNCLASSIFIED)

The São Paulo Secretary of Finance met with the president of the Brazilian Coffee Institute (IBC) and urged that the Federal Government take urgent measures to support the coffee market, now paralyzed in Santos and in the interior of the state. The Finance Secretary insisted that it was "necessary and urgent" for the Government to start buying coffee, all the more so since this had already been promised by the Federal Minister of Finance during his recent visit to São Paulo (see item 3, despatch 29 of July 29, 1960).

The IBC president promised that immediate steps will be taken to allay the apprehensions in coffee growing circles.

Comment: Although nominal price levels are satisfactory (an average of Cr$3,000 per bag), actual quotations are much lower, and range from Cr$2,600 to Cr$2,700 per bag only. Consequently, the market is sluggish and requires more active Government support. Rural associations, both in São Paulo and other coffee growing states, are insistently pressing for the immediate resumption of coffee purchases by the Federal Government which would result in the rise of average prices in the interior and generally stimulate the coffee market.

4. Power Developments in São Paulo (UNCLASSIFIED)

Two generators, each developing 7,000 HP, were put into experimental operation at the Florida Paulista thermoelectric power plant on August 17. The new plant, to be officially inaugurated early in September, is operated by the state controlled Usinas Eletricas do Paranapanema (USELPA). It will be interconnected with the Salto Grande hydroelectric plant and will supply additional electric power to the Alta Sorocabana and Alta Paulista regions, serving a total of 1.8 million inhabitants.

5. Polish Equipment for São Paulo Foundry (UNCLASSIFIED)

Fundição Barbará, of São Paulo, will receive new equipment from Poland valued at US$276,305, following signature of a contract between its parent company, Companhia Metalurgica Barbará, of Barra Mansa, State of Rio de Janeiro, and the Polish enterprise "CEKOP" of Warsaw. (See despatch 75 of August 25.)

6. Trade with Soviet Bloc (UNCLASSIFIED)

The Danish vessel "Kaupanger" arrived at Santos on August 15 from Batum and unloaded 230 tons of Soviet diesel oil. Another tanker was expected at Santos before the end of August, carrying diesel oil shipped in accordance with the provisions of the commercial agreement between Brazil and the Soviet Union. (See item 5 of despatch 460 of June 17, 1960, and Rio's despatch 720 of January 14, 1960.)

The USSR vessel "Urjupinsk" arrived at Santos on August 18 from Leningrad, and unloaded 6,200 tons of Soviet wheat. The wheat will be distributed by the Bank of Brazil to São Paulo wheat mills.

On August 25, the freighter loaded 66,000 bags (3,960 metric tons) of Brazilian coffee destined to Soviet ports on the Baltic Sea.

The Danish steamer "Else Masse" docked at Santos on August 24 carrying 538 Polish tractors to be consigned to the National Economic Development Bank (BNDE). The tractors, which were shipped out of Gdynia, Poland, each weigh 4,425 pounds, and are to be distributed to São Paulo farmers by the local firm Agrobras Industrial Comercial S.A.

7. Consumer Prices Remain High Despite COAP (UNCLASSIFIED)

The São Paulo Price Control Commission (COAP), whose authority lapsed at the end of June, received instructions from the Federal price control agency to recommence its activities. COAP president, Col. Paulo Trajano da Silva, announced that the prices of consumer goods, which had recently risen 10 to 40 percent, would immediately return to their former levels. Nevertheless, despite COAP on-the-spot inspections, prices of most controlled commodities, including milk, sugar, bread, flour, and cheaper cuts of meat generally remained at higher levels than heretofore.

8. Meat Prices Rise Sharply (UNCLASSIFIED)

With increases occurring almost daily in recent weeks, prices of higher quality beef (cuts from the uncontrolled hindquarters) have nearly doubled since June. Price controlled cuts from the second quality forequarters are becoming scarce at legal prices, and black market sales of this type of meat are growing. The high prices, which are attributed to substantially increased prices of slaughter cattle, have caused meat consumption to fall sharply.

Comment: Continued increases in price and beef shortages could cause a repeat of the crisis which occurred in the meat industry a year ago. The Federal Price Control Agency, COFAP, has called upon the Ministry of Agriculture and the Federal Supply Coordinating Council to help in finding a solution to the present situation. The President of COFAP has also threatened to place first quality beef (hindquarters) under price control. Such a move could drive all beef from legal markets and cause considerable social and political disturbances.

9. Bread Shortage Threatened (UNCLASSIFIED)

A current shortage of flour has caused an increase in black market sales of this product and is threatening São Paulo with a bread shortage. The situation is said to be even more serious in interior towns than in the capital city. Mills claim to have produced only half the normal quantity of flour during the past month, due to reduced imports of wheat, and that their stocks of flour are exhausted.

Comment: Brazil's flour mills traditionally exaggerate a short wheat situation in order (1) to encourage black market sales which are more profitable than price-controlled legal sales, and (2) to develop public pressure for stepped up wheat imports.

10. São Paulo Trade Unions Campaign for Increased Wages (UNCLASSIFIED)

São Paulo trade unions have kicked off a campaign for increased wages. An estimated 300,000 textile, metal, paper and clothing workers are clamoring for wage increases of 55%. The campaign is being led by the local union of metalworkers which is under considerable leftist influence. Conservative unions such as the São Paulo State Federation of Clothing Workers are also actively participating in the campaign.

Comment: (OFFICIAL USE ONLY)

In recent agreements gas and hydroelectric workers won increases of 38% and the Consulate General's Labor Officer feels other agreements in this election year will be approximately the same amount and thus head off a possible general strike. (END OFFICIAL USE ONLY)

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, RIO DE JANEIRO — 165 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 29, 1960 DATE

REF : CERP C-3; EMBDESP 863, March 8, 1960

AUG 31 1960

55 For Dept. Use Only

ACTION: *ARA-4 REC'D 9/6

INFO DEPT. RMR-2 *INR-7 E-3 *ICA-11 PER-2
OTHER CIA-10 *COM-12 IAR-2 *IA-3 *FAB-2 XMR-4

SUBJECT: ECONOMIC ASSESSMENT - BRAZIL C4-4 USIA-10 *AG-8 IN-7 *AAB-6 OSD-4 army-8 navy-3 NSA-2

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DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 7 1960

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I. SUMMARY - Economic Situation and Outlook

Although first semester currency emissions were larger than during the corresponding period of 1959, and despite negotiated wage increases, the cost-of-living increase was moderate by Brazilian standards. The country's external financial position, on the other hand, was worse than forecast early in the year. Since June the government's restraints have shown definite signs of weakening. Military salaries have been doubled and those of many Federal civil servants have been substantially increased through "reclassification." The Vice President, the new Minister of Labor, a number of political candidates and some newspapers have encouraged labor leaders and the rank-and-file to seek an early and substantial increase in the

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statutory minimum wage. Pressures for large extra-budgetary expenditures, related directly or indirectly to the political campaign ending October 2, are mounting. Prices of goods and services are sharply on the upgrade. Even if, as seems likely, an increase in the minimum wage is not made effective until the first of next year, the outlook is for stepped-up currency emissions, higher wages, and further increases in costs and prices.

The external position, meanwhile, may be expected to continue precarious and may become critical in this year of exceptionally high external financial commitments. Unexpected sugar sales to the United States will help. Even a small reduction in the price of coffee, on the other hand, could mean the difference between solvency or insolvency in Brazil's balance-of-payments situation.

Despite forebodings concerning the general state of the economy -- internal and external -- private as well as public investment is going ahead in response to current and anticipated future demand, particularly domestic. The tempo is believed to be slower than it was last year, partly because of the desire on the part of some potential investors to await the outcome of the elections, but nevertheless still high in the industrial and public works sectors.

II. Social and Political Factors Affecting Current Economic Situation and Outlook

There is nothing like a presidential election campaign to bring out fulsome expressions of sympathy and concern for the welfare of the "povo." Campaign promises and counterpromises bombard the urban workers and eligible voters in the hinterland. The growing industrial and business community, with its high percentage of literacy and hence eligibility to vote, and its ability to make campaign contributions, comes in for its share of attention. The Administration has gone beyond expressions of sympathy for the worker in dusting off and getting passed a long-pending revision of the social security laws and has turned over to the pensions institutes the dividend earnings on portions of the stocks of some of the money-making "autarquias." Some government workers and all military personnel have been given substantial salary increases, the former through reclassification of positions. Labor is being encouraged to press for a start in the government process prescribed for increases in the statutory minimum wage. The industrial and business community and the coffee trade have recently been reassured by the Minister of Finance that credit will be made available and that the Government stands ready to protect coffee interests against any weakening of the world coffee market.

The campaign has already focussed attention on the difficulties faced by all segments of the population -- ranging from the struggle for mere subsistence on the part of the many to the worries about shortage of credit for profitable expansion or fears of losses on the part of the few. The net effect has been and will at least until election day, October 3, be to whet the appetite of all segments for

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improvements in their lot. This, in turn, increases the pressure on the Government, led by a man who desires to retain his undoubted popularity with the voters in order to be in a favorable position to run for the Presidency in 1965, to take further action to meet at least part of the demands, and likewise on the opposition candidates (Jânio Quadros and Adhemar de Barros), to promise better conditions for all if elected. Except for a possible general salary increase for federal civil employees, no further significant legislation is expected to be enacted prior to the elections but the pressure for releases of budgeted funds (partially "frozen" earlier this year under what has become to be the customary "Economy Plan") and for large extra-budgetary expenditures will be maintained and last beyond election day.

Meanwhile the living conditions of the great mass of the people at or near subsistence level, and of the smaller number with fixed incomes, continue poor, not only because of the continuing general rise in the cost-of-living but because of scarcities of a seasonal nature or as a result of the discouragement of increased production or offerings by COFAP (Federal Supply and Price Commission) which tries to hold prices of essentials down despite inflation-induced increases in costs.

Revelations or allegations of graft and corruption continue to be aired in the press and on the radio.

Popular discontent has been checked by contractual wage increases, the slowing down of the rate of increase in the cost-of-living, the prospect of a substantial hike in the statutory minimum wage, and the distractions of the national election campaign. Strikes and violence have been relatively infrequent and of small dimensions in recent months. The fact that the communists and labor leaders have been devoting a lot of attention to the election campaign helps to explain this relatively calm situation.

As the political campaign heats up, the feeling of uneasiness increases. The phlegmatic Lott has, in recent weeks, hurled charges against Jânio Quadros of such virulence as to lead some observers (largely Jânio supporters) to assert that the Marshal seems to be laying the groundwork for calling off the elections or for declaring them void in the event of Quadros' victory. Jânio the showman has, meanwhile, adopted an unexpectedly sober attitude -- talks calmly about the penalties of inflation and the mess he expects to inherit from the present regime. The general feeling of uneasiness and expectancy is expected to mount until the elections.

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III. Current Economic Situation and Outlook

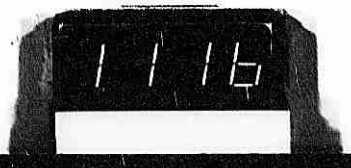
A. General

The economy has not recovered from the heavy injection of inflation it suffered last year. The pressures have been held in check fairly well thus far in 1960 but private industry and business is still handicapped by mounting costs and the high price of borrowing money for either working capital or new investment. Higher-than-anticipated costs are plaguing public investment as well, including the high-priority Furnas hydroelectric project. The basic strains on the economy attributable to rapid industrialization, ambitious public works, deficit spending, and a badly lagging agriculture, remain and no improvement is in sight. On the contrary, deficit financing on a large scale, widening rather than narrowing of the disparity between agriculture and industry, further wage increases both contractual and statutory, and a worsening of Brazil's already precarious balance of payments position are to be expected.

B. Production

The outlook for Brazil's industrial production remains, on the whole, quite promising, particularly in those branches in which the Administration has a special interest. The automotive industry is still on the up-grade. Willys Overland do Brasil, for example, expects to produce at least 40,000 units this year as compared with less than 24,000 units in 1959. The tractor industry is in process of being launched and soluble coffee production has very recently been put on the list for forced-draft development. The steel industry continues to expand and an output of 2,186,000 metric tons of ingot steel is predicted for 1960 (1,866,000 in 1959). Many examples could be given of significant expansions of plant and production in the machinery, electrical equipment, cement and other industries which serve the growing needs of the automotive and other assembly-type industries or the Government's public works projects. For the purpose of this report, it is perhaps sufficient to state that 1960 unquestionably will show a considerably larger industrial output than that of 1959 in real terms and an even larger increase in terms of current prices. The rate of expansion of means of transport likewise is greater this year than last.

In sharp contrast (as usual) the outlook for agricultural production this calendar year is not generally promising. The case of coffee is exceptional because of the prospect of a smaller crop than that of 1959/60 (perhaps 30 million bags as compared with 45 million in 1959/60). The decline in coffee production this year will mean less addition to the already mountainous stocks (47.2 million bags as of July 1, 1960) and thus tend to firm somewhat the world price.



Whatever effect this may have on the market will, however, be blunted by the forecasts of a record-breaking harvest in 1961/62 (50 million bags or more). The outlook for other crops, edible and other, is spotty, but better on the whole for those destined primarily for domestic consumption than in the case of those that figure in the export trade. Wheat production is expected to be slightly higher but not enough to lessen appreciably the country's heavy dependence on imported wheat. Moderate increases forecast for beans and beef should lessen somewhat the chances of a repetition of last year's situations of shortages, black-marketing and, in the case of beef, attacks on the foreign "frigorificos." In the export category, production of the second largest foreign-exchange earner, cacao, is expected to register only a nominal increase over 1959; theprospects for rice, tobacco and cotton are somewhat better although, particularly in the case of the latter, growing domestic demand may reduce the prospective exportable surpluses. The outlook for sugar, production of which is within limits quickly expansible, has been significantly improved by access to the United States market. The Agricultural Attaché estimates the exportable surplus of sugar this year at 550,000 metric tons. The prospects for sisal, production as well as exports, are good.

No very substantial gains are expected in 1960 in mineral production. Iron ore production (and exports) probably will be greater, partly as a result of the increased use of trucks to haul the ore from central Minas Gerais to the port of Rio. Combined rail and truck deliveries are running considerably above last year's (to July 15, over one million tons as compared with 580,000 in the same 1959 period). The country's principal iron ore exporter -- the state-owned Cia. Vale do Rio Doce -- expects to export 4,200,000 metric tons in 1960, an increase of about 1,000,000 tons over its 1959 exports.

Manganese production probably will go somewhat above last year's figure but, because of growing local demand and government regulation, exports may fall below the 1959 level of 957,478 metric tons. No important changes are expected in production (or exports) of other exported minerals such as barite, beryl, quartz crystal, columbite-tantalite, mica and scheelite. Of minerals produced largely or wholly for the domestic market, notable advance is expected only in the case of aluminum. Aluminum ingot production is expected to reach 18,000 metric tons (probably about 12,000 in 1959) and by year's end installed capacity should be double that amount.

C. Prices

The rate of increase in prices during the first half of this year was considerably lower than that of the first half of 1959. Since the end of June, however, the upward pressure of increased costs and anticipation of still higher costs has forced a number of significant price increases and more are in the offing despite the efforts of the

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Administration through COFAP (Federal Supply and Price Commission) to hold the lid on prices of essential items. During a short period after June 30, COFAP ceased to have legislative support but was given a new lease on life in connection with legislation establishing two new Ministries (EMBDESP 99, Aug. 5, 1960). During that short period, prices of many items rose rather sharply and, from recent examples such as in the case of fresh milk, it seems highly unlikely that prices can be rolled back very far or substantial price increases of other things long prevented. Deficit spending and currency emissions are on the increase, military and some civil salaries have been raised substantially, contractual wage increases have been and are being negotiated, and the pressure for an increase of the statutory minimum wage from Cr$6,000 (Rio area, effective Jan. 1, 1959) to Cr$10,000 is building up in this politically-charged pre-election atmosphere to the point where the only question is not "whether" but "when". The net deficit of the "autarquias" continues high.

According to the cost-of-living index of the Getúlio Vargas Foundation, the rate of increase over the first half of 1960 was about 1% per month as compared with about 4% per month from December 1958 to June 1959 (nearly 6-1/2% first half 1960 compared with about 23% first half 1959). The Ministry of Labor's index (some components of which were revised in January 1960) showed a rate of increase to end June 1960 of over 2% per month as compared to 3% over the corresponding months of 1959. Both indexes are expected to register increases not only for July but also for subsequent months under the stimulus of higher costs attributable in part to increased wages and salaries and in part to the expected stepping up of deficit spending and accompanying currency emissions on a large scale. The Getúlio Vargas Foundation index for July registered a 1.6% rise over June and was 29% above the July 1959 figure.

Compared with the situation about this time last year, the outlook is somewhat more promising on the supply side, including supplies of essential food items. On the demand side there are more people with more money and the prospect of having still more. The depreciation of the value of their money has meanwhile been far greater than the increase in the supply of goods and services. Costs of production of most things have risen substantially and the outlook is for further increases. How sharp the upcurve in costs and prices will be during the remainder of the year will depend in part on normal commercial factors but primarily on decisions to be taken by the government. If deficit spending, currency emissions, and credit expansion are unexpectedly held down and if an increase in the statutory minimum wage is not made effective before the end of the year, a repetition of the sorry 1959 record will be avoided. The relatively short coffee 1960/61 crop (locally estimated at about 30 million bags) provides an opportunity for some curtailment of government expenditures. Election-year pressures for large extra-budgetary expenditures are, on the other



hand, mounting. Whether and how effectively the Administration resists some of these pressures remains to be seen. At best, potential coffee-purchase savings would cover only a fraction of all the current demands on the Federal Treasury emanating from the States, the Congress, the "autarquias", special-interest groups and individuals.

D. Consumption

Consumer expenditures continue to rise in terms of current prices but in real terms the increase probably is quite small. Retail sales in the State of Guanabara during the first six months of 1960 aggregated Cr$168 billions (estimated) as compared with Cr$126 billions (estimated) during the corresponding period of 1959, an increase of 33%. Meanwhile the index of wholesale prices (excluding coffee) of the Getúlio Vargas Foundation showed an increase of 27% (June 1960 over June 1959). A retail price index, if one were available, doubtless would have shown a higher rate of increase.

There is plenty of evidence that private investment expenditures are continuing at a rather high rate despite the relative scarcity and high cost of credit. Among the foreign private investments approved during the first semester 1960 under SUMOC Instruction 113, were the following:

Company	Country of Origin	Equivalent in US$
Willys Motor Company	U.S.A.	12,755,171
Niigatabras Engineering Co.Ltd.	Japan	8,290,000
Ishikawajima Heavy Industry Co.Ltd.	Japan	6,782,189
The Western Telegraph Co.	United Kingdom	6,500,000
Verolme United Shipyard	Holland	5,771,053
Brasfinanz A.G.	Germany	3,320,000
Robert Bosch G.M.B.H.	Germany	3,039,404
Union Carbide Corp.	U.S.A.	2,574,985
F. Perkins Ltd.	U.S.A.	2,571,830
Wurttembergische Spindelfabrik G.M.B.H.	Germany	1,775,298

The cumulative total for the period was equivalent to nearly US$42 million, considerably less than in the corresponding period in 1959 (US$56 million).

Foreign-owned or -controlled companies are continuing, in many cases, to call on parent companies for working capital or investment funds. The high cost of borrowing cruzeiro funds, even if such funds are available in the amounts needed, helps to explain the increase in the new money acquired by existing companies. During the first five months of 1960, they acquired over Cr$20 billion in new money. During

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the corresponding months of 1959, the figure was Cr$18.5 billion. During the same periods, the amounts of new capital represented by the formation of new companies were, respectively, Cr$7.6 billion and Cr$4.9 billion.

The most recent tabulated data concerning business failures, relating to the period January-April of this year, show some improvement over those for the comparable 1959 period. According to information published by the Getúlio Vargas Foundation, the total value of bills protested January-April 1960 was Cr$215 million (Cr$233 million Jan.-April 1959) in Rio de Janeiro and Cr$337 million (Cr$444 million) in São Paulo. It is pointed out, too, that the volume of commitments was considerably greater in the 1960 period. Bankruptcies decreedwere fewer also -- in Rio 31 cf. 49; in São Paulo, 53 cf. 78. There was an even greater drop in receiverships granted: in Rio 24 cf. 66; in São Paulo 22 cf. 63.

Government consumption (government expenditures other than for investment and transfers) and public investment continue at high levels which, together with the demands of the private sector of the economy, particularly of branches of industry favored by the government, continue to strain the country's resources and widen still further the gap between agriculture and industry.

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E. External Factors

The balance-of-payments position of Brazil is even more precarious than was forecast early in the year. The deficit in convertible currencies during the first six months turned out to be higher than had been anticipated by Brazilian officials directly concerned (US$137 million cf. US$103 million "budgeted") and was covered through "swaps", advance payments for coffee, etc. The deficit in inconvertible currencies was nearly US$53 million, incurred principally because of wheat imports from its bilateral trading partner Argentina (EMBDESP 85, Aug. 1, 1960). The estimate for the second half of 1960 is a deficit of US$230 million (including US$47.7 to be repaid to the IMF), only part of which the foreign exchange officials think can be covered by a variety of actions within the politically-feasible power of the present government (EMBDESP 84, Aug.1, 1960). This gloomy forecast is not considered unduly pessimistic, resting as it does on a number of estimates, notably on expected returns from coffee, which are, if anything, on the optimistic side. Even a slight downturn of the coffee price (concerning which possibility there is some worry showing on the surface and a lot more underneath) would add greatly to the expected deficit.

On the positive side, unexpected export earnings from the sale of sugar in the U.S. market (100,347 short tons allocated and hopes for more before the end of the year) will provide some badly needed dollars.

On the negative side, the authorities have already auctioned about $30 million "extra" dollars over and above the regular amounts offered (themselves above last year's levels) pursuant to SUMOC Instruction 193 (EMBDESPS 951, March 29, and 129, August 17, 1960). There is no indication of any intention to stop the extra triple offerings. The weekly cash balances have at times dropped to or near zero.

There is at least an outside possibility that the Brazilian authorities will use the occasion of the later September Fund & Bank meeting to sound out the possibility of some balance-of-payments assistance. The reporting officer is inclined to doubt, however, that the Kubitschek administration will, on the eve of the national elections (October 3), make a serious effort to obtain such assistance beyond, for example, rescheduling of certain external debt payments. It will be a lame-duck government no matter who wins the election. Kubitschek, recalling the sidespread popular approval of his "defiance of the Fund" a little over a year ago and looking forward to a return to the Presidency in 1965, may well prefer to leave it to Marshal Lott or to Jânio Quadros to deal with the mess. Quadros has begun to hedge himself against this eventuality by outlining the nature of the unhappy legacy he expects, if elected, to inherit from the Kubitschek administration.

Barring major negative developments not now foreseen, the reporting officer believes that the present Administration will avoid the risk of another IMF rebuff; that it has no intention of taking any bold steps to bring about monetary stability (even in the sense of a much more moderate rate of inflation); that it will, as in the past year, employ all or most of the devices at its command, short of outright default on the external debt, to finish the year without running into an insuperable foreign exchange crisis.

IV. Major Forces Influencing the Direction of the Economy

Because of the smaller crop this year, the government's 1960/61 coffee purchase program will be less inflationary. The actual effects on government expenditures will depend not only on the actual drop in coffee production but also on prices paid. For the purpose of this despatch, the 1959/60 crop is estimated at 45 million bags. Local estimates of the 1960/61 crop range presently from about 24 million to 30 million or more. Whereas the purchase price for stockpile purposes was Cr$1,950 per bag for last year's crop, it has been set at Cr$2,555

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for the current crop, an increase of 31%. This price increase will, of course, reduce the potential net savings very considerably.

No other reductions in government spending of similar magnitude are in sight this year. The building tempo in Brasília has slowed down considerably but still represents a heavy drain. Other public works expenditures -- on hydroelectric projects, highways, airports, etc. -- continue heavy. The development of the Bananal is starting. These programs, plus stepped-up expenditures in the Northeast, probably make up for much if not all the "savings" as a result of the slackening of the pace in Brasília. Extra-budgetary expenditures for increased civil salaries (through "reclassification") and higher military salaries alone have been estimated at Cr$15 billion per annum (roughly Cr$7 billion for the last half of 1960). Parity between civil and military salaries, now being agitated, would if conceded add measurably to the bill. Special credits, such as Cr$3 billion for the new State of Guanabara, plus many others of lesser amount, add up to an impressive total. Particularly between now and election day, October 3, the resistance of the Administration and of the Congress (to the extent it is concerned and able to function) to demands for financial assistance is not expected to be notably strong.

Deficit spending, held in check with some success during the first semester, may be expected to register a large and sustained increase from now until year's end. Currency emissions attributable to such spending will increase substantially despite the "short" coffee crop.

It would be unfair to say that the present Administration's fiscal policy has been entirely irresponsible. Through its "Economy Plan" some effort has been made at least to slow down the rate of federal spending. During the first six months of 1960 currency emissions exceeded those of the comparable 1959 period by over Cr$3 billion; Bank of Brazil loans (other than to the Treasury) were over Cr$6 billion higher; and Bank of Brazil rediscounts increased by more than Cr$3 billion whereas they <u>decreased</u> by over Cr$4 billion during the first semester of the previous year. The considerable expansion of commercial bank credit thus permitted -- an increase of Cr$42.4 billion during the first half of this year as compared with Cr$19.4 during the comparable 1959 period -- fell short of satisfying the inflation whetted demand for such credit. There is still a relative shortage of credit and the high cost of borrowing money shows no sign of falling off. The Administration has postponed or stalled several costly expenditures, for example, an increase in salaries of federal civil servants as contrasted with salary increases incidental to job reclassification. The outlook, however, is for a weakening of resistance to insistent demands for releases of budgeted funds and additional extra-budgetary expenditures.



Mention has already been made of civil and military salary increases. The pressure for increases in Federal, State and municipal civil workers' salaries is, of course, very great and it is only a question of time before they are adjusted upward. Recent wage settlements generally call for increases of at least 30% over those agreed last year. An increase in the statutory minimum wage effective on or about January 1, 1961 is generally expected. This upward trend of wages is related to the rise in the cost of living, not, except perhaps fortuitously in some few cases, to productivity. The inevitable effect, therefore, has been and in the foreseeable future will continue to be, strongly inflationary.

In summary, the inflationary forces affecting the economy continue to be far more powerful than those of a deflationary nature and this situation may be expected to continue at least until a new Administration takes over early next year.

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SUBJECT: MONTHLY ECONOMIC SUMMARY - JULY 1960

*AAB-6 OSD-4 Army-4 Navy-3 CG-4 USIA-10 FAA-5 CAB-6 CU-6 XMB-4

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1. Introduction
2. Domestic Trade and Commercial Activity
3. Foreign Trade and Commercial Policy
4. Finance
5. Industry
6. Transportation and Communications
7. Coffee and Agricultural Developments
8. Labor
9. Economic Indicators

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1. Introduction:

The cost of living in Rio de Janeiro during July edged upward by an average 1.6 percent, with food prices up by 2.3 percent. Credit was reported to have continued very tight with payments and collections slow in some business sectors. Workers in certain areas received substantial wage increases during the month.

Coffee exports during the first month of the 1960-61 crop year were about 1.9 million bags, about the same as during July of 1959.

The Federal Price and Supply Commission's life was extended until April 30, 1961, by a law passed late in July. The law also established two new federal ministries, to begin operations in February of 1961.

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Little activity in the area of industrial investment was noted during the month of July, probably because of the approaching national

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elections.

In the field of foreign trade there was considerable uneasiness near the end of the month over the failure of the Federal Congress to ratify the instruments resulting from GATT negotiations in recent years.

The National Port Plan for the improvement of the Brazilian port and waterway systems was put into effect by presidential decree in July. The Chairman of the Merchant Marine Commission resigned, reportedly after disagreeing with administration plans for use of a sum of money from the Merchant Marine Fund.

Galeão Airport in Rio de Janeiro was opened to heavy jet aircraft during the month. Progress was made in the air safety and traffic control program.

A ceremony was held on July 4 to mark the meeting of the two forest clearing work parties on the Brasilia-Acre highway. The highway is to be opened to traffic in December.

2. Domestic Trade and Commercial Activity:

Business was said to have been good during July. Although credit was reported to have been tighter than in previous months. There were signs that the inflationary spiral was on the point of continuing upward at a more rapid rate than during the past two months. As a 1.6 percent rise in the cost of living was reported in Rio de Janeiro, frequent demands for higher wages were heard and price rises in certain basic products were either made or reported to be imminent.

As a consequence of the tight credit situation, payments and collections in various sectors of business slowed during July.

Two new federal ministries were created by a law passed on July 22. The new Ministry of Industry and Commerce and the Ministry of Mines and Power will be installed on February 1 of next year. The same law extended the life of COFAP, the Federal Price and Supply Commission, until April 30, 1961 (see section 7, below).

3. Foreign Trade and Commercial Policy:

A considerable amount of uneasiness was caused in some circles by the failure of the Brazilian Congress to ratify the agreements



negotiated by Brazil in recent years under GATT. It was feared that failure to act before the expiration of the most recent waiver given Brazil by other GATT participants would lead to a loss of prestige by Brazil, a leader in the GATT movement, loss of advantageous concessions negotiated by Brazil under the agreement and confusion in the area of imports into Brazil. A 30-day extension of the waiver, to September 2, gave the Brazilian Congress more time to consider action to be taken with regard to ratification of the agreements.

The local press, during July, showed less concern for reporting activities in foreign trade than usual and concentrated its reporting efforts on the forthcoming elections. The arrival of a Soviet ship Tiksi, in Santos, carrying 10,800 tons of Russian wheat sold to Brazil under the bilateral trade agreement signed last December was briefly reported. The same ship was to load 154 thousand bags of coffee for its return trip.

4. Finance:

During the exchange auctions held in July, $24,959,000 of regular offerings and $5,464,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers. In Rio and São Paulo, during July, the agio paid for dollar imports moved from Cr$212.00 to Cr$210.00 in the general category and from Cr$479.00 to Cr$455.10 in the special category. The average check buying rate in the free market for July was Cr$185.20 which compares with Cr$148.63 for the corresponding month of 1959. During July money in circulation increased by Cr$2.1 billion or 1.2%. The increases for June and May were respectively +1.6% and +1.8%.

The cost of living index of the Getulio Vargas Foundation indicated a cumulative increase of +7.8% for January-July, 1960. For the comparable period of 1959 the corresponding figure was +27.0%.

5. Industry:

A São Paulo firm, ENAC Engrenagens e Acessórios Industria e Comércio, made a shipment to the United States of automobile gears manufactured at its plant. This was reportedly the first export of such equipment by a Brazilian manufacturer.



(Classification)

A contract was signed on July 25 for partial financing by the National Economic Development Bank (BNDE) of an expansion program by FIBRASA, a producer of sisal products located in Joao Pessoa, state of Paraiba. The company plans to increase its production of sisal cord and rope tenfold to 80,000 tons annually. Total investment in the expansion program is to be 59 million cruzeiros and 800 thousand German marks.

The BNDE also signed a contract to provide 600 million cruzeiros in financing to CEMAT, Centrais Elétricas Matogrossenses, for the construction of the 33,000 KW Salto Mimoso hydroelectric plant on the Rio Pardo river in Mato Grosso. The money is also to be used for the modification of the distribution system in Campo Grande and for the construction of a 60 mile transmission line between the power plant and that city. The plant, already in construction, is supposed to be in operation in the second half of 1962.

6. Transportation and Communications:

In the field of waterborne transport, probably the most important event of the month was the signature by the President on July 14 of the decree putting into effect the National Port Plan, which has been in preparation by a special commission since mid-1958. The decree covers the expenditure for the period 1959-1962 of 23.4 billion cruzeiros from the National Port Fund to improve the Brazilian port and internal waterways systems. According to the plan of expenditure outlined in the decree, 18 billion cruzeiros will be spent for the expansion and improvement of 26 existing ports; 1.4 billion for the construction of seven new ports; 2.6 billion for improvements of waterways; 900 million for the purchase of dredging equipment and 500 million cruzeiros for miscellaneous items. The month also saw the replacement of the Chairman of the Merchant Marine Commission who, according to general press and public opinion, resigned over administration plans to use money from the Merchant Marine Fund to permit the purchase by the State Government of Amazonas, at what was widely agreed to be a highly inflated price, of six old, inefficient, privately owned vessels. The press clamor over the deal led the President and Transport Minister to suspend the sale and order a reexamination of its merits. Although somewhat obscured by the attention given the proposed sale of ships to Amazonas, reports in the press and conversations by the Embassy with interested officials indicated that proposals for the rationalization of the spheres of operation of the two government shipping lines (Lloyd Brasileiro and Costeira) were progressing. The basic idea is that Lloyd's coastwise navigation activities

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would be transferred to Costeira so that the former organization would limit itself strictly to ocean-going operations and the latter to coastwise operations. Furthermore, the shipyards and other industrial properties of the two shipping companies would be consolidated into an independent entity. The proposed reorganization, which has been pushed by the present Transport Minister, makes good sense, but it may encounter strong opposition from maritime workers if it infringes too heavily on their acquired rights. No concrete developments occurred during July in the matter of the creation of a national bulk carrier fleet (FRONAGRA), but it appeared more and more likely that the original, ambitious plans for the immediate purchase of several ore carriers, with an eventual capitalization of 2.4 billion cruzeiros to be attained in two stages, were being revised sharply downward and now envisaged a modest pilot operation involving the chartering of two or three vessels and a corresponding major reduction in capitalization.

In civil aviation, the opening of Galeão International Airport in Rio de Janeiro to heavy jets was a highlight of the month. The formal inauguration ceremony, with President Kubitschek presiding, took place on July 19, but actual jet operations did not begin until ten days later when VARIG began Boeing 707-420 service between Rio de Janeiro and New York. Actually only 2700 meters of the full 3300 meter (10,800 feet) runway are in use; the remaining 600 meters will probably be available in late August. At present VARIG is operating three jet flights weekly to the United States from Rio, Pan American two (with another from Brasilia), and Braniff one. Earlier in the month, on July 5, Real began service from São Paulo to Tokyo via Brasilia, Manaus, Bogota, Mexico City, Los Angeles, Honolulu and Wake. The carrier's present plans call for twice-monthly flights along the route with Super Constallations and eventually Convair 600's. There were persistent reports during the month, however, that VARIG and REAL were discussing the possibility of a lease by the latter carrier of one of the latter's 707's. VARIG has made no secret of its desire to maximize the utilization of its large jets, and REAL, which is not scheduled to get its own jets until March-April of 1961, would naturally be interested in having access to modern equipment--at the right price. At the close of the month, Congress approved and sent to the President for signature a bill appropriating 1.727 billion cruzeiros for a two-year program for the improvement and extension of air safety and traffic control facilities at airports and along airways throughout Brasil. The bill, which originally called for 200 million cruzeiros for a one-year program, will undoubtedly be signed into law by the President. It will permit very significant acceleration of the Air Ministry plans to modernize and expand



Brazil's system of air navigational aids. A major step in the execution of those plans was the conclusion during July of an agreement between the Air Routes Directorate and Standard Eletrica S/A (an IT and T subsidiary) for the sale of 25 VOR's. The appropriation which Congress authorized should permit a very substantial reduction in delivery time of these badly needed aids. Congress was also the scene during the month under review of several sharp attacks by Deputy Eloy Dutra against the relationship between Pan American and Panair do Brasil. Dutra alleged that Pan Am dominated Panair do Brasil through a group of Brazilian "fronts" and that the early June sale of a large block of PanAm stock in Panair to members of the Brazilian carrier's board of directors--which reduced PanAm's holdings to 30 percent of the total--was a fraud. Dutra spoke in support of a bill in the Chamber seeking to limit foreign participation in Brazilian airlines to 20 percent, but his general approach demonstrated that he wanted PanAm out of Panair entirely. He promised to continue his "exposure" of the American company's misdeeds in coming months.

With respect to railroads, the debates begun in June in the Engineering Club on the unsatisfactory state of the Federal Railway System (RFF) continued essentially in the same vein, with the speakers agreeing that the basic goal to be sought is a significant increase in traffic density. The cycle of conferences is scheduled to end in early August, at which time the texts of the addresses will be published. In another manifestation of concern over the railroad situation, a group of private firms and persons interested in various aspects of rail transportation were putting the final touches, during the month, on plans to form a railroad association whose basic purpose would be to promote railroad progress in Brazil. Equipment manufacturers and suppliers and construction contractors have been principally responsible for the creation of the new group, and their economic stake in improving the operating and financial position of the Brazilian railroads should make the association a useful means for assisting in the development and improvement of the railroads of Brazil. Formal installation of the association is scheduled for early August. During the month of July the Central do Brasil intensified its public relations campaign begun in June and aimed at enlisting the cooperation of the commuting public in the Rio de Janeiro area in an effort to improve the safety and comfort of the railroad's Rio suburban service, which carries between 600,000 and 700,000 passengers daily. The Central's appeals were principally directed toward curbing pingentes (riders who hang on the outside of cars and fall off to their death or serious injury with appalling frequency--81 deaths in the first six months of this year) and vandals who damage cars and steal

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overhead wires and other equipment, thereby increasing the risks of serious accidents and adding to the already very high losses incurred by the Central which collects in this service only two cruzeiros (one US cent) for an average trip of 13 miles and a maximum trip of nearly 45 miles.

In a July 4 ceremony, President Kubitschek, driving a tractor, knocked down a symbolic "last tree" separating the two groups working from different ends of the Acre-Brasilia (via Cuiabá, Mato Grosso) road, thus officially marking completion of the clearing phase of the construction. The ceremony took place near Vilhena on the Mato Grosso-Guaporé border. In a speech on the occasion the President declared that the Acre-Brasilia road--scheduled to be open to traffic in December--was more important than the Belem-Brasilia road, since Belem had always had contact with the rest of Brazil by sea whereas the area served by the newer road had always been isolated. Aerial reconnaissance for the route to be followed by another jungle penetration road, this one linking Manaus to Porto Velho in Guaporé Territory, was reported to have been completed by Mid-July. Construction of this road, the final highway goal of the present administration, is scheduled to be finished by the end of President Kubitschek's term in January 1961. Porto Velho, the southern terminus of this road, is also on the Acre-Brasilia road, and the junction will permit land vehicle travel from Manaus to Brasilia.

7. Coffee and Agricultural Developments:

Admiral Silvio Mota was appointed on July 26, 1960 by the President of Brazil as the new Secretary General of C.C.A. (Conselho Coordenador do Abastecimento), to replace Colonel Danilo Nunes who resigned on July 20, 1960. Admiral Silvio Mota recently resigned from the Brazilian Merchant Marine. The C.C.A., in addition to coordinating supply, was given the task of controlling prices after COFAP was terminated, on June 30, 1960. On July 22, 1960, COFAP was reinstated until April 30, 1961. Therefore, C.C.A. ceases to have any direct responsibilities for controlling prices.

The Brazilian sugar harvest got up "full steam" during the month of July; according to reports the production of raw sugar is ahead of schedule. The limiting factor in moving this raw sugar to foreign markets is the uncertainty of available shipping.

Estimates on the 1960/61 coffee crop, now being harvested, are being lowered by several members of the trade. One is estimating registered production at 25. The IBC (Brazilian Coffee Institute) estimate of 27 million bags was made at the beginning of the season. The



state of Paraná which produced over 20 million bags of registered coffee last year, and possibly twelve million this year, is expecting over 25 million bags for 1961/62.

Coffee exports from July 1, 1959 - June 30, 1960 totaled about 17.9 million 60-kilo bags, of which almost 60% was shipped to the US. Out of the previous year's (July 1 - June 30) exports of 14.5 million bags almost 60% was also sent to the US. While exports were up about 23% for the marketing year 1959/60 over the preceding year, production appears to have been up well over 40%.

8. Labor:

Two new wage agreements in Rio were reported in July, following a period of three months during which very few annual wage agreements expired. Public utility workers obtained a 38% increase and metal workers obtained 35%. In São Paulo public utility workers and bakery workers obtained 38% and 40%, respectively, according to press reports from that city.

The public utility workers obtained their wage increase contingent upon Government authorization for higher fares, and in Rio such authorization was granted, except for streetcars. (Earlier this year an increase in streetcar fares from three to five cruzeiros was used as an excuse for public demonstrations by leftist student groups, with some clashes with the police). The delay caused the streetcar workers to threaten a strike, but it was avoided when "Light", the Canadian-owned firm which is franchised to furnish gas, electricity, and telephone and streetcar service to Rio, was authorized to raise its rates for other services by enough to cover the higher wages to streetcar workers.

Although the new agreement covering metal workers was announced in July, payment of the new and higher wages will not commence until September, when the present agreement expires. The annual wage agreements for most industries expire between September and March, but wage claims are already being put forward by unions representing workers in various industries. More settlements will probably be announced soon, thereby showing whether or not the July agreements established a pattern which will be followed in other industries.

According to press reports, the Getulio Vargas Foundation's cost of living index for Rio de Janeiro rose 1.6% during July, in comparison with 4/10 of 1% during June. Increases in the prices of a number of basic food items took place during the month.

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9. Economic Indicators:

Free Market Dollar Rate in Rio de Janeiro (Check Buying Rate)
(in cruzeiros)

1959	Month's Average	Month's High	Month's Low	Change from Last Month's Average
January	145.44	150.00	140.00	+ 6.44%
February	141.58	145.00	139.00	- 3.86%
March	139.60	141.00	138.00	- 1.92%
April	138.32	139.00	133.00	- 1.28%
May	133.82	136.00	132.00	- 3.26%
June	136.27	145.00	131.50	+ 1.83%
July	148.63	153.50	144.50	+ 9.07%
1960				
January	187.34	194.00	185.50	-12.20%
February	184.51	186.50	181.50	- 4.00%
March	187.80	191.00	184.00	+ 3.29%
April	190.16	192.40	188.45	+ 2.36%
May	186.47	189.50	183.00	- 1.94%
June	184.72	187.00	183.50	- .98%
July	185.20	186.50	184.00	+ .48%

Source: Rio Exchange Houses

Average Agios Paid for US$Dollar - General Category

1959	High	Low
January	259.30	197.50
February	292.00	240.60
March	288.50	246.00
April	260.10	240.00
May	200.20	140.00
June	181.00	151.00
July	165.30	156.50
1960		
January	198.00	181.30
February	201.20	186.60
March	237.10	210.00
April	224.00	222.00
May	221.00	217.00
June	216.00	213.00
July	212.00	210.00

Source: Rio Exchange Houses

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Total Currency in Circulation at End of Month (Cr$1,000,000)

	1959	1960
January	116,810	154,616
February	116,804	154,615
March	120,993	154,612
April	122,885	157,908
May	125,279	160,703
June	125,271	163,296
July	127,865	165,390

Source: Amortization Office, Ministry of Finance.

Cost of Living in Rio de Janeiro (1948 = 100)

1959	Food	Cloth-ing	Rent	Furni-ture	Hygi-ene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	501	348	498	321	398	413	561	470	4.2
Feb.	570	376	504	351	411	500	580	514	9.4
March	576	387	513	369	414	522	580	523	1.8
April	590	395	521	385	457	522	580	538	2.9
May	611	402	529	390	498	522	580	548	1.9
June	615	415	538	398	498	522	580	557	1.6
July	630	419	546	421	518	522	719	573	2.9
1960									
Jan.	809	476	601	488	623	632	767	691	.8
Feb.	807	480	609	512	625	652	767	696	.7
March	808	498	614	522	623	652	824	705	1.3
April	836	508	620	534	660	770	824	725	2.8
May	818	528	631	552	682	699	826	725	-
June	811	530	639	577	711	699	826	728	.4
July *	830	542	646	583	717	699	826	740	1.6

*) Note: Last Month: preliminary figures

Source: Getulio Vargas Foundation

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Coffee Exports in 60-Kg Bags

Coffee year 1959-60 (July 1 - June 30):
July 1,891,166

Coffee year 1960-61:
July 1,919,258

Brazil's Foreign Trade (in US$1,000,000)- 1960

Imports	April	May	Jan/May	April	May	Jan/May
				(percentage of total)		
Total	110.6	111.0	540.3	100%	100%	100%
USA	28.0	32.6	152.4	25	29	28
C.B.B#)*)	2.4	4.0	26.4	2	4	5
Exports						
Total	101.1	121.1	503.3	100%	100%	100%
USA	50.4	56.1	233.4	50	46	46
C.B. *)	1.9	9.1	25.8	2	8	5

*) C.B. refers to the Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Communist China, Rumania, USSR, Albania and Bulgaria.

Source: Economic and Financial Statistical Service, Min. of Finance

* * * *

For the Ambassador

Gerald S. Pierce
Commercial Officer

Approved:

Edward J. Bash
Commercial Attaché

Contributors:
Items 1,2,3,5 - GSPierce
Item 4 - WHlomeyer
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Item 7 - FMMilam, REAdcock
Item 8 - DPMann
Item 9 - SJEmiliano, MWCoyle, WHlomeyer, LYallouz

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO — 211 (DESP. NO.) — SEP 9 1960 — September 8, 1960 (DATE)

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C-1 TR 3 FMB-3 RMG-4 JCM-12 WHB-6 ACA-8 INT-

	ACTION	DEPT.
For Dept. Use Only	ARA 5	RM/R-2 REP-1 JMR-10 E-7 IOA 11
	REC'D 9-12-60	INFO OTHER USIA 10 OCB-3 USIA 4 NRMJ-35 NAVY-20 AIR-30 CIA 16 ACE-21

SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period covered August 22-Sept. 3)

INDEX

1. Currency Issue Increases
2. Possible New Brazilian Executive Director on IMF
3. Congressional Committee Temporarily Suspends Minerals Investigation
4. Wheat from Russia and Rumania
5. Anti-Communist Labor Leaders Issue Manifesto
6. American-Owned Plant Threatened with Bankruptcy

* * *

1. Currency Issue Increases:

The outstanding currency issue increased by Cr$0.8 billion during the first 27 days of August, following an increase of Cr$2.1 billion in July. During the full month of August, 1959, the increase of currency issue totalled Cr$4.3 billion. (OFFICIAL USE ONLY)

2. Possible New Brazilian Executive Director on IMF:

According to newspaper reports, the Brazilian Government is planning to designate Maurício Bicalho, present President of the Bank of Brazil, as its Executive Director on the International Monetary Fund in place of the late Otávio Paranaguá. Bicalho's replacement as President of the Bank of Brazil reportedly is to be Carlos Cardoso, present Director of the Rediscount Department of the Bank of Brazil. (UNCLASSIFIED)

Comment: The newspaper rumors have been confirmed to the Embassy by various Brazilian Government officials. They say that

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formal designation of Bicalho is being withheld pending receipt of the requested approval from the Governments of Colombia, Peru, Panama, Haiti and the Dominican Republic, all of which would be represented in the International Monetary Fund by the Brazilian Executive Director. It is understood that there is an outstanding "gentlemen's agreement" by the various Governments concerned that a Brazilian would serve as Executive Director. The Embassy has no information to indicate the views of the various other Governments as to the qualifications of Maurício Bicalho as the Executive Director who would cast their votes. However, there is a widespread feeling among Brazilian Government financial authorities that Bicalho is a poor choice. It is their general view that he is not adequately qualified, on technical grounds, to defend the viewpoints of the various Latin American countries at I.M.F. meetings, considering the very high technical qualifications of other representatives at the I.M.F.(OFFICIAL USE ONLY)

3. Congressional Committee Temporarily Suspends Minerals Investigation:

Deputy Ultimo de Carvalho, the Chairman of the Congressional Investigation Committee on Iron and Ore and Manganese Ore states that all activity will be suspended until October 15 when the Committee will visit the mining regions. He states further that Jornal do Brasil journalists will be invited to accompany them "because Jornal do Brasil's position (against M. A. Hanna) coincides with the objectives of this Committee". (UNCLASSIFIED)

4. Wheat from Russia and Rumania

It has been confirmed that Russia recently made a new attempt to get Brazil to take 100,000 metric tons of wheat beyond present contracts at $66.70 C&F Brazilian port. The current outlook is that the Government probably will not take this wheat for two reasons: (a) Brazil does not want the trade balance to widen and (b) there are several influential public and private parties who recognize that with each additional grain of Russian wheat comes more of the communist propaganda. Nevertheless, some members of the Wheat Commission favor the Russian offer and there could be much pressure for the purchase of this wheat.

Brazil has purchased 10,000 metric tons through dollar clearings at a price of FOB $58.50 per ton. Recently an additional 40,000 tons were offered at the same price. This offer has

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not been accepted to date, for the quality of the wheat is not known. The wheat millers reportedly are against the Rumanian wheat, for they have received information that it is of very low quality.
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5. Anti-Communist Labor Leaders Issue Manifesto:

On September 1 the Presidents of the National Confederations of Industrial, Commercial and Land Transport Workers issued a manifesto containing a declaration of principles and a program of action. The Presidents of 21 affiliated Federations also signed the document. The declaration of principles included rejection of extra-legal labor organizations (i.e., the national labor "central" which Communists sought to push through the Third National Labor Congress), reaffirmation of support for the Inter-American Regional Organization of Workers (ORIT) and the International Confederation of Free Trade Unions (ICFTU), and support of democracy as opposed to totalitarian ideologies and parties.

The action program included a call for campaigns to organize more workers and negotiate collective bargaining contracts; replacement of existing laws under which the Ministry of Labor retains part of the proceeds of the "union tax" for a Union Social Fund, and which require labor organizations to submit their accounts to the Ministry of Labor, with new laws providing for the distribution of all of the union tax money to unions and for the submission of union accounts to the judicial branch of the Government instead of the Labor Ministry; and extension of the benefits of social security and labor legislation to farm workers. The manifesto also criticized foreign trusts and monopolies, and suggested nationalization of electric power companies and limitations on the remittance of profits by foreign firms.

The Confederations plan to circulate the manifesto to affiliates throughout the country. It received full coverage in many newspapers, although generally pro-Communist Ultima Hora ignored it completely.
(UNCLASSIFIED)

6. American-Owned Plant Threatened with Bankruptcy:

Celubagaco Industria e Comercio S/A, a bagasse pulp plant at Campos, state of Rio de Janeiro, has been tentatively granted a "debt moratorium" by petition to the courts. The American investment of approximately 2.5 million dollars for machinery is financed by Transoceanic - AOFC, Ltd, with guarantee provided by the Brazilian

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National Economic Development Bank (BNDE). Well-known American investors own approximately 90 percent of the stock, while Brazilian associates hold the remainder.

BNDE already has been forced to provide Cr$78,000,000.00 in interest and principal payments to AOFC. This reportedly is the first instance of default by an American-owned firm on a BNDE-guaranteed loan. In addition to the indebtedness to AOFC, the firm owes Cr$62,000,000.00 to local suppliers and banks. Under terms of the temporary moratorium, no further local credits are likely, and the firm will have to secure court approval for a program to satisfy creditors within two years after the court gives final approval to the firm's petition. (OFFICIAL USE ONLY)

Comment: Friendly government sources and officials of the firm fear possible damage to United States-Brazil relations as a consequence of BNDE's necessity to cover payments to AOFC for an American-owned firm. A local company official has endeavored to avoid publicity and only one newspaper thus far is known to have reported the story of threatened bankruptcy. (OFFICIAL USE ONLY)

For the Ambassador,

Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler,
Counselor of Embassy
for Economic Affairs

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Item 1,2 - HKMay
Item 3 - EIBrowa
Item 4 - FWMilam
Item 5 - DMann
Item 6 - EJBash

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FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil — DESP. NO. 7

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE September 8, 1960

REF : CERP Requirement, Section B Item 2. Hecto corrections re security classification sent 10/20/60 - MWS

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	COM-12	REP-1 *INR-7 *ARA-3 *ICA-11 E-3
	REC'D 9/20	INFO OTHER C1A-10 *TR-3 FRB-3 TAR-2 *ZAB-6 AGR-8 INT-7 OSD-4 ARMY-6 NAVY-3 XMB-2 USIA-10 CL-4 NSA-2

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - AUGUST, 1960

BEGIN UNCLASSIFIED

SUMMARY

According to reliable sources, domestic trade and commercial activities in general are on the increase. Sales volumes for August 1960 were reported as satisfactory, and merchants anticipate an even higher volume during the coming months. Some staples had a considerable increase in the retail price, while beans from southern Brazil dropped by about 10 cruzeiros a kilo. During August there was an almost complete shortage of onions and coffee beans. The supply of fresh meat continues to be insufficient, and as a consequence, fish is being sold at higher prices. Credit facilities have been extended to business during this period.

Banks in Belém continue to extend financial assistance to business, industry and farming. SPVEA has released additional funds to private and government enterprises in the States of Pará and Amazonas. The Pará State Bank is expected to be inaugurated in October this year. The cost of living in Belém increased by 26, 21% in six months.

Imports and exports as well as interstate shipments were active.

The cement plant at Capanema, State of Pará, received in August the balance of the equipment necessary to start cement production. The machinery came from Czechoslovakia.

The 9th Soure (Marajo Island) Cattle Fair held in August was a successful one. The First Amazon National Fair committee continues to promote actively the fair which is scheduled to open in November. The Amazon Social-Economic Seminar was installed on August 12 in this city and it is expected that in 8 months its work will be complete.

Political activities regarding the Presidential succession are more intensive now in this area.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

According to Pará chamber of commerce sources, domestic trade in the Amazon Valley is on the increase. This statement is based on the fact statistics show a growing volume of interstate incoming and outgoing shipments each month.

The States/

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A.José DeSeabra:RNTeixeira:mc
REPORTER

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The States of São Paulo, Guanabara and Pernambuco keep up a steady demand for Amazon products. At the same time local merchants are always trying to maintain sufficient stocks on hand by placing orders regularly. One serious difficulty they encounter is the lack of adequate maritime transportation, which from time to time, causes serious shortages on the local market. This because southern and eastern Brazilian shippers often have to wait for considerable periods of time before they can find cargo space aboard vessels bound for Amazon ports. Manaus suffers from this situation even more than Belém. Although the Belém-Brazilia and Belém-São Luiz (Maranhão) highways are not yet completed and open to regular traffic, there have arrived in Belém a good number of Ford, Chevrolet and Mercedes Benz (Brazilian made) stake body and pickup trucks carrying Maranhão, Ceará and Piauí license plates. These vehicles reach this city after traveling on those roads, as can be readily seen from their mud-splattered or dust-covered bodies.

At present there are about twenty five thousand motor vehicles in operation in the Belém area.

Local merchants report that in August 1960 there was a satisfactory volume of sales and there are indications that it will increase progressively over the coming months.

In August, some staple foodstuffs such as butter, powdered and condensed milk, had the second price increase within 30 days. It was noted, however, that beans from the South dropped from 65 to 55 cruzeiros per kilo. Also during this period there was an almost total shortage of onions in this area, with prices reaching 130 cruzeiros per kilo. In contradiction to an earlier statement from the Instituto Brasileiro do Café (Coffee Brazilian Institute) that no shortage of coffee would occur, at least to the end of 1960, ground coffee is being now rationed and sold on the black market at 140 cruzeiros a kilo.

Meat continues to be relatively scarce and expensive with a tendency to higher prices (120 to 180 cruzeiros a kilo). Fish has also gone up (70 to 120 cruzeiros a kilo).

Credit to business has been made available through out August, thus enabling merchants to continue their policy of credit sales, now almost generally adopted by local retail outlets.

FINANCE

The financial situation of the Amazon Valley was considered fair during August 1960. All banks in Belém extent financing assistance to business, industry, farming, etc.. SPVEA released funds for private enterprises and municipal administrations in the States of Pará and Amazonas, to continue construction of roads, thermal power plants and water supply facilities.

The Pará State government has officially announced that the Banco do Estado do Pará (Pará State Bank), with headquarters in Belém, will be in operation in October. This bank will open branches in the principal towns of this state.

According/



According to statistics compiled by the Servico de Estatistica da Previdencia e Trabalho (Statistical Service of Social Welfare and Labor) of the Labor Ministry, the cost of living in Belém underwent an increase of 26,21% from March to August 1960.

During this period the US dollar in the exchange free market went as follows: August 1st, Cr$181,50 for purchase, Cr$185,70 for sale; August 31st, Cr$183,00 for purchase, Cr$187,50 for sale, to one dollar. The exchange fluctuation was, lowest Cr$181,50 for purchase and 185,70 for sale; highest Cr$185,50 for purchase and Cr$190,50 for sale to one dollar.

IMPORTS AND EXPORTS

Imports were at a fairly high level during August 1960, consisting mainly of farm, road construction and other machinery, raw wheat and chemicals. Exports of regional products to Europe, the United States, South America and Japan were active.

Interstate incoming and outgoing shipments through the port of Belém were normal.

INDUSTRY DEVELOPMENT

Inspite of the usual difficulty in obtaining the necessary materials, there continues to be a great deal of construction activity in Belém. In August construction was started on several apartment houses.

In late August Lloyd Brasileiro's S.S. "Cabo Frio" unloaded in Belém 430 tons of machenery for the cement plant at Capanema, Pará, of Pires Carneiro S.A.. This shipment valued at 130 million Cr., had, as one of the mainitems, the rotary oven with a production capacity of 200 tons of cement powder per day. The company that supplied this equipment the Czech concern Techno-Export with headquarters in Prague, is sending an engineer to install this machinery. As previously reported, other machinery of Czech manufacture is already installed, and Pires Carneiro S.A. expects to be in a position to supply the local market with cement from Capanema, within the next five months.

ECONOMIC DEVELOPMENT

During the period of August 28 to September 4 there was held at Soure, State of Pará (Marajo Island) the 9th Soure Cattle Fair. This fair, which was organized with the full support of the federal, state and municipal governments, showed the importance of cattle breeding in the Marajo Islands.

The first National Amazon Fair, will be inaugurated in November of this year. The hard working organizing committee is hopeful that it will be a big success. At this writing, it had been just announced in the local newspapers that the State Governments of Amazonas and São Paulo would construct pavilions to house their exhibits.

On August/



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(Classification)

On August 12 there was officially installed, in the building of the Pará Chamber of Commerce,(Associação Comercial) the Seminario Socio-Economico da Amazonia (Amazon Social-Economic Seminar), sponsored by the Confederacao Nacional da Industria (National Industry Confederation), Departamento Nacional do SESI (SESI National Department), Divisão de Estudos e Planejamento (Plans and Studies Division), Industrial Federations of the States of Goias, Amazonas, Pará, Maranhão and Mato Grosso. Several groups of technicians and experts on the Amazon economic and social problems will survey and discuss all aspects of the economic development of the Amazon Valley. At the end of eight months it is expected that the Seminar will present an accurate picture of the Amazon economic situation. END UNCLASSIFIED

POLITICAL (Official Use Only)

By late August Lloyd Brasileiro's S.S. "Maua" finally docked at this port to exhibit President Kubitschek's "goals". Because of uncertainty about the date of arrival and inadequate publicity not many people showed up to see the exhibits. Slight criticism was heard especially among port workers, to the effect that the ship was simply carrying a government show, at a daily cost of 100 thousand cruzeiros while the northern part of the country was facing serious shortages because of the recurring unavailability of ships.

A. José DeSeabra
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE

9
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 8, 1960
DATE

REF : 1957 CERP - Section requirements: Section C, Item 1

SEP 9

EUR-5

2 For Dept. Use Only | ACTION COM-12 | INFO REP-1 *INR-7 E-7 *ARA-4 *ICA-1 U/MC-2 C/A-10 ARMY-6 NAVY-3 AGR-8 TAR-2 *LAB-6 LOC-4 XMB-4 OSD-4 *TR-3 NSA-2 USIA-10 FRB-3 IVT-1 | REC'D 9/9

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - August 1960

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance
7. Labor
8. Miscellaneous

832.00/9-860

SUMMARY

Weather conditions have been favorable to agriculture throughout the month. A good quality is expected from the wool clip late in October, although a smaller yield is anticipated. Planters are planning to increase acreage for soybeans due to lucrative prices. Recommendations for solving the state's current economic problems have been made by a high level committee. High sales volume is reported by large retail stores. Some delay is reported in payment of trade bills. Considerably lower exports of pine lumber are reported. The dairy industry is seeking financial assistance from the state government. Slow progress in construction of federal highways in the state. The cruzeiro weakened slightly late in August. The money market reportedly eased somewhat. A wave of strikes hit several sectors of the economy.

1. AGRICULTURAL DEVELOPMENTS:

a. Rice - No major developments occurred during the month under review in the rice market. Price ceilings in Rio de Janeiro remain in effect and very little rice is moving north. Shipments to date are about 1,000,000 sixty kilo bags less than for the corresponding period of 1959. IRGA (Rio Grande do Sul Rice Institute) received federal government permission to use Cr$700 million (originally allocated for debts connected with last year's harvest)

AJKirchhof/HBloom/zms
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for purchase of the present crop and prices continue steady.

b. Soybeans - With mills absorbing all available soybeans in the market, prices moved upward for the fourth consecutive month and now are quoted over Cr$850.00 per sixty kilo bag. As this is a bit higher than current prices abroad, only small amounts are expected to move into international markets, thus ensuring an adequate supply for the national milling industry. An estimated 20,000 metric tons will be retained as seed, with many growers planning to increase acreage for the next crop of this lucrative item.

c. Wool - Preliminary estimates for the clip beginning in late October indicate a yield of good quality. The total clip, however, is expected to be smaller than the normal of about 24,000 metric tons, because sheep acquired to replace those lost in the 1959 floods are still too young for shearing.

d. Wheat - Although local mill workers have been on strike for salary demands, mill owners have been able to avoid a bread shortage by releasing flour from existing stocks. When these stocks are exhausted, it is believed interior mills will be able to supply the city.

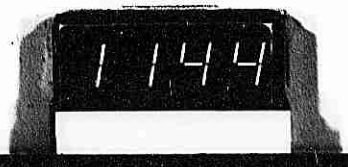
e. Whale Meat - The recent introduction of whale meat in Pôrto Alegre from São Paulo apparently met with success, according to the press. Its retail price has been Cr$70.00 per kilo, which is considerably lower than good quality beef prices. However, there is no fear that whale meat will replace beef in this great beef-producing state.

f. State Livestock Show - The 24th State Livestock and its By-Products Show was held here from August 27 to 30. This is the largest annual show of its kind in Brazil and second largest in Latin America. Technicians from Germany came to attend the show and actively promoted the sale of German farm tractors, fertilizers, insecticides, etc.

g. Economic Problems of Rio Grande do Sul - The following preliminary recommendations have been made by the high level committee which was created by the federal government for the purpose of studying the economic problems of Rio Grande do Sul:

1. The prices of agricultural products should be gradually adjusted until reaching the same levels of manufactured goods.

2. Exports of agricultural products should be free if they can compete in international markets so that producers might receive higher prices.



3. SUMOC (money and credit control) should lower compulsory deposits from banks so that they could have more cash available.

4. The sales and consignment tax of 6 percent levied by the state should be reduced to 3 percent on locally processed agricultural products.

5. Efforts should be made to obtain closer cooperation from the Ministry of Agriculture to improve current agricultural methods.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

The larger retail outlets report high sales volume. Reports regarding trade bill collections are somewhat conflicting, according to local banking sources; a majority of sources mentioned some delays in payment.

State sales for July 1960 (latest figure available) dropped somewhat from the preceding month. Comparative figures, in thousands of cruzeiros, for June and July 1960, and July 1959 are as follows:

June 1960	July 1960	July 1959
23,981,606	20,849,365	16,609,941

High sales in June are generally attributed to seasonal sales of winter garments.

3. FOREIGN TRADE:

a. Paraná Pine - In 1958, the Argentine government placed all imports in the free market exchange, and, consequently, prices of imported pine lumber increased considerably, which resulted in a substantial drop in demand for this lumber in Argentina. Since then, this measure reflected in high lumber inventories in the states of Rio Grande do Sul, Santa Catarina, and Parana. To remedy this situation, the local lumber exporters requested Pine Institute officials to abolish the present minimum fixed FOB export price of US$130.00 per 1,000 sq. ft. of sawn lumber, as some exporters grant a special bonus to Argentine importers in order to secure their business.

b. Rice - No decision has yet been reached by the Bank of Brazil regarding shipment of an estimated 120,000 metric tons of milled rice, exportable surplus from this state.

c. Shrimp - The Bank of Brazil authorized a sale of 150 metric tons of shrimp worth US$160,000.00 to Uruguay. It is believed that



this first shipment to Uruguay will prove satisfactory and that repeat orders will follow. This state is also trying to find overseas markets for its shrimp production, either fresh or canned, including the United States.

d. Soviet Bloc Trade - The Consulate has noted that another shipment of 170 "Zetor" tractors arrived August 22, 1960 from Gdynia, Czechoslovakia, on the Norwegian ship "REGO", consigned to the local firm Importadora Americana S.A. There also arrived some amounts of barbed wire, caustic soda, and tools from the same country.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

The State Secretary of Economy reported that in a recent visit to Rio de Janeiro and São Paulo he had been approached by the important German "Krupp" and "Rheinstahl" iron and steel representatives, who expressed an interest in the results of the survey being made in Rio Grande do Sul for the development of iron ore deposits (ref. Consulate's despatch No. 5, item 4b, of July 1960). The Consulate will report further developments.

Professor George Toutin from the Centre Synthése of Paris has been in Porto Alegre to give talks about the results obtained in France from rationalization of work to improve productivity in industry. This program is sponsored by the French government and is designed to render assistance to the Brazilian Productivity Center. Professor Toutin stated that one of the difficulties mostly encountered is to convince the workers to accept and use these methods.

Leaders of the dairy industry requested financial assistance of Cr$100 million from the state for modernization of the equipment of 28 dairy plants operating in this state. According to these leaders, such assistance would permit the filling of the state's total consumption needs of butter, cheese and other dairy products. At present, only 28 percent of the cheese consumed locally is produced in the state, whereas the remaining, or about 4,500 metric tons, is brought in from other domestic producing centers. Likewise, the majority of butter used here is brought in from other states.

5. TRANSPORTATION AND COMMUNICATIONS:

Federal Highways - Because of the slow progress in the construction of federal highways in this state, commerce and industry leaders formed a combined front with state Deputies to bring pressure upon the federal authorities to grant sufficient funds to hasten the completion of certain highways. These highways are considered of vital importance for moving state crops to consuming markets.

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6. FINANCE:

Exchange - The cruzeiro weakened slightly toward the end of August, averaging Cr$188.46 to the U.S. dollar (check buying rate), against Cr$186.90 in the previous month.

At the U.S. dollar auctions for commercial imports in August, the general and special category premiums showed slight variations from the preceding month levels. The general category dollar premium averaged Cr$209.86 against Cr$210.00, and the special category dollar premium averaged Cr$470.75 against Cr$463.63 in July. The Soviet Bloc agreement dollar in August stood at Cr$178.00 in the general category. No special category agreement dollar was auctioned.

Government Finance - The Bank of Brazil recently granted a Cr$1 billion loan to the state governmnet, repayable over a period of 10 years. Attached is a free translation of the text of the contract, which appeared in the local press.

Money Conditions - It is reported that the money market eased slightly, with most banks being able to take care of the short term needs of good clients. Figures published in the local press indicate that bank deposits as of June 1960 throughout Rio Grande do Sul increased 26 percent over year-end 1959.

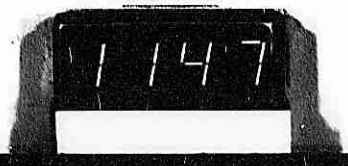
7. LABOR:

During the month under review, a wave of strikes hit several sectors of the State's economy, the most important being a railroad strike which lasted six days and cost the railroad about Cr$60 million; a strike of port and river personnel which lasted 17 hours; and a strike of wheat and corn mill workers, which has not yet been settled. All current strikes involved salary demands, and while none have disrupted the economy unduly, they represent a further disquieting feature coming on top of last month's general strike.

As a result of labor court arbitration an agreement has been reached between commercial employees and management for a raise of 30 percent in current salary levels, with a ceiling of Cr$3,500.00, effective August 1, 1960.

8. MISCELLANEOUS:

State Electrification Program - The DNOS (Federal Department of Sanitation Works) recently inaugurated two more dams in Rio Grande do Sul in connection with the state's electrification program. One dam, located near the town of Ijuí, cost Cr$10 million and is 164 meters long and 10 meters high. It will serve to



increase the existing power plant capacity which at present generates 2,000 HP. It is expected that this project will help solve the power problem in that area. The other dam is located in the São Francisco de Paula municipio, and it cost Cr$50 million. It is 240 meters long and 27 meters high and its water reservoir capacity is 20 million cubic meters. This dam was built to regulate the flow of water and thus avoid a shortage for the hydroelectric plants of Bugres and Canastra.

Percy Warner
American Consul

Encl.:
Translation of loan contract.

cc. Amembassy RIO (with enclosure)

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TRANSLATION

"CORREIO DO POVO" August 14, 1960

LOAN OF ONE BILLION CRUZEIROS

Text of Contract Signed Between the State of Rio Grande do Sul and the Bank of Brazil

The Bank of Brazil S.A., with head office located in ~~the~~ Brazil's capital, represented by Luiz Janson, manager, and Arthur Neujahr, assistant manager, henceforth named the Bank,and the Government of the State of Rio Grande do Sul, henceforth called the State, represented on this occasion by Secretary of Finance Vitor Issler in accordance with Decree No. 11475 of July 27, 1960, have established and agreed upon the following:

1. The State recognizes to be indebted to the Bank, as of today, for the amount of Cr$1,596,782,782.10 as per commitments included in private agreement of November 7, 1955, confirmed and amended on August 31, 1956, of which the principal document was registered in book 1, page 983, on October 1, 1956 at the State's Audit Office.

2. As a guarantor for the Rio Grande do Sul Meat Institute the State is responsible toward the Bank for the debt accruying from contract dated December 20, 1952, which as of today amounts to Cr$148,760,859.40.

3. The Bank grants the State a credit of Cr$1,000,000.00 to be used after this contract has been filed with the State's Audit Office and after the State's debt bonds are given to the Bank as a guarantee, in accordance with provisions of Article 3, item b, of law No. 360 of December 1, 1958,and in accordance with provisions of Decree No. 11505 of August 10, 1960.

4. For the debts referred to in items 1 and 2 and the utilization of credit referred to in item 3, the State will pay interest at ten percent per year, to be included in the monthly amortization payments. The interest rate shall be increased to eleven percent per year if payments are made with delay.

5. The period of time for liquidating the State's debt is ten years, as of January 1, 1961.

6. The State will pay to the Bank a commission of one percent of the total commitments, assumed by the former.



7. The debt will be payable in 120 monthly instalments including interest; the amount of each instalment will be known when the total amount owed is calculated on December 31, 1960, including interest as per item 4.

8. As a promise to fulfill its commitments the State confirms the bonds given as guarantee as per Contract of November 7, 1955, and supplementation of May 25, 1955, concerning Contract of December 20, 1952 established with the Rio Grande do Sul Meat Institute as follows:

52,760 bonds, Nos. 103,241 to 156,000 inclusive, from the "Electrification Loan for the State of Rio Grande do Sul", whose issue was authorized by Decree-Law No. 1175 of September 5, 1946, registered at Porto Alegre and Rio de Janeiro stock exchanges; these bonds of nominal value of @1,000.00 each will pay interest at 7.5 percent per year and are accompanied by coupons No.6 and up;

73,870 bonds, No.s 182,131 to 200,000 inclusive (first issue) from the State Electrification Loan, whose issue was authorized by Decree-Law No. 1175 of September 5, 1946 and State Law No. 566 of June 17, 1949 registered at Porto Alegre and Rio de Janeiro stock exchanges; these bonds of nominal value of @1,000.00 each will pay interest at 7.5 percent per year, and attached to them are coupons No. 9 and up (first issue) and coupons No. 4 and up (second issue); 129,810 bonds Nos. 761,191 to 206,000 inclusive from the State Electrification Loan, whose issue was authorized by State Law No. 566 of June 17, 1949, registered at Porto Alegre and Rio de Janeiro stock exchanges; these bonds of nominal value of @1,000.00 each will pay interest at 7.5 percent per year.

One instrument representing bonds Nos. 1 to 200,00 inclusive, from the State Loan for Reequipment of Railroad (Viação Férrea), whose issue was authorized by State Law No. 1540 of September 19, 1951 and No. 1511 of August 2, 1951, registered at Porto Alegre and Rio de Janeiro stock exchanges; these bonds of nominal value of @1,000.00 each will pay interest at 8 percent per year;

One million bonds represented by coupons Nos. 1 to 4 and No. 1 to 1,000,000 inclusive, from the Rio Grande do Sul Public Works Plan, whose issue was authorized by Law No. 2136 of October 26, 1953 as per certificate of January 20, 1954 registered at Porto Alegre stock exchange; these bonds are of nominal value of @1,000.00 each and will pay interest at 8 percent per year;

57,370 bonds from the Electrification Loan, issued in accordance with Decree-Law No. 1175 of September 5, 1946 of nominal value of @1,000.00 each, of which 31,240 bonds are Nos. 72,000 to 103,240 first issue), and 26,130 bonds Nos. 156,000 to 182,130 (second isssue);



20,190 bonds from the Electrification Loan, issued in accordance with Law No. 566 of June 17, 1949 of nominal value of @1,000.00 each,Nos. 56,000 to 76,190 (second issue).

42,440 bonds from Public Works and Investment Loan, issued in accordance with Law No. 808 of December 17, 1949 of nominal value of @1,000.00 each, Nos. 107,729 to 150,168 inclusive.

9. In addition to all commitments described in the present Contract, the State will guarantee payments with the amount corresponding up to 5 percent of the total tax receipts each year, and will deposit daily in the Bank, through the Bank of Rio Grande do Sul S.A., the amount corresponding to 1/30 of the monthly instalment calculated as per item 7, so as to cover stipulated amortization; these deposits will pay 10 percent interest per year.

10. Also, in order to guarantee commitments the State will deposit in the Bank 1,885,490 bonds payable to the bearer, called "Second Public Works Plan for Rio Grande do Sul"- second series Nos. 1 to 1,855,490 inclusive, issued in accordance with Law No. 3601 of December 1, 1958, and Decree No. 11505 of August 10, 1960, of nominal value of @1,000.00 each, paying interest at 10 percent per year, with monthly maturities as of January 1961 up to and including December 1970 as follows:

a) On the last day of each month between January 1, 1961 and November 30, 1970, 15,462 bonds will fall due in the numerical order and amounting to a total 1,839,978 bonds; b) On December 31, 1970 the remaining 15,512 bonds will fall due. These bonds will be represented by only one document, which will be exchanged for another, or for the bonds given as guarantee, when requested by the Bank, and a new document will be issued containing the necessary specifications which will be incorporated in the present contract.

11. If instalments mentioned under item 7 fall due and if daily deposits as per item 9 are not made, the Bank may, independently of advice or consultation, sell,either publicly or privately, the bonds in its possession, up to the limit of instalments matured, or may dispose of them as desired, in order to be conveniently reimbursed.

12. The Bank of Rio Grande do Sul, with head office in Porto Alegre by its director Elmo Diaz, economist, Brazilian, married, residing here, will sign this contract as guarantor and be principally responsible to pay the State's commitments, as per provisions in Article 6, item 20, in the Bank's statutes, and Act No. 29 of August 10, 1960 of the Consultive Council.

13. The Meat Institute of Rio Grande do Sul, autarchy, with head office at Porto Alegre, represented by Manoel Correa Soares and

Francisco Salles, both Brazilians, married, residing here, as President and Director, respectively, agree and recognize the debt mentioned in item 2.

14. The amounts to be deposited in the Bank for the special account referred to in item 9 will be applied against amortizations agreed upon. The State will deposit these amounts in full not later than the fifth day of the month following each month due.

15. This contract must be registered in the State's Audit Office to be considered valid and legal.

This contract has been legally signed in six copies by parties and witnesses below in full agreement, with the exemption from payment of stamp tax in accordance with Article 15, paragraph 5 of the Federal Constitution.

Porto Alegre (RS), August 11, 1960

Banco do Brasil S.A. - Porto Alegre (RS) - Luiz Jansson - Arthur Neujahr; State of Rio Grande do Sul - Victor Issler; Bank of Rio Grande do Sul - Elmo Diaz; Meat Institute of Rio Grande do Sul- Manoel Correa Soares - Francisco Salles; Witnesses: Domiciano M. Ribeiro - Jorge Bento.

/AJK/zms



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FOREIGN SERVICE DESPATCH

FROM : Amcongen SÃO PAULO

94
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 9, 1960
DATE

REF : CERP C - General Interest

EUR-5 FE-6 RA-10

For Dept. Use Only — ACTION: ARA-5 DEPT. RPM/R-2 REP-1 INR-10 E-7 ICA-1 EUR-5 — REC'D 9/13 INFO OTHER COM-12 CIA-16 ARMY-3E NAVY-20 AIR-30

DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS
SEP 12 1960
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OCB-2 NSA-4 RMR

AGR-5 (10) T TAR-2 FRB-3 TR-3 LAB-6 T-7C

SUBJECT: Biweekly Economic Review, August 26 - September 9

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832.00/9-960 HBS

1. Power Developments (UNCLASSIFIED)

Preliminary installations of the Urubupungá hydroelectric power system were inaugurated on August 27 at a ceremony presided by the Governor of the State of São Paulo (see despatch 93 of September 9). When completed, around 1968, the system will have a potential of nearly 3 million KW, and will be one of the largest power developments in the world. Located on the São Paulo-Mato Grosso state line, Urubupungá will develop a total of 15 billion 300 million KWH annually and will supply power to a region of 1,130,000 square kilometers.

A company will be organized to supervise construction and operation of the system. It will be jointly owned by member states of the Parana-Uruguay Basin Authority (São Paulo, Goiás, Mato Grosso, Minas Gerais, Paraná, Santa Catarina, Rio Grande do Sul). Initial construction costs will be mainly covered by the Cr$1.75 billion reserved for the project in the São Paulo Government Plan of Action and which are now available, plus an additional Cr$250 million representing initial participation of São Paulo to the pilot company's capital.

A.D. Ventura
ADVentura/dd
(see index for contributors)
REPORTER

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ACTION ASSIGNED TO- NAME OF OFFICER & OFFICE SYMBOL	ACTION TAKEN DATE OF ACTION	DIRECTIONS TO RM/R

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2. São Paulo Coffee Trading Circles Satisfied at Government Intervention (UNCLASSIFIED)

São Paulo coffee growing and exporting circles generally showed satisfaction at news of the intervention of the Brazilian Coffee Institute (IBC) in the coffee market. The Government support will be extended through the purchase of part of the coffee crop (probably 5 million bags) in both the coffee producing zones and the ports of exports at prices averaging Cr$3,050 per bag of fine type coffee. This measure, which had been urged for several weeks past by rural associations in São Paulo and other coffee growing states (see item 3, despatch 76 of August 26, and item 3, despatch 29 of July 29) is expected to stimulate the sluggish internal and export coffee markets. Exports from Santos have already climbed slightly since news of the Government support program.

3. Soviet Union Purchases Brazilian Oranges (UNCLASSIFIED)

Thirty-two thousand cases of Brazilian oranges destined to the Soviet Union were shipped from Santos on September 7. This is the first direct purchase of Brazilian oranges by the U.S.S.R. which heretofore purchased the Brazilian fruit on European markets. It is reported that the Soviet Union is interested in acquiring directly part of the 1961 Brazilian orange crop.

4. Public Works (UNCLASSIFIED)

On September 5 and 6 São Paulo State Governor Carvalho Pinto signed contracts authorizing the expenditure of Cr$1,358,552,861 for the construction and paving of highways and roads, and Cr$228,179,778 for the building of municipal bridges, schools and other public works throughout the state. These expenditures are undertaken under provisions of the Government Plan of Action program.

5. Japanese Businessmen in São Paulo (UNCLASSIFIED)

Three Japanese businessmen, respectively presidents of the Japanese, Tokyo, and Hiroshima Chambers of Commerce, visited Japanese agricultural and industrial installations in São Paulo from August 22 to 31. They also met with top officers of the Federation of Industries of the State of São Paulo (FIESP) to determine means of increasing Japanese technical-industrial assistance to Brazilian industry. As a result of the talks, it was agreed that the recently created Japanese Technical-Industrial Cooperation Bureau, of São Paulo, would regularly submit to FIESP officers lists of Japanese engineers and technicians who wish to travel to Brazil to work in São Paulo industries.

Another group of Japanese businessmen visited coffee growing and export centers in the State of São Paulo during the last week of August. The purpose of their visit was to acquaint themselves with Brazilian coffee growing methods with a view to increasing the Brazilian coffee trade with Japan.

A third group of Japanese industrialists, connected with Japanese steel industries, arrived in São Paulo on September 8 on a four-day visit.



6. Auto Parts Factory Inaugurated (UNCLASSIFIED)

The auto parts factory of Indústrias Gemmer do Brasil S.A. at São Bernardo do Campo (S.P.) was officially inaugurated on September 6. This Cr$560 million corporation is owned by the Ross Gear & Tool Co., Inc., of Lafayette, Indiana, which holds a controlling interest (70 percent), and the local Brasmotor group. Most of the factory's machinery and equipment was imported from the United States without exchange coverage under provisions of Decree 4282 (SUMOC Instruction 113). The new plant's monthly capacity is 6,500 radiators, 23,000 steering assemblies, 12,000 horns, and 360,000 yards of flexible tubing. These are manufactured under Ross and Gemmer patents.

7. Brazil May Import Vegetable Oil (OFFICIAL USE ONLY)

Trade sources at São Paulo confidentially state they expect COFAP, the Federal Price Control Agency, to propose the importation of up to 30,000 tons of cottonseed oil from the United States in order to alleviate an immediate tight supply situation and to stabilize prices during the next months. If the importation of U.S. cottonseed oil cannot be accomplished by October, it is stated, an importation of vegetable oil will be made from Argentina or other sources.

8. Faulty Vaccine Causes Heavy Swine Losses (UNCLASSIFIED)

Reports from northwestern São Paulo State relate that falsified "crystal violate" vaccine has caused the death of some 800 head of breeding swine in that area. Agricultural authorities have seized the remaining supplies of the faulty vaccine, allegedly produced by a Belo Horizonte laboratory, and further losses of hogs due to this cause are not anticipated.

9. Meat Prices Continue to Rise (UNCLASSIFIED)

Wholesale prices at São Paulo of the beef cuts which are not under price control continued to increase during the past two weeks and have reached a level of Cr$95 to Cr$100 for superior quality hindquarters. Local packing-houses are given credit for continuing to supply forequarters at the controlled price of Cr$38 per kg. even though small slaughterers are reported to be receiving as much as Cr$20 to Cr$30 more on the black market. To date COFAP, the Federal price control agency, has taken no action to increase its control on meat prices, and it is rumored in São Paulo that no such decision will be made until after the October 3 elections.

Ralph J. Burton

Ralph J. Burton
Consul

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BR. 16 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. September 12, 1960 DATE

REF : CERP C-2

20 For Dept. Use Only	ACTION	DEPT.							
	*COM-12	RFRI *INR-7	*ICA-11	E-3	*ARA-4				USIB-10
	REC'D	OTHER							
	9-27-60	CIA-10	*TR-3	FRB-3	XMB-4	AGR-8	INT-7	*ARB-6	NSC-2

SUBJECT: Monthly Economic Report - August, 1960. OSD-4 ARMY-6 NAVY-3

832.00/9-1260

LWS

I N D E X

1. Summary
2. Industry and Investments
3. Agricultural Development and Policy
4. Petroleum
5. Transportation and Communication
6. Labor
7. Finance
8. East-West Trade.

1. Summary:

The economy of Bahia continues approximately the same as that reported last month. Money is somewhat easier and exports are picking up. The cocoa bean and tobacco markets are quiet temporarily. The outlook in the castor oil trade is better since the weather in the interior has improved. However, payments of trade bills in the interior have become worse and are now considerably slower than those in the city, a trend which was pointed out in last month's report. Local sales are holding up, but sales to the interior have dropped off sharply, the merchants being reluctant to ship in face of the poor payment situation.

The federal government has recently authorized the expenditure of 23,400,000,000 cruzeiros for rehabilitation of the national ports. The port of Salvador has been allocated about one billion cruzeiros. Other ports in the state which will benefit under this project are Ilheus, Caravelas and Maraú. Most of the obstacles have been cleared for the construction of a new cold storage plant in the port area. (See Monthly Economic Summary of July 1960).

Other local development projects which are still in the discussion stage: a steel plant which has been proposed and is being studied by SUDENE (Superintendency for the Development of the Northeast).

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Construction of a paper plant is being considered by a group of industrialists from São Paulo (See Monthly Economic Summary of July 1960).

The cost of living continues to increase affecting all commodities. The most recent increases included bread, milk, butter and bus fares.

2. Industry and Investments.

(a) Messrs. Gunther Meissner, George Kleinfeld and Helmut Hinterbucher, representing large entreprises of East Germany (Transport Machinen Export Import; Siprometa S.A.; Ven Schvermachinenbau) have shown interest in a barter plan involving the exchange of Bahian exportable products. Investments here would include installation of sugar mills, vegetable oil factories (castorseed, cottonseed and peanuts) and sale of Diesel motors, small oil operated locomotives and coastwise ships for early delivery. The plan also includes the construction of a large port for loading and unloading minerals and will reportedly be protected and endorsed by the Banco do Desenvolvimento Economico.

The agreement would also include the reconstruction of the local cigarette factory "Fabrica de Cigarros Leite e Alves".

(b) A group of industrialists from southern Brazil (the same group which controls the chocolate factory in Vitoria, Espirito Santo - H. Meyerfreund and Cie.) arrived in Salvador recently to investigate the possibilities of installing a chocolate factory in Bahia. Most of the discussions apparently took place at the State Planning Commission (CPE). However, it is not known whether a favorable decision was reached.

3. Agricultural Development and Policy.

(a) Cocoa. Prospects for this year's crop remain poor. It is expected that the mid-crop will reach 1,300,000-1,400,000 bags but some people believe this figure to be optimistic. Quality is said to be off. It is reported that many growers have been picking early in order to avoid brown pod rot, which has been very prevalent this year. This has led to the arrival in port of many immature beans, picked and fermented too soon. The shipment of such beans is likely to cause repercussions from abroad. The main crop is expected to be poor inquality. The total 1960-61 crop is now estimated at about 2,500,000 bags. The reduction in the size of the crop is attributed to excessive rains which hurt pollination and the fact that the trees are "tired" after two years of record crops. The only bright spot is that with better weather, transportation in the cocoa zone has improved, and arrivals into port are therefore picking up.

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Local cocoa exporters grow more and more discouraged with the gradually diminishing role they play in the cocoa market. Their most recent complaint with Tosta Filho is that he is keeping London and New York better and more quickly informed of developments here than his own exporters. They now have to rely on information published by the large cocoa firms abroad for much of their news. It is reported that a group of Brazilians have bought 900 lots of cocoa futures on the New York exchange over the past few months and have so far rung up a paper loss of $7,000,000. Some sources insist that this group is acting as a front for the Brazilian Government in an attempt to sustain prices.

(b) Castorseed and Castor Oil. Things have definitely taken a turn for the better in this market. The weather in the interior has improved considerably, and the arrival of seed is now more than sufficient to meet the demands of the two local oil processors. An expected drop in the local price for seed has not yet materialized, as there are still plenty of buyers in the market. While buyers from the south are no longer in evidence, their place has been taken by buyers from Pernambuco, where the state crop is insufficient to meet the needs of their local oil industry. It is reported that the traditional practice of making a 100% advance to seed growers for their crops has now changed to a 50% advance and the remainder on delivery. This change has come about as a result of the tightness of money.

(c) Tobacco Leaf. This market remains dull. Very little tobacco was sold abroad during the past month. Some 30,000 bales (75 kilograms each) of top grade tobaccos remain unsold, which is highly unusual for this time of year. Generally by this time, virtually all the good and medium quality tobaccos have been sold. Spain, however, has bought heavily and earlier than usual, and Holland, a traditional consumer of top grade tobaccos, has bought less than usual and has concentrated on the medium grades. It is believed that the present surplus will eventually be sold, mostly to Holland, Denmark and Switzerland, but at prices lower than originally expected. Renewed interest in Bahian tobacco has been shown recently by the United States. Somes firms have requested samples. Although it is too late in the season for U.S. buyers to make an appreciable dent in this year's crop, local exporters are alert to the possibilities of trade with the United States in the years ahead and are maneuvering to establish their contacts with buyers.

(d) It is reported that the Secretary of Agriculture recently signed an agreement with the Associação Rural de Euclides da Cunha, to encourage agricultural development in the Euclides da Cunha region. According to the agreement, the Associação Rural of Euclides da Cunha will maintain an Agriculture Extension Service (SEA) which will give technical-agricultural assistance to the rural



population of that municipality. The State will contribute 500,000 cruzeiros annually and furnish an agronomist who will act as technical ~~xxk~~ director of the service. The Serviço de Extensão Rural will maintain an office for the re-sale of agricultural equipment, seeds, fertilizers, veterinary products, etc.

(e) A meeting was held recently at the Serviço de Classificação do Ministério da Agricultura to discuss the cotton situation in Bahia. The Comissão do Algodão do Estado da Bahia has been created. Tha Bahian cotton crop is poor and the Comissão has been established to find ways and means of improving the situation and to increase production.

(f) The Sindicato dos Usineiros (Sugar Mill Union) met recently. The president, Renato Novis, stated that the increase in sugar consumption by the United States would exceed Cuba's normal quota and that by all means Brazil would sell its surplus to the United States. He further states that he considers publicity given recently to sales of Brazilian sugar to the United States as sensational because for some time Brazil has been creating conditions for the sale of sugar to the United States, notwithstanding the Cuban situation.

(g) Mr. João Meireles de Souza, head of the agricultural experimentation state "Nucleo Colonial Presidente Kubitschek", in Mata de São João, Bahia, has reported that they are expecting to receive 4,000 young chickens from São Paulo sometime in September. This experimental station is now beginning to come into its own and may soon have an effect on the food market in this area.

4. Petroleum.

(a) Petrobras announced recently that it invested thirteen billion cruzeiros during 1959. During the first four months of 1960, the state oil monopoly drilled 107,527 meters, which was 31,000 meters more than during the same period last year, and 75 wells (48 producers), compared to 60 wells (36 producers) in the first four months of 1959.

(b) The fire in one of the under water oil wells - "Dom João" DJ-266, located at São Francisco do Conde, in the Reconcavo area of Salvador (See Economic Report of July 1960) was extinguished by two American technicians. However, it has recently been reported that another small fire is burning deep in the well endangering installations in the vicinity. A faint glow can still be seen from the city of Salvador, indicating that some fire does still exist.

5. Transportation and Communication.

(a) Coronel Neiva de Figueiredo, Commander of the Airbase at



Salvador has reported that the Ministry of Aeronautics has thus far invested about 200,000,000 cruzeiros in the reconstruction work on the Ipitanga Airfield (Salvador). He further states that a total of 700,000,000 cruzeiros will be invested and it is expected to be one of the best runways in Brazil. (See Monthly Economic Report for July 1960).

(b) A Brazilian Airforce plane (P-15) crashed at Ipitanga airfield recently. There were no casualties. The pilot undershot the field and landed in the road at the edge of the runway. He crashed through a wall which is about three feet high. The plane obstructed air traffic for several hours and incoming planes had to be directed to Aracaju and Ilheus temporarily. The Commander of the base has stated that the wall, which served as a field marker, will be removed and painted white lines will mark the edge of the runway in the future.

(c) Bids for building and paving a highway connecting Retiro, a suburb of Salvador, with the Port of Salvador (see Economic Summaries for January, February and May 1960) were opened by the Departamento Estadual de Rodagem (DEP-BA). The work will cost 80,000,000 cruzeiros and should be completed sometime this year.

(d) The local press continues to report that several Bahia highways continue impassable due to the heavy rainfall in several sections of the State, despite measures taken by the DNER -Departamento Nacional de Rodagem (Federal Highway Department) to clear the roads. Many recently imported tractors have been pressed into service for this purpose.

(e) The Federal Railway Viação Ferrea Federal Leste Brasileiro has purchased 32 electric locomotives of national manufacture to be used on the suburban lines of the company.

(f) A railway connecting the town of Ubaitaba and the port of Campinho, a distance of 84 kilometers, will be built in the near future. It is reported that this section of railway will be very important to the Bahian economy because of its proximity to the proposed steel plant to be built at Campinho. Construction cost of the railway is estimated at 576 million cruzeiros.

(g) TEBASA - Telefones da Bahia, S.A., Salvador's new telephone company (see Economic Report for April 1960) has requested a loan of 100 million cruzeiros from the Banco de Fomento do Estado in order that it may purchase its equipment and start installation of the new system. A casual observation of the present situation leads one to believe that it will be two to three years before the new company is in a position to improve the present deplorable telephone situation.



(h) Radio Itapoã has announced that it will finally start testing its TV station (Channel 5) sometime in October. It was originally going to open the station in April of this year. After two months of testing, it has been reported that regular telecasting will commence. The equipment is all U.S. made and technicians are presently being trained to man the station.

6. Labor.

(a) Bank and commercial employees are demanding, through their Unions, an increase of 50% in their salaries.

(b) The Associação dos Empregados no Comercio met recently to install the Third Congress of Bahian Workers. The meeting was in preparation for attendance of the Third National Congress of Workers to be held in Rio de Janeiro. Their main theme at this time concerns salary increases and welfare and rights of the workers.

7. Finance.

According to the State Internal Revenue Department Cr$978,591,641 were collected during the first wight months of 1960 which constitutes an increase of Cr$180,905,575 over the same period in 1959.

The Governor of the State of Bahia has submitted the State budget for the year 1961 for the approval of the Legislative Assembly. The expenditures amount to Cr$9,705,379,818.30 and the receipts at Cr$7,749,525,000.00, a deficit of Cr$1,955,854,818.30.

The Mayor of the City of Salvador has submitted to the Municipal Council the city budget for 1961 for approval. The expenditures amount to Cr$1,428,874,965.50 and receipts at Cr$1,218,606,400.00, a deficit of Cr$210,268,565.50.

8. East-West Trade.

Exports to Soviet Block countries during the month of August were as follows: Poland, 1,012 metric tons of cocoa beans and 48 tons of sisal fiber; Latvia, 30 tons of skins; Yugoslavia, 234 tons of sisal fiber.

For the Consul:

Paul B. McCarty
American Vice Consul

CC: Embassy, Rio de Janeiro,
Counselor of Embassy for Consular Affairs.



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FOREIGN SERVICE DESPATCH

FROM : Amconsul, Belo Horizonte, Brazil

6
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 14, 1960
DATE

(Pouched on Sep. 15, 1960)

REF : ---

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ACTION CIM-12
REC'D 9/26

INFO DEPT: REP-1 ARA-4 INR-7 CA-11 E-7
OTHER C/A-10 TAR-2 TA-3 XMB-4 LAB-6 FRB-3 AGR-8 LOG-7 NAV-3 ARMY-6 OSD-4

SUBJECT: ECONOMIC SUMMARY - Minas Gerais (August 1960)

INDEX

1. Food Price Increases
2. Minerals and Steel Products
3. Pig Iron Crisis
4. Electric Power Expansion
5. Minas Tractor Factory (cont.)
6. Minas Export Congress

1. Food Price Increases:

The early August milk crisis drew attention to another round of food price increases in Minas. The threatened lock out by milk distributors was only averted after an increase in milk prices that averaged 50%. Meat prices which have been on the rise since mid June have now reached Cr$200 in some cases, an increase of 25% in two and one half months. This increase has caused a brief flury of activity in the state legislature against FRIMISA (Frigoríficos Minas Gerais S.A.), the state owned slaughtering plant. The company hastened to reply that part of the price rise was seasonal --this being the "lean" period of the year for cattle. At the same time a spokesman for the company stated that increased labor costs and a desire not to repeat the loss of Cr$12,000,000 which was incurred last year during this season had led the company to raise its prices. It has been reported to this Consulate that despite the public ownership of FRIMISA wage scales at the plant are well below legislated minimum wages.

Since early July sugar has risen 25%, butter has increased more than 35% and despite reportedly good harvests grain prices have stayed firm and in some cases have risen. This situation can probably be accounted for by the warehousing of large stocks of grain financed by local banks.

2. Minerals and Steel Products

It has been reported to the Consulate that both Cia. Morro de Niquel and Cia. Niquel do Brasil are undergoing expansion of their

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facilities. Morro de Niquel is planning to process up to 400 tons of ore per day, a production rate which should produce about 2500 tons of nickel per year. Niquel do Brasil although a much smaller firm is expanding to handle up to 3000 tons of ore per year which at the rate of one ton of nickel to eight tons of ore will result in about 60 tons of nickel.

3. Pig Iron Crisis

A recurring news item in the last few weeks has been the growing crisis in pig iron production in western Minas. For some time now the small pig iron producers in that area have been experiencing difficulties causing the closing of a number of these firms. By mid August, 25 of these small plants were shut down and some 4500 workers were idle. Local reports have mentioned several reasons for the present shutdowns. Over production by the operators has resulted in a stockpile of 50,000 tons being accumulated by the various plants in the area. GUSAMIG--an association of the pig iron producers claims that they are being forced to pay high freights by Estrada de Ferro Central do Brasil (Central Railroad System of Brazil). This same organization claims that CACEX regulations only allow export at about Us$46.00 a ton when the world price is at about Us$42.00 per ton.

What has remained unsaid in most reports has been the added problem of quality control. Vice Consul Martin talked with Sr. José Carneiro de MENDONÇA, general Manager of Usina Queiroz Junior S.A., who indicated that quality was the main cause of the present crisis. Mr. Mendonça stated that when the automobile industry began to expand in Brazil several years ago many people thought that there would be an insatiable demand for steel, and in western Minas small operations began to show up everywhere--in many cases financed by local banks--in an attempt to take part in what looked like a "sure thing". These small companies were for the most part run by businessmen unfamiliar with the steel industry and very short of technical knowhow. The result was a nonuniform product the demand for which soon diminished.

Various proposals have been forthcoming in an attempt to solve the present difficulties. For the long pull, the most popular solution has been the recommendation of a steel plant to be constructed in the vicinity of the presently depressed area in the hopes that it could absorb the production of the small pig iron producers. In line with this proposal some preliminary discussions have been undertaken with representatives of a Polish Trade Mission (CEKOP) which has proposed to erect a plant of either 50,000 or 100,000 ton annual capacity. Those well acquainted with the situation however are well aware that any such long range solution would be of little help in the present situation. Under these circumstances, an attempt is being made to persuade the federal government to finance the present pig iron production for the benefit of Companhia Siderúrgica



Nacional. Although there has been some talk in the local press of the Federal Government falling into line to the tune of Cr$150,000,000 it seems somewhat unlikely that such a figure is correct. Because of the lack of uniform quality it is unlikely that Companhia Siderúrgica Nacional could use the production of western Minas except as scrap.

4. Electric Power Expansion

a) Peixotos-Furnas-Belo Horizonte Power Line Inaugurated:

August 20th marked the formal inauguration of the power line between Peixotos and Belo Horizonte. This new source of power for Belo Horizonte can supply up to 50,000 KVA although at present it is operating well below that figure. According to Almirante Miguel MAGALDI, President Kubitschek's personal Coordinator since the crisis of 1959, all remaining restrictions in the consumption of electrical energy are abolished. In fact, although some restrictions have remained on the books, until now little attempt has been made to enforce them, and consumption of power has not been rationed during the past dry season partly because of the good rain fall during the previous rainy period and because of the self imposed rationing by firms and individuals.

An engineer with Companhia Força e Luz de Minas Gerais informed the Consulate that about half the power required for Belo Horizonte's 1,000,000 KWH per day will be attributable to Peixotos. This dam is now supplying power for the Furnas dam project as well as for Belo Horizonte. The lines being used both between Peixotos and Furnas and Furnas and Belo were built by EBASCO S.A. under contract to CEMIG (Centrais Elétricas de Minas Gerais), and are now being leased to Força e Luz.

The addition of this power source will release ACESITA(Aços Especiais Itabira) from supplying power to Companhia Força e Luz to whom it has been selling power since last year's shortage. According to the engineer mentioned above, ACESITA has found the supplying of electrical power to Belo Horizonte more profitable than expected and rather than cut this source of income for ACESITA immediately, the purchase of power by Força e Luz will continue on a gradually reduced scale until the first of the year.

b) Camargos Dam:

Another dam in the CEMIG system has "gone on the line". Camargos dam is located in southern Minas midway between São João del-Roi and Lavras and a short distance from Itutinga. The first of its two generators has been installed and is operating, supplying some 22,500 KW to the rapidly increasing CEMIG power supply. When the second generator is installed later this year Camargos will produce 45,000 KW which is only slightly less than the four generator, 50,000 KW, power plant at the Itutinga Dam.

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5. Minas Tractor Factory (cont.)

Since GEIA's announcement of the approval of a proposal to construct a tractor factory in Minas Gerais, there has been much speculation as to the exact form which the enterprise would take. Numerous meetings have taken place between the Brazilian investors and officials of the German firm Kloeckner Humbolt Deutz designated by GEIA. Although it appears that the state government hoped originally for the erection of both a tractor factory and another installation for the production of tractor motors here in Minas, this plan has been vetoed by the German firm on the grounds that it already has an industrial site in São Paulo with not only facilities for the manufacture of the required motors but also the necessary skilled labor which unfortunately Minas at present lacks. Although final plans have not been announced the Consulate learned from a member of the German Consulate in Belo Horizonte that only a few details remain to be settled. Because of the lateness of the date and the requirement that the selected firms be in production by the end of 1960 or suffer the loss of various GEIA offered privileges, it is expected that Deutz will set up its operation in the present Cidade Industrial de Contagem. The Consulate was also informed that once the final agreement was signed it would take the firm about sixty days to set up its operation in order to produce a very limited number of tractors before the end of the year. Once GEIA was satisfied plans could then go ahead at a reduced rate (probably without much production for the first five or six months).

Newspaper reports indicate that the firm will probably be capitalized at Cr$800,000,000 (about Us$4,400,000 at the current exchange rate), of which 60% will be supplied by the Brazilian investors. In their latest meetings with their Brazilian counterparts spokesmen for the German firm indicated that profits from their 40% interest would be reinvested in the Brazilian enterprise in order to finance the various stages of expansion planned. Published reports anticipate annual production of 1,500 tractors by 1962.

Considering the time schedule mentioned above it would seem likely that a final decision as to the character of the agreement to be signed will be reached before the end of September.

6. Export Congress

The Primeiro Congresso Mineiro de Exportação (Minas Gerais Exportation Congress) was held in Belo Horizonte on August 31/ September 1.

The Congress was sponsored by the Associação Comercial and the Conselho Estadual de Economia e Administração, in cooperation with other local business groups and representatives of the state government.

The purposes were: Promote and stimulate the export of raw materials, semifinished and finished products, which include: pig iron, iron and manganese ore, iron and steel manufactures,

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textiles, shoes, wood, leather, precious and semi-precious stones, jewelry, meat and meat by-products, canned fruits, sweets and foodstuffs, etc.

The Congress analized the various aspects and problems of exportation and presented a list of resolutions and suggestions to the Federal and State Government. The suggestions presented included: The creation of an "Alfândega Sêca" (Customs House) in Belo Horizonte; certain exemptions of sales taxes and the granting of fiscal facilities to favor the local producers; the purchase by Companhia Siderúrgica Nacional of the excess production of pig iron (see item 3); and the recommendation that trade missions be sent to other countries with the purpose of studying the market possibilities in these foreign areas for products from Minas Gerais.

The Hanna project was discussed by the Minerals Commission appointed by the Congress and in its recommendation submitted to the Congress the above Commission recommended that any facilities already granted to Hanna should be set aside. The wording of this particular recommendation was hotly debated on the floor when presented, and final wording of the resulution simply stated that it was noted by the Congress that the "so-called Hanna project" had already produced negative results in the national minerals market.

COMMENT

The Consulate and Embassy were asked to assist at the Congress in so far as the subjects to be discussed concerned the U.S. and its potential market for Minas exports. The Commercial Attaché accompanied members of the Consulate staff to several of the meetings held by the Congress and in formally outlined some of the necessary prerequisites for firms wishing to market their products in the United States. At the same time the Attaché answered questions concerning the actual market possibilities in the United States of various Minas products which the Congress considered in the export category.

The only other Consular or Diplomatic officer present was a member of the Commercial section of the Polish Embassy whose main interest was apparently the erection of the steel plant mentioned in Item 3.

Edmund A. da Silveira
American Consul

cc AmEmbassy/Rio de Janeiro

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FOREIGN SERVICE DESPATCH

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247
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 21, 1960
DATE

REF : CERP C-1

SEP 22 1960

AGR-8 *COM-12 *LAB-6 INT-7 FAA-5 TR-3

	ACTION	DEPT.
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	REC'D 9-24-60	INFO OTHER USIA-10 OSD-2 NSA-4 Army-35 Navy-20 Air-30 CIA-16 OCB-2)

SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 11 (Period covered Sept. 4-18)

INTER-AMERICAN AFFAIRS

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CAA

I N D E X

1. Possible Increase in Minimum Wage Before Elections
2. Formal Commencement of Paving of Rio-Bahia Highway
3. Joint Committee of PETROBRAS and PEMEX
4. New Oil Discovery in Bahia
5. Wheat Procurement
6. Budgetary Allocation for Paving of Brazil-Paraguay Highway
7. Delay in Opening of New International Airport at Campinas, São Paulo

* * *

1. Possible Increase in Minimum Wage Before Elections:

On September 13 President Kubitschek stated to a delegation of labor leaders from São Paulo, Rio de Janeiro and Minas Gerais that he favored an increase in the legal minimum wage. On subsequent days, Minister of Labor Batista Ramos made daily statements to the effect that his Ministry was moving forward through the studies and legal procedures which must precede the issuance of a decree raising the legal minimum wage. Spokesmen for key employer associations, such as the São Paulo Federation of Industries, are reported in the press as not being opposed in principle to an increase, but they are arguing for a smaller increase than claimed by labor leaders and for less haste. (UNCLASSIFIED)

Comment: It now appears possible that the administration may announce an increase in the legal minimum wage prior to the elections, although as recently as during the first week of September the prospects for such action seemed to be diminishing rather than increasing. In fact, on September 6 Labor Minister Batista Ramos publicly stated that any upward adjustment of minimum wages before the end of 1960 would be out of the question.

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From May until the latter part of August, both Batista Ramos and Vice President Goulart made a number of public statements openly encouraging labor leaders to campaign for an immediate increase in the legal minimum wage. Later their statement became more restrained, which caused independent labor leaders to charge that Goulart and Batista Ramos had "betrayed" the wage campaign.
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2. Formal Commencement of Paving of Rio-Bahia Highway:

On September 14, President Kubitschek, in a ceremony at Governador Valadares (Minas Gerais), marked the official initiation of work on the paving and reconstruction of BR-4, the Rio-Bahia Highway. The improvement of a 1300-km stretch of the road's total length of 1450 kms has been made possible by the opening of a credit of Cr$7 billion (BWER 1, April 25, 1960). The work is to be completed within three years. Although the highway, which traverses agricultural and mining areas in the states of Rio de Janeiro, Minas Gerais and Bahia, is the basic land link between the Northeast and the Rio de Janeiro area (and, by extension, São Paulo) and is heavily travelled, with trucks representing 80 percent of the traffic, its condition has been chronically unsatisfactory. In the rainy season it becomes almost impassable. The improvement of the highway has been a long-held hope of the communities along its route and long-delayed promise of the Federal Government. If current plans are carried out and funds from the special credit are released on time, by 1963 a major advance in the improvement of the Brazilian highway system will have been made.
(UNCLASSIFIED)

Comment: The President's formal inauguration of the work was accompanied by various political manifestations connected with the campaign to elect Marshall Lott, the Administration's candidate for President. The timing of the ceremony was quite clearly determined on political grounds. (OFFICIAL USE ONLY)

3. Joint Committee of PETROBRAS and PEMEX

The Brazilian Government's oil monopoly agency PETROBRAS and the Mexican counterpart PEMEX have set up a joint committee of two members from each organization to study the possibilities of exchanging equipment and products between the two countries. The announced objective is to save foreign exchange for PETROBRAS and increase markets for Brazilian petroleum equipment
(UNCLASSIFIED)



4. New Oil Discovery in Bahia:

PETROBRAS announced that a new oil well, named "Jacaranda", has been discovered in the state of Bahia, at approximately a mile south of the town of São Sebastião. The petroleum lies at a depth of 2,126 meters. It was reported that PETROBRAS plans to develop this new field as soon as the final tests have been concluded.
(UNCLASSIFIED)

Comment: The new discovery reportedly is in the region of the three new oil fields in the state of Bahia which were discovered during the last six months, Buracica, Taquipe and Cassarondongo. No indication has been given so far as to the quantity or quality of the oil found. (UNCLASSIFIED)

5. Wheat Procurement:

The September 3, 1960 call for tenders to offer wheat (Edital No. 18/60), which placed no ceiling on amounts, was amended on September 14 to include Russia under the Convenio Currencies clearings. While trade sources learned that Russia made a formal request to be included, local sources doubt if Russia will offer wheat since Edital 18/60 prescribes that offers be made through a commercial firm. Russia does not have a firm as representative in Brazil.

The Continental Grain Company reportedly will again present an offer to barter 125,000 metric tons of U.S. wheat for approximately 170,000 metric tons of Brazilian manganese ore. The wheat commission has been notified that CGC is ready to give a firm acceptance of this offer when notified that Brazil has accepted it under Edital 18/60. The Wheat Commission has also been notified that CGC will not consider wheat/diamond barter offers under Edital 18/60.

It now appears that Brazil will accept the offer to supply U.S. wheat against manganese. The call for bids ceases on September 20 and acceptance or rejections will be made on September 22.
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6. Budgetary Allocation for Paving of Brazil-Paraguay Highway:

On September 6, President Kubitschek signed into law a bill establishing an allocation in the Federal Budget of Cr$300 million per year for four consecutive years for the paving of the part of



Federal Highway BR-35 between Ponta Grossa (about 100 kms northwest of Curitiba) and Foz do Iguaçú on the Paraná River. The eastern section of BR-35 runs from Ponta Grossa to the port of Paranaguá, via Curitiba. At Foz do Iguaçú the highway will connect with the Paraguayan road to Asuncion by means of the very large bridge being constructed over the Paraná and now scheduled--officially--for completion in December of this year. Paraguayan access to the São Paulo market is provided by the junction at Curitiba of BR-35 with the Curitiba-São Paulo stretch of Federal Highway BR-2, which is being rerouted and reconstructed. (UNCLASSIFIED)

Comment: Paving of this important section of BR-35, even if extended over four years, will represent a considerable improvement in transportation in western Paraná and should, together with the completion of the bridge, provide an important stimulus to Paraguayan trade with Brazil and, through Paranaguá, with other countries. As in other situations of this kind, the speed with which the paving project is carried out will depend, of course, on the size and regularity of the actual releases of funds. (UNCLASSIFIED)

7. Delay in Opening of New International Airport at Campinas, Sao Paulo:

Although it had been hoped that the new international airport of Viracopos, near Campinas, São Paulo, would be inaugurated on September 16, the opening was postponed on September 10 until October for "technical reasons". In a public statement, the Director General of Air routes in the Air Ministry indicated that the work still to be done on tower facilities, navigational aids and communications was the principal reason for the delay. The temporary unavailability of the new airport, which has been constructed as the jet airport for the city of São Paulo (nearly 65 miles away), means that the carriers operating jet equipment will have to continue to use Cumbica military airport in Sao Paulo which is nearly 800 meters shorter than the 3240 meters which Viracopos will have (at this writing 2950 meters are finished). There seems to be considerable uncertainty about the actual date on which Viracopos will be opened to regular service; at present the best bet appears to be early October. (UNCLASSIFIED)

Comment: The Embassy understands that some elements in the Air Ministry are advocating the release of Cumbica to commercial traffic and the taking over of Viracopos as an Air Force base. Provided that Cumbica were extended and its [illegible] passenger facilities substantially improved, the commercial companies would



probably welcome such a shift because of the closer-in location of Cumbica. The Director General of Civil Aeronautics has [illegible] advised the international carriers officially, however, that commercial operations at Cumbica will have to cease not later than the end of this year. (OFFICIAL USE ONLY)

For the Ambassador,

Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Contributors:

Item 1 - DPMann
Items 2,6,7 - JHCrimmins
Item 3 - ELBrown
Item 4 - EJBash/JHWiegerinck
Item 5 - FFMilam

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116
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TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 22, 1960
DATE

REF : CERP C - General Interest

For Dept. Use Only	ACTION	DEPT.	INFO	OTHER
REC'D 9/26	ARA-5	RM/R-2 REP-1 INR-10 E-7 ICA-1/ SCS-1		COM-12 CIA-16 ARMY-35 NAVY-20 AIR-30

SUBJECT: Biweekly Economic Review, September 9 - September 22, 1960

AGR-8 FAA-5 CAB-6 LAB-6 OSD-2 OCB-2 USIA-10 NSA-4
FCC-1 TAR-2 FRB-3 TR-3 XMB-4

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832.00/9-2260 HBS

1. Light Shares 80 Percent Sold

Almost eighty percent of the Light shares put on the market on July 1 (See item 1, despatch 15 of July 15, 1960) have been sold and sales are expected to be closed at the end of September, one month ahead of the originally announced date. The Light reported that some 30,000 people purchased an average of 26 shares each. Each share has a value of Cr$1,000 and a total of a million shares was put on the market.

2. Viracopos Airport Inauguration Postponed

According to a public statement by Air Lt. Brigadeiro Armando de Souza e Mello ARARIGBOIA, Fourth Air Zone Commander, the new international airport of Viracopos (near Campinas) will not be commissioned for international operations in September, as planned.

A technical commission headed by Lt. Brigadeiro Ararigboia inspected the airport on September 13 and decided that the airport [illegible]

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(See index for contributors)
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UNCLASSIFIED

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 28 1960

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not be opened for regular operations because the control tower, certain aids to navigation, and the passenger terminal have not been completed.

No date for inauguration of the new airport was announced, although press reports say that the Air Routes Service is taking "urgent measures" to complete installation of the necessary flight safety services, communications, and radio aids to navigation.

3. Extra Foreign Exchange Sales Rise

Aside from the third week of SUMOC Regulation 193, when a sum of US$5.13 million of foreign exchange for imports was bought in São Paulo in addition to the amount regularly offered at the auctions (See despatch 389 of April 22, 1960), the extra sums bought have hovered under US$1.5 million until recently. In the past three weeks, however, such extra purchases in São Paulo came to US$1.9 million during each of the auctions on September 6 and 13, and to US$2.5 million on September 20. The heavy buying indicates a lack of confidence that the sales of extra import exchange will continue indefinitely. SUMOC Regulation 193 authorizes the authorities to make foreign exchange in the general import category available at a fixed agio or premium (currently Cr$210 a dollar) in an amount up to three times the sum of hard currency offered at the weekly import exchange auctions. The sum offered weekly at the auction in São Paulo is US$1,655,000.

4. Sorocabana Railway Inaugurates Signal System

On September 15 the Sorocabana Railway inaugurated an automatic electric signal system, to replace an obsolete system that had seen 30 years of service. The new system operates only over a short stretch of the road from the Julio Prestes to Barra Funda stations, a distance of about two miles. It is rapidly being extended, however, to the entire Sorocabana system of 280 miles. Imported equipment was purchased from the Union Switch and Signal Division of the Westinghouse Air Brake Co. at a cost of US$108,000.00.

5. Road Construction Stoppage Averted

Subcontractors of road construction under the São Paulo Government Plan of Action threatened to stop work if the Government did not give them a price adjustment, to cover an increase of 35 percent in wages they were forced to give under a labor agreement. After almost a month of discussion the Governor of São Paulo agreed to a readjustment in prices upon evidence of the increased cost due to the higher wages, and the work stoppage was averted.

6. Sufficient Wheat Through October Enroute

According to a press report dated September 14 sufficient wheat was due to arrive to relieve the short supply situation (See item 9, despatch 76 of August 26) and provide São Paulo with flour through October. The press



report said 29,008 tons were enroute from Russia and 34,950 tons were expected at Santos from the United States.

7. New Television Station in São Paulo

The newspaper and radio chain, Diários e Emissoras Associadas inaugurated a new television broadcasting station on September 20 (See item 4, despatch 29 of July 29, 1960). This is the second TV station operated by the Diários; the first -- TV Tupi-Channel 4 -- has been in operation for some years.

The new station -- TV Cultura-Channel 2 -- whose equipment was totally imported from the United States, is an outgrowth of a Diários-owned radio station, Radio Cultura. Channel 2 will operate in conjunction with the radio station. It will rely mainly on live shows (using TV Tupi talent), movie shorts, and full-length features to make up its program.

8. I Week of Studies on Maritime Transportation and Naval Construction

The I Week of Studies on Maritime Transportation and Naval Construction took place in São Paulo from September 19 to 24, under the joint sponsorship of the Naval Engineering Centee and the São Paulo Engineering Institute. Its main objectives were: 1- to discuss problems of transportation on rivers and the high seas and of naval construction in Brazil, and 2- to promote closer cooperation between shipyards (most of which are located in Rio de Janeiro) and the São Paulo industries which could supply a large part of the equipment and materials required to build vessels.

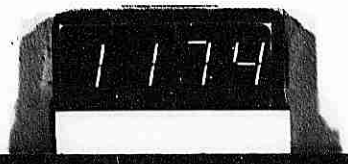
The Study Week was attended by representatives of the Federal Navy and Transport Ministries, the Federation of Industries, and various other government and private institutions.

9. Taxicab Company in São Paulo

Directors of Self Drive Automóveis S.A., an auto rental company in São Paulo, announced that they are forming a taxicab company, along the same lines as taxicab companies in the United States and Europe. The company is planning to put 200 taxicabs, equipped with two-way radios, in service before the end of the year, and an additional 1000 vehicles during the first half of 1961. All of the vehicles will be manufactured locally.

10. Strikes Partially Tie Up São Paulo Transport

Taxicab and trolley strikes partially tied up São Paulo traffic during the past week. On September 16 and 17 some 15,000 cab drivers struck for two days and tied up a considerable number of São Paulo taxis. The cab drivers were protesting a new regulation which compels each driver to submit to a test measuring emotional stability, I.Q., reaction, etc., in order to renew their driving licenses.



The strike terminated on September 18 when Governor Carvalho Pinto announced the creation of a commission which includes representatives of the cab drivers to study the situation, and also suspended the regulations for 30 days.

Streetcar operators walked off the job for approximately 24 hours on September 19 when the city-owned streetcar lines failed to meet their monthly payroll. This strike affected an estimated 500,000 commuters and was solved on the morning of September 20 when the company raised the money to meet the payroll in arrears.

William P. Cochran, Jr.

William P. Cochran, Jr.
Consul General

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AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832.00/9-2360

FOREIGN SERVICE DESPATCH

14
DESP. NO.

FROM : American Consulate, Curitiba, Brazil

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 23, 1960
DATE

REF : CERP Section C2

20 For Dept. Use Only	ACTION	DEPT.
	COM-12	INFO REP-1 INR-7 E-3 ARA-4 ICA-11
	REC'D 10-5-60	OTHER CIA-10 USIA-10 TR-3 FRB-3 XMB-4 AGR-8 INT-7 LAB-6 DAF-1 TAR-2 ARMY-6 NAVY-3 AIR-6

SUBJECT: ECONOMIC SUMMARY FOR AUGUST 1960

I SUMMARY

A meat shortage, higher prices and continued demands for a new minimum wage were the most active economic issues of the month.

Coffee exports out of Paranaguá and wood exports out of Itajaí (Santa Catarina) continued in the doldrums. Mate exports picked up a bit.

The credit situation remains tight but some loosening is expected when 1 BC payments on the coffee crop start.

Utilization of the hydroelectric potential of the Iguaçú river again received a considerable amount of attention with the visit of a Japanese economic mission exploring the possibility of constructing power stations.

The people of Curitiba spent September 16 protesting the high cost of living("Day of Protest"),the principal effect of the occasion being about 100 broken windows.

832.00/9-2360

FILED
OCT 21 1960

LWS

II AGRICULTURE

1. Coffee

The Federal government has cancelled the debts which coffee growers owed as the result of frost damage during 1953 and 1955. Parana Governor Lupion has long been calling for cancellation of the debts. The move was timed to coincide with the elections and to give much needed support in northern Paraná to PSD gubernatorial candidate, Da Costa.

Coffee shipments

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ACTION ASSIGNED TO:	ACTION TAKEN	
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Coffee shipments out of Paranaguá amounted to about 250,000 bags during August. Shipments out of Antonina were about 50,000 bags. PSD presidential candidate Lott has promised to open up Paranaguá if elected, but the present government shows little inclination to do so , quite probably because of the greater political significance of São Paulo with its coffee exporting center, Santos. Exports from Santos and Rio de Janeiro are much higher than those of Paranaguá despite Paraná's status as number one coffee producer.

SOURCES: "Diário do Paraná"- 8/6; 8/9; 8/12; 8/23; 8/24; 8/28; 8/31.
"Estado do Paraná"- 8/4; 8/6; 8/9; 8/12.
"O Dia" - 8/9; 8/12; 8/20; 8/24; 8/25; 8/28.

2. Mate

Mate producers in Santa Catarina and Paraná, hard hit by cuts in imports by the South American countries were heartened by an agreement with "The European Middle East Marketing Center", SA of Geneva, Switzerland, under which an unkown, but presumably substantial quantity of mate will be shipped to Lebanon, Lybia and the U.A.R. Meanwhile, mate exports picked up somewhat, principally as the result of large imports by Chile (1,600,000 kilos imported in July).

SOURCES: "Gazeta do Povo" - 8/7; 8/13/60
"Folha do Comercio"- 8/8/60

III. FINANCE

The Governor of Paraná has submitted his budget for calendar year 1961. It calls for income of Cr$12.4 billion and expenditures of Cr$ 14 billion. Governor Lupion has yet to present a balanced budget and a fight in the state legislature over his budgetary proposals can be expected.

SOURCES: "O Dia" - 8/13/60
"Folha do Comercio" 8/22/60

IV. L A B O R

1. Minimum Wage

The campaign for a 9000 cruzeiro minimum continues strong. Rumors have been circulating that the federal government will raise the Paraná minimum wage to 7,450, but there now appears to be some doubt as to whether the government will do anything at all about present wages before the elections. Heretofore, there seemed to be general agreement that the government would up the minimum if for no other reason than politics.

2. Prices

During August the price of butter was increased from 280 to 320 per kilo, onions went



kilo; onions went from 60 to 100 per kilo; powdered milk from Cr$190 to 250. Smaller increases were noted in other commodities.

There was a meat shortage in Curitiba resulting from demands by slaughter houses and retailers for a large increase in prices. Not having received what they wanted they cut off the meat supply. When meat was again available in limited quantities the price was about 20% higher.

COMMENT: The mayor of Curitiba, a member of the PTB (The Labor Party) claimed that the "foreigners" (Wilson, Swift, Armour) have been aggravating the problem by exporting canned meat in excessive quantities "to obtain a greater profit margin."

SOURCES: Personal observations and:
"Diário do Paraná" - 8/3; 8/6; 8/12; 8/14, 8/21; 8/23; 8/27
"Estado do Paraná" - 8/23; 8/24; 8/27; 8/28
"O Dia" - 8/3; 8/25; 8/31
"Gazeta do Povo" - 8/19

V INVESTMENT:

A Japanese trade mission visited Paraná at the invitation of the State Federation of Industries. The mission came to study the possibility of investment in hydroelectric stations, especially the construction of a plant at Sete Quedas on the Iguaçu river. The mission included a member of the "Japan Consulting Institute", a Director of the Furokawa Electric Company of Tokyo and two government officials, Dr. Date Takakysaki and Dr. Minoru Okasaki, respectively the director and the secretary general of the Ministry of Commerce and Industry. The plant would be constructed with Japanese capital. Okasaki, in a speech before the Paraná Federation of Industries pointed to Japan's most recent investment in Brazil, the construction of a 4 million dollar thermoelectric plant in Campos, Estado do Rio.

COMMENT: The plan for development of hydroelectric energy on the Iguaçu river was discussed with members of the United States Trade Mission during their visit in July. It appears that the Japanese have not as yet committed themselves to anything.

SOURCES: "Diário do Paraná"; August 4, 9, 1960
"Estado do Paraná"; August 5, 9, 1960
"Gazeta do Povo"; August 5, 1960

VI TRANSPORTATION AND COMMUNICATIONS

1. BR-2

Now that the date for the "inauguration" of the Curitiba-São Paulo highway (BR-2) has passed (Sept.12) administration spokesmen are disclaiming that President Kubitschek



President Kubitscheck ever had any intention of opening the road on that date. He merely intended to "inspect the works in progress", they say. The works are still "in progress," a large stretch remaining unpaved. January 1961 would seem to be a reasonable date for the opening.

2. Telephone Company

The Companhia Telefonica Nacional's demand for a rate increase has resulted in a battle of statistics. Through mathematical gymnastics that have added new dimensions to the science the municipal government has concluded that the Company has an annual profit of 650 million cruzeiros, while the company's mathematicians claim that it loses 50 million a year. The city also claims that 4½% of the company's gross income has been going to the United States for the past 15 years for "technical assistance" in running CTN. The "technical assistance" it is said, could just as easily be provided by Brazilians. CTN is an IT&T subsidiary.

SOURCES: "Diário do Paraná" ; 8/6; 8/12; 8/25; 8/28
"Estado do Paraná" : 8/31
"O Dia": 8/6/60
"Gazeta do Povo": 8/24/60

VII DOMESTIC TRADE AND COMMERCIAL POLICY

1. "Protest Day"

"Protest Day", promoted by Paraná labor unions and student groups as a protest against the high cost of living was finally held on September 16. Every commercial establishment in town was closed. All was quiet during the day. At night a "quebra-quebra" of minor proportions erupted. Windows in movie theatres, a few windshields and several display windows on Curitiba's main street were broken. Crowds were allowed to accumulate, the police appearing unprepared despite last December's quebra quebra. No one was injured and no serious damage was done. Labor leaders condemned the violence and claimed the protest was a success.

COMMENT: A number of Curitibanos thought it would have been more appropriate to keep the stores open and ask the people not to buy than to close the stores and deprive everyone of the opportunity to buy. With every store closed nobody could buy anything even if they wanted to, and to that extent "protest day" was success. It seems unlikely that the day had any effect at all on the cost of living

SOURCES: All newspapers. Personal observation.

cc: Counselor of Embassy for Consular Affairs
American Embassy, Rio de Janeiro.

Edward M. Rowell
American Consul

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PROPOSAL FOR

ECONOMIC DEVELOPMENT

IN BRAZIL

REVISED SEPT. 1960

832.00/9-2860

1180

September 28, 1960

The Ministry of Foreign Relations
Via: Brazilian Consulate General
870 Market Street
San Francisco 2, California

Attention: Mr. Antonio Patriota

Dear Sir:

In June of this year, the Economic Development Corporation submitted to you a general proposal for economic development in Brazil. This was done for two reasons. First, to indicate our interest in taking an active part in the growth of Brazil, and second, to propose the idea of transforming a considerable piece of undeveloped land into a self-sustaining, tax-revenue producing, and populated area. Additional copies with revisions and additions are enclosed for your further consideration.

The Economic Development Corporation has collected and reviewed a large amount of literature, statistical data, and survey reports on Brazil. Essentially all of these agree with respect to potential opportunities, the problems, and requirements for development and stabilization of the Brazilian economy. The Economic Development Corporation believes that research and statistical data are necessary tools for the development of the Brazilian economy, but in themselves provide no useful purpose if specific action is not taken.

It is quite apparent from the volumes of published literature that Brazil needs action, not additional economic studies. We, therefore, respectfully submit the following program for action which will return to the Brazilian Government revenue equal to many times its cost. Implementation of the plan will encourage migration of coastal inhabitants to central Brazil and provide investment opportunities for Brazilians and USA citizens in the Economic Development Corporation.

The action we propose is as follows:

I. The performance of aerial, land, mineral, timber, agriculture, transportation, fossil-fuel and hydro-electric power survey.

II. The documentation of these surveys in the form of on-the-site erection of surveyer's monuments, preparation of maps, and topographical models, and the registration of land titles and ownership.

III. The preparation of a specific development program plan, schedule and cost analysis which will provide direction toward the development of the area in the manner most profitable to and in the greatest interest of the Brazilian Government.



Each development program plan when completed will provide the following information:

1. A complete description of the location and its contemplated activities such as:
   (a) The volume and kind of end products and services which could be produced.
   (b) The sources and development of raw materials.
   (c) The feasibility of cooperative enterprises to furnish continuing operating services required for production and distribution.
   (d) The markets to be supplied.
   (e) The transportation required for raw materials and finished products.
   (f) A description of the results expected to be achieved.
2. A forecast of development costs for each phase of each activity.
3. The total cost of development and all possible sources of funds for development.
4. A pro forma profit and loss statement for the period of the activities covered in the proposal.

Wherever possible the development plan will be supported by information necessary to determine economic justification and feasibility by a description of how the engineering, purchasing, construction and management will be carried out.

IV. Actual physical development of the area in accordance with the program plan. This includes the establishment and financing of enterprises, services, cooperatives as well as the relocation and training of Brazilians and immigrants. The continued operation of the area as a producing community is to be transferred to the permanent residents.

The Corporation will provide these functions under contract to the Brazilian Government on a cost, including general and administrative expenses, plus negotiated fixed fee. The Economic Development Corporation is willing to enter into such an agreement with the understanding that the Corporation may also participate in activities mentioned in Section IV under terms favorable to and agreeable with the Brazilian Government by the investment of additional corporate funds in the purchase, development, and financing of land, services, and facilities for either continued in-resident operation, or resale.



The Ministry of Foreign Relations
Via: Brazilian Consulate General

September 28, 1960

One proposed site for development is estimated at approximately 70,000 square miles (180,000 square kilometers) in the State of Goiās. Its boundaries are defined by the eastern and western borders of Goiās, and from 15° south latitude north to 12° south latitude. It should be noted that it is not a part of this plan or program to establish an independent territory, state, or political subdivision, therefore, the suggested site is completely within the jurisdictional borders of Goiās.

This proposed site is not mandatory but was selected because it is at present a frontier by virtue of being beyond the terminal of the railroads, lightly populated, is accessible by road, river and air to some degree, and is relatively near Brazilia to permit ease of maintaining communications, liaison and coordination with the Brazilian Government. The final site selection will be in the best interests of the Brazilian economy.

Your consideration of this proposal in the near future to permit the start of operations early in 1961 would be greatly appreciated. It is planned to have a representative of the Economic Development Corporation in Brazil in February, 1961, who will be prepared to discuss this proposal with you at that time.

It will be of great assistance to us if you will forward to us the names and addresses of the people we may contact by appointment relative to this proposal.

Yours very truly,

ECONOMIC DEVELOPMENT CORPORATION

E. R. Goodrum
President

1602 Grosbeak Avenue
Sunnyvale, California, U.S.A.

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PROPOSAL

AN INTEGRATED PROGRAM

FOR THE

ECONOMIC DEVELOPMENT

OF

BRAZIL

SUBMITTED BY:

ECONOMIC DEVELOPMENT CORPORATION
1602 GROSBEAK AVENUE
SUNNYVALE
CALIFORNIA
U. S. A.

DATE: MAY 1960
Revised, September, 1960



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INTRODUCTION

Much has been written about Brazil, its coastal cities and its jungles. Very little has been written about the opportunities of its new frontiers. Here, above all places on earth, lies the golden opportunity of man -- a place unspoiled. Here indeed is a place where man may have love and respect for his fellow men. Here is the place where a man need not be judged by race, color, or creed, but by his deeds. Here is a place where a man can shape his own destiny, can work, play or become as rich as a king. This is the place where no man need ever be discouraged by his place in life or society -- for opportunity is his for the taking. EDCO believes the world should know these things.

It has been expressed that Brazil, more than all other nations in the world, has the greatest economic potential yet discovered. This fact has been substantiated by President Eisenhower's reports of his recent tour of Latin America which appeared in magazine articles distributed throughout the world, and in publicity and news releases of the Brazilian Government. It has also been expressed that only with the catalyst of action by sincere and enterprising men can this potential be harnessed to establish Brazil as a leader in world economics.

ECONOMIC DEVELOPMENT CORPORATION is proposing action aimed at the long-range economic development of Brazil and outlines a program designed to encourage healthy settlement and stable economic growth.

We of the ECONOMIC DEVELOPMENT CORPORATION have confidence in our ability to carry out the program we propose. This confidence is based on experience gained in the development of industries in Japan, the United States of America, Canada and Mexico. For Brazil, we have drawn on all information available to us in order to present a complete development plan. However, it is realized that, before such a plan can be truly complete, a first-hand examination of the job to be done must be performed. Accordingly, the scope of this proposal covers only a broad view picture. It is intended that the details and implementation be worked out through the cooperation and approval of the Brazilian Government.



It is suggested that services offered in this proposal should be used in one province that is conducive to the economic development proposed herein.

With faith in Brazil's future as a world power, this proposal is respectfully submitted.

SCOPE OF EDCO PROPOSAL

A complete economic development service is offered by EDCO covering the following functions and categories:

1. SURVEYS

   EDCO will provide all or part of economic, administrative, engineering and financial management for economic development of a province and a complete survey service which will establish the requirements necessary for economic development of:

   a. Natural Resources
   b. Transportation
   c. Agriculture
   d. Basic Industries
   e. Special Education Programs
   f. Advertising and Publicity
   g. Economic Development Financing

2. REQUIREMENTS

   EDCO will prepare requirements for economic development, program plans, schedules and cost estimates for each category of economic development as shown under a. through g. above.

3. DEVELOPMENT SERVICES

   After surveys have been completed and requirements established, EDCO will negotiate with the Brazilian Government for development of items shown under a. through g. above.

   In this development, EDCO is prepared to:

   a. Engineer, administer, design, develop, manufacture, repair, modify, and to deal in and with mines and natural resources, transportation, including vessels,



crafts and vehicles, agriculture and its products, including research plants and experimental stations, roads, buildings and structures, education, advertising and finance.

b. Engineer, administer, design, develop, manufacture, construct, operate, repair, maintain, rebuild, modify, acquire by purchase or otherwise, sell or otherwise deal in and with mining, minerals, natural resources, agriculture products, storage, housing, warehousing, processing, surface crafts, vehicles and vessels, research services, education, advertising, financing, services, parts materials, and equipment associated with the foregoing.

c. Supply equipment and personnel for any or all phases of economic development offered in this proposal.

4. EDUCATION

EDCO will provide, furnish, maintain, and operate schools, classes and job training in engineering, administration, accounting and technical and labor training for industries of all kinds.

5. ADVERTISING

EDCO will plan, design, promote, produce and distribute moving pictures, television, magazine and newspaper advertising and publicity for advancement of the economic development of Brazil.

6. FINANCE

EDCO will initiate, provide, and obtain finances from USA individuals and banks, from public sale of stocks and from loans and from USA and other governments for the economic development of Brazil and for Brazilian owned private industries.

EDCO can prove to the satisfaction of the Brazilian Government that the services offered in this proposal can be realized from profits from economic development.



ECONOMIC DEVELOPMENT CORPORATION (EDCO)

This $5,000,000 corporation is being formed to provide working capital for the economic development of domestic and world markets for Brazilian resources of all kinds.

Formerly operated as a proprietorship by the sole owner, Edward R. Goodrum, this corporation has the advantages of the following experience:

Basic Economic Development
Industrial Development
Economic and Industrial Management
Engineering Projects
Manufacturing Projects
Corporate Financing
Private Financing
International Trade and Industrial Agreements

EDCO proposes:

1. An Economic Development Program for Brazil
2. Methods of Implementing Economic Development Programs
3. Formation of Brazilian companies required for development of:
   a. Natural Resources
   b. Basic Industries
   c. Transportation Companies
   d. Agricultural Communities

GENERAL CONCEPTS

This proposal is based on accepted general requirements for Brazilian economic development as specified in each section. Sections are set forth in broad terms and are subject to negotiations in developing definitive details.

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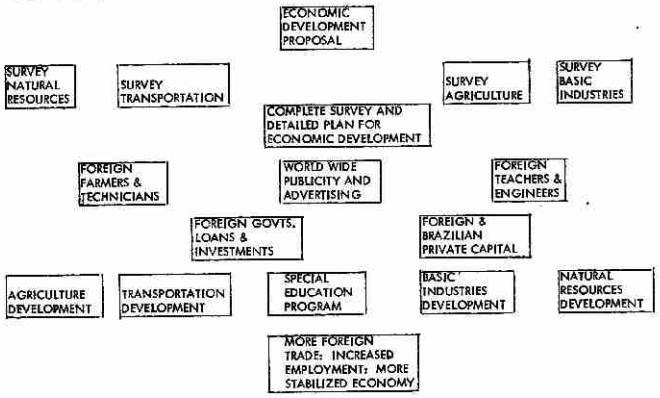
It is proposed that Brazilian personnel be used wherever possible. If Brazilian professional people (Economists, Business Administrators, Engineers) are not available, Economic Development Corporation will supply qualified personnel, as required. A list of available EDCO personnel, with their qualifications, will be provided upon request.

Economic Development Corporation intends to form a subsidiary company in Brazil operating under Brazilian laws and regulations. All funds of the Economic Development Corporation received as a result of this proposal are to be used as subsequently shown.

The services of Economic Development Corporation can be acquired on a three-year letter of intent and/or definitive contracts on a year-to-year basis.

Figure 704 sequentially outlines the proposed Economic Development Program.

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PROPOSED SEQUENTIAL ECONOMIC DEVELOPMENT PROGRAM

Figure 704

SECTION I

NATURAL RESOURCES

INTRODUCTION

Development of natural resources is most important to every country because it stabilizes currency, provides a means of obtaining a favorable import-export trade balance, and provides raw materials for industrial development and growth. Although precious metals will be the primary objective of the development and production of natural resources, other minerals of economic value will not be overlooked.

ASSUMPTIONS

This proposal is based on the following assumptions:

1. The Brazilian Government will make available to Economic Development Corporation copies of geological maps and reports that are of record.
2. The Brazilian Government will allow Economic Development Corporation to finance or to assist the Brazilian Government in negotiation with private or foreign agencies for loans, or investments, for the development of natural resources, if such loans or investments are necessary.
3. Brazilian Government assayers will confirm and certify specified ore samples.

PRECIOUS METALS DEVELOPMENT

1. The development of production of the precious metals is given first place in this proposal because of its importance in establishing the economic power of a country and because of high return on low cost, low volume production.
2. Proof of economic power and national development by the production of precious metals can be seen in the history of the United States of America, the British Empire including Canada and Australia, and the recent rapid economic growth of Russia.

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3. History shows that the USA began to assume its position as a powerful nation during the "Gold Rush Days" about 100 years ago. Since then the U.S. has most always had a favorable import-export trade balance in the world markets. The USA dollar has retained stability because of precious metal reserves.

4. The history of England and the British Empire, financed by gold provided by the Rothschild family, and later by production from its own colonies, exemplifies the importance of gold production to a nation.

NATURAL RESOURCES DEVELOPMENT

1. To determine the extent of demand and the resources available, a natural resources development survey should be made before production plans are formed. This survey should answer the following questions:
   a. What ore reserves will be required in the next five years?
   b. How much ore production is required in the next five years to trade for finished goods from other countries?
   c. What are domestic requirements for raw materials?
   d. What are the requirements in other countries for raw materials?
   e. What natural resources are most economical to produce and most profitable to sell?
   f. What are the problems of natural resources production in each area (regulations, water, power, transportation, etc.)?
   g. What is required to attract foreign investors and producers?

2. When requirements for natural resources become known, the following mineral production plan is suggested:
   a. EDCO will conduct geological, aerial, and ground surveys of undeveloped areas to locate and map geological formations most likely to contain precious metals and minerals.
   b. EDCO will provide engineers who will hire, train, and provision Brazilian prospectors for the detailed examination of all geologically favorable locations.



c. When economically productive metal and mineral deposits are found, EDCO mining engineers will submit estimates of these deposits and will recommend methods of mining and smelting. Under the auspices of EDCO, each discovery will be financed and developed under separate contract with the Brazilian Government, if mutually agreeable.

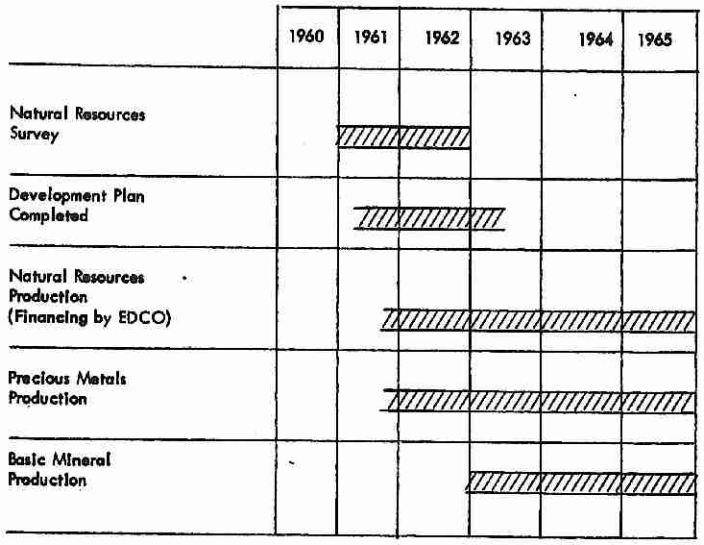
BASIC MINERAL PRODUCTION

Although production of precious metals is of primary importance in stabilizing currency and increasing buying power, the production of basic minerals is just as important in economic value. The difference in production of precious metals and basic minerals is that basic mineral production usually requires large investments in mining and smelting equipment. The prospecting for basic minerals will be conducted at the same time as the prospecting for precious metals. However, basic mineral production should follow precious metals production.

For a Schedule of Natural Resources Production see Figure 1-1, Page 1-4.

For a Cost Personnel Requirement Summary of Natural Resources Production Survey, see Figure 1-2, Page 1-5.

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Natural Resources Production Schedule

Figure 1-1

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Geological Aerial Survey			
Aircraft			$140,000.00
Special Instruments			25,000.00
Base Camp and Maintenance			15,000.00
Geological Ground Survey			
Base Camps and School			16,000.00
Horses			1,600.00
Boats			14,000.00
Prospecting Equipment			10,000.00
Maintenance			8,000.00
		Total	$229,600.00

Personnel			
Economists	10	)	
Mining Engineers	10	)	Personnel wages
Civil Engineers	3	)	subject to
Aircraft Pilots	5	)	negotiations
Prospectors (Brazilian)	800	)	
Total	828		

Cost and Personnel Requirements Summary
Natural Resources Production Survey

Figure 1-2

SECTION II

TRANSPORTATION

INTRODUCTION

Transportation is the lifeline of any country or any economy. Without good transportation, little moves and very little is accomplished. Transportation need not be elaborate or costly, it only needs to be reliable.

Transportation development requires very careful planning and should not be expanded faster than needed.

ASSUMPTIONS

For the purpose of this proposal, the following assumptions are made:

1. A railroad development program has been planned and is now being carried out by the Brazilian Government.

2. An airway program including future airports has been planned and is progressing satisfactorily.

3. Initially, land development will be close to rivers. This will increase river traffic.

GENERAL

1. Roads

   Cement highways require little maintenance and are good for high speed travel. However, almost as much goods can be moved over a good gravel road. Gravel roads are slower to travel and require more maintenance, but cost only a small fraction of the cost of cement roads. Gravel roads can be put into operation in a very short time and after they are in use they can be covered with cement or asphalt as necessary. In many areas dirt roads can be put into temporary seasonal use.



2. Rivers

River travel is the oldest and cheapest mode of transportation known to man. With its vast river system, most of the country of Brazil could be linked by a river transportation system within a few years by dredging present rivers and constructing canals.

3. Railroads and Airways

Usually, rail and air transportation follows economic development and thus fulfills an established needs. These types of transportation can follow river and road development as required. Because railroad and airway needs are known in advance, a survey of requirements is not necessary.

TRANSPORTATION DEVELOPMENT SURVEY

It is suggested that a survey of transportation requirements be made to establish development planning for the following items:

1. To determine additional paved roads required.
2. To determine additional unpaved roads required.
3. To determine which rivers should be dredged to increase river shipping.
4. To determine the number and what types of freight and passenger river boats, docks, and warehouses are required.

TRANSPORTATION DEVELOPMENT

1. Road Development

Economic Development Corporation will use the same aerial surveys, photographs and maps made for natural resources development to determine routes for new roads which are now needed and for roads needed to support future Brazilian land development. Ground crews and engineers will lay out and stake roadways for their entire length. After ground surveys have been completed, EDCO engineers will provide a complete plan for road building including the type of roads and the estimated costs of construction. If mutually agreeable, EDCO, under a separate contract, will construct roads using Brazilian labor.



2. River Development

Aerial surveys will determine which rivers will best serve the new lands being opened to development. River conditions surveys will be made to determine what kind of work will be necessary to provide passage for boats and barges. It is assumed that rivers will be used to transport farm products, minerals and metallic ores downstream to the coastal cities, and finished goods upstream to small farming and mining communities.

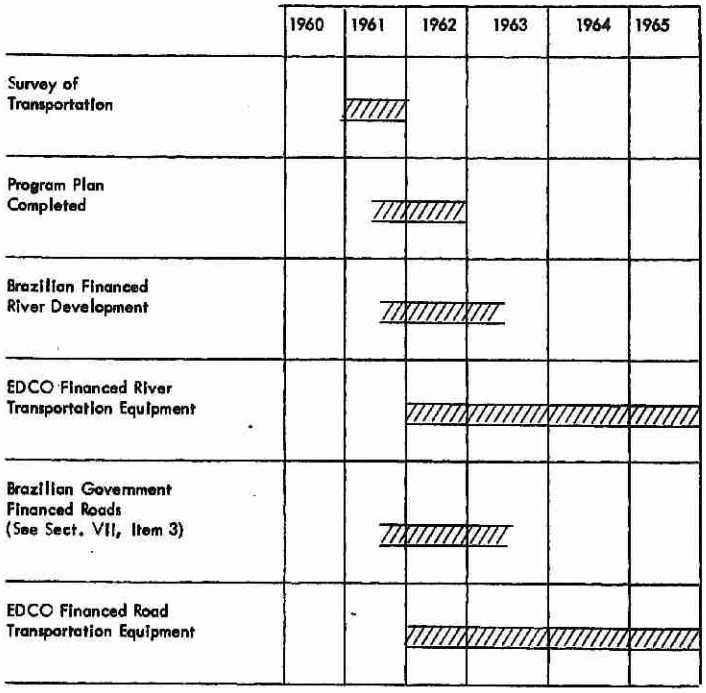
EDCO will provide complete plans and cost estimates for river development including docks and warehouses. EDCO will negotiate for river development work under separate contract, using Brazilian labor.

If the Brazilian Government is agreeable to a road and river development program, EDCO will provide funds for river boats, barges, warehouses, docks, trucks and jeeps.

For a Transportation Development Schedule, see Figure 2-1, on Page 2-4.

For a Cost and Personnel Requirements Summary of Transportation Survey, see Figure 2-2 on Page 2-5.





Transportation Development Schedule

Figure 2-1

Aerial Survey (Shown in Section I)		
Jeeps and Trucks and Maintenance		$125,000.00
Horses		1,000.00
Boats		45,000.00
Living Quarters and Cooking		25,000.00
Arms and Medical Supplies		2,000.00
	Total	$198,000.00

Personnel

Civil Engineers	15	)	
Guides	10	)	Personnel wages
Cooks	6	)	subject to
Clerks	15	)	negotiations
Laborers	1200	)	
Total	1246		

Cost and Personnel Requirements Summary

Transportation Development Survey

Figure 2-2



SECTION III

AGRICULTURE

INTRODUCTION

Due to the importance and complexity of food production, consideration must be given national eating habits, produce for export, location of farms, methods of farming, types of soil, pest control, irrigation and many other problems. Food production has become a scientific specialty in many countries of the world because of the rapid growth in world population and the continued increase in the demand for food.

ASSUMPTIONS

This proposal is based on the following assumptions:

1. Government land will be made available to citizens of Brazil and immigrant farmers, pending application for Brazilian citizenship.

2. The Government of Brazil has established a Farm Assistance Program to help new farmers get started and to find markets for farm produce.

AGRICULTURE SURVEY

Because food production is always a national problem and involves so many of the national population, a program which will make farming a profitable enterprise should be put into effect. To do this, a survey by EDCO will be made to determine the following:

1. Land available for development by Brazilian and immigrant farmers?
2. What can be raised on the land?
3. Desirable crops and animals to be raised?
4. The number of farmers available in Brazil and the number that need to be imported?
5. What farm equipment is needed?
6. Is irrigation needed?
7. How much can be consumed in Brazil; what can be exported?



8. What kind of a farm training program is needed?
9. What kind of an agriculture products processing program is needed?
10. Is a government support program required?
11. How will farm produce get to markets?

AGRICULTURE DEVELOPMENT

After completion of the survey suggested above, EDCO will proceed with a detailed agriculture development plan. An outline of some items of the development plan follows:

1. All accessible areas will be mapped and surveyed by EDCO Engineers; climate, soil, water, and pest conditions will be recorded.
2. Farm communities will be planned which will include farm implements, processing plants and storage houses.
3. Agricultural districts will be designated for specified crops and animals as may be determined best suited for the area.
4. Training will be provided for farmers for better farm production.
5. Schooling will be provided for the farmers' children.
6. EDCO will, with the approval of the Brazilian Government, recruit farmers from all friendly countries of the world.
7. In each new community, EDCO representatives will be available for advice on housing building, well digging, planting, or other economic problems encountered by new farmers in a new area.

AGRICULTURE PRODUCTION

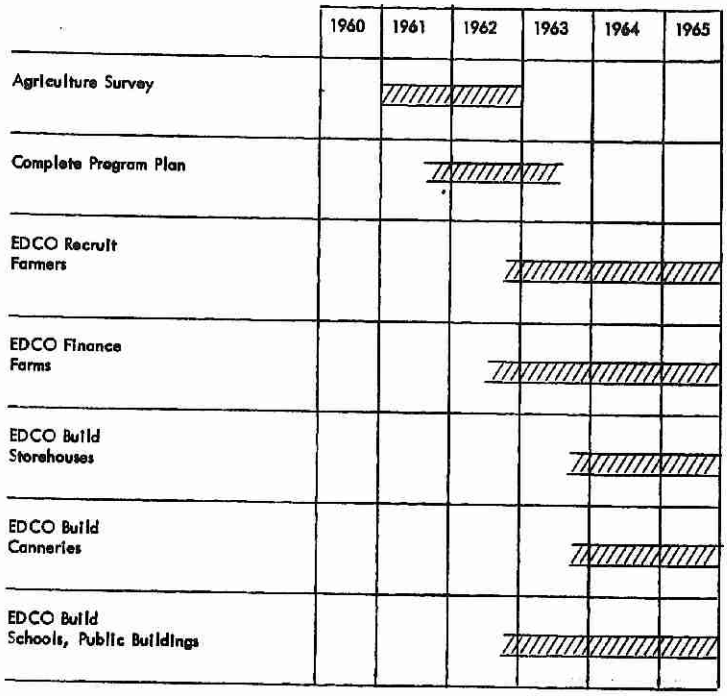
1. With planned agriculture production, it is possible to plan for food processing plants, food storage and food transportation.
2. Before each new farm community starts producing, EDCO will have completed plans for canneries, freeze plants and storehouses for vegetables, fruits and meats. With approval from the Brazilian Government, these will be financed by private capital.

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3. Roadways in each farm community and from each community to the nearest public transportation point will be planned by EDCO Engineers (See Section II). Financing for these roads should be done by government funds (See Section VII, Item 3). Construction of these roads can be subject to negotiations of a separate contract between EDCO and Brazil.

For Agriculture Development Schedule, see Figure 3-1, Page 3-4.

For Cost and Personnel Requirements Summary, Agriculture Development Survey, see Figure 3-2, Page 3-5.



Agriculture Development Schedule

Figure 3-1

Aerial Survey (shown in Section I)	
Jeeps, Trucks and Maintenance	$ 50,000.00
Horses	2,000.00
Living Quarters and Cooking	30,000.00
Medical Supplies, Camping Equipment, Etc.	4,000.00
Total	$ 86,000.00

Personnel

Agricultural Economists	50	)
Civil Engineers	25	)
Guides	25	) Personnel wages
Cooks	7	) subject to
Clerks	15	) negotiations
Laborers	400	)
Total	522	

Schools and public building costs for each community to be subject to separate negotiation.

Cost and Personnel Requirements Summary
Agriculture Development Survey
Figure 3-2

SECTION IV

BASIC INDUSTRIES

INTRODUCTION

Development of basic industries will be based upon presently known needs and planned provincial development. The national wealth and standard of living of Brazil can be greatly increased by converting raw materials into finished goods by basic industries.

Much of the goods produced by development of basic industries will be consumed domestically. Surplus goods can be exported.

ASSUMPTIONS

For the purpose of this proposal, the following assumptions were made:

1. Investments in Brazilian industry will be provided by EDCO.
2. Raw materials for industrial development will be available from development of natural resources.
3. The Brazilian Government will sponsor specialized industrial training programs.
4. The Brazilian Government will sponsor a housing program for workers.

BASIC INDUSTRIES DEVELOPMENT SURVEYS

1. Because basic industries for a nation are so vast, an EDCO survey to determine needs and requirements must cover all industries producing for domestic use as well as those producing for export markets.
2. Because consumer markets continue to change, continued records of supply and demand should be kept for development purposes after the initial survey is made.
3. The initial survey for general economic development of basic industries should cover at least the following items:



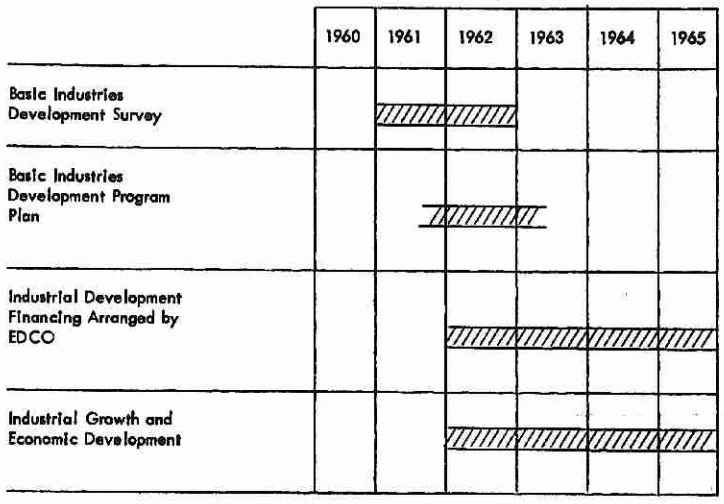
a. How can foreign trade be increased?
b. What will make investments in Brazilian industry more attractive to foreigners?
c. What is required to interest foreign governments in loans, grants and investments in Brazilian industry?
d. How can the provincial standard of living be raised?
e. What are the housing requirements?
f. What are the health problems?
g. What are luxury item requirements?
h. What new communities are planned?
i. What new industries are required to manufacture finished goods to be sold in Brazil?
j. What new industries are required to manufacture finished goods for export?
k. How many skilled and unskilled workers are required?
l. How many engineers and scientists are required?
m. What are the raw material requirements?
n. What are the power requirements?
o. What areas should be set aside for future industrial expansion?
p. What is needed in finished goods from other countries?
q. What services are needed from other countries?

BASIC INDUSTRIES DEVELOPMENT PROGRAM PLAN

After the initial survey has been completed, EDCO will provide detailed programs and plans for development of each type of industry. EDCO will, with the approval of the Brazilian Government, institute an investment bank to provide funds for industrial development. EDCO will provide or train administrators, engineers, scientists and technicians to train industrial workers. EDCO will provide administrative, engineering and financial advice and services for all industries as required.

For Basic Industries Development Schedule, see Figure 4-1, Page 4-4.

For Cost and Personnel Requirements Summary, Basic Industry Development Survey, see Figure 4-2, Page 4-5.



Basic Industries Development Schedule

Figure 4-1

Electronic Computer Time			$10,000.00
Kew Punch Equipment			5,000.00
		Total	$15,000.00

Personnel

Key Punch Operators	25	)	
Computer Programmers	10	)	
Electronic Engineers	5	)	Personnel wages
Economists	30	)	subject to
Production Engineers	150	)	negotiations
Management Consultants	125	)	
Civil Engineers	25	)	
Architects	25	)	
Total	395		

COST SUMMARY

BASIC INDUSTRIES SURVEY

Figure 4-2



SECTION V

SPECIAL EDUCATION

INTRODUCTION

With the development of natural resources, transportation, agriculture and basic industries, increasing numbers of workers will need to be trained to meet the requirements. If economic development is to succeed, training programs must keep pace.

ASSUMPTIONS

For the purpose of this proposal, the following assumptions are made:

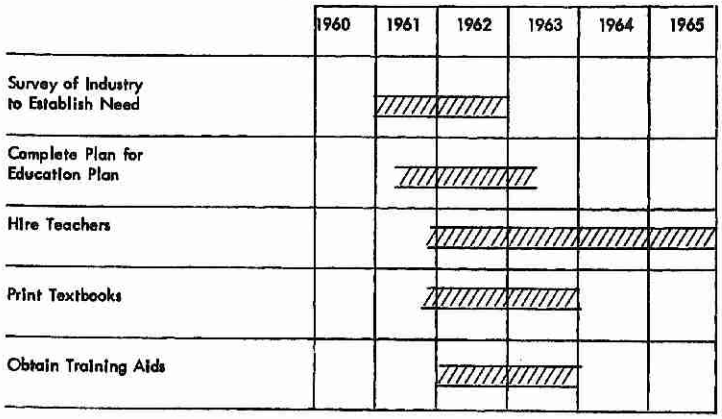
1. School buildings will be available (Figure 3-1).
2. Instructors will be available or EDCO will be allowed to provide trained instructors.

SPECIAL EDUCATION PROGRAM

1. After surveys and development plans have been completed, the only additional information that will be required is:
   a. How many schools and teachers are required?
   b. How many teachers are available in Brazil?
   c. How many qualified teachers need to be recruited from other countries?
2. EDCO will provide training manuals and visual training aids for every type of instruction.
3. EDCO will provide instructors as required.

For Special Education Schedule, see Figure 5-1, Page 5-2.

For Special Education Cost and Personnel Requirements Summary, see Figure 5-2, Page 5-3.



Special Education Schedule

Figure 5-1

Textbooks			$ 250,000.00
Visual Training Aids			150,000.00
School Tools			500,000.00
Laboratory Equipment			100,000.00
		Total	$1,000,000.00

Personnel

School Administrators	100)	Personnel wages
Teachers	2,000)	subject to
		negotiations
Total	2,100	

Cost and Personnel Requirements Summary,
Special Education
Figure 5-2

SECTION VI

ADVERTISING AND PUBLICITY

The success of any program depends a great deal upon effective advertising and publicity. To implement this proposal, public confidence must be gained. When this has been accomplished, the way will be open for recruiting farmers, engineers, economists and workers of all types. Foreign trade will be increased and foreign capital funds will be attracted to Brazil.

EDCO proposes a world-wide advertising and publicity program by the following media and for the following reasons:

1. A complete series of public information moving pictures should be made showing Brazil's people, Brazil's industries, land available and other items of world-wide public interest. Copies of these moving pictures will be distributed to schools and television stations at no cost to them.

2. Magazine and newspaper stories will be given world-wide distribution.

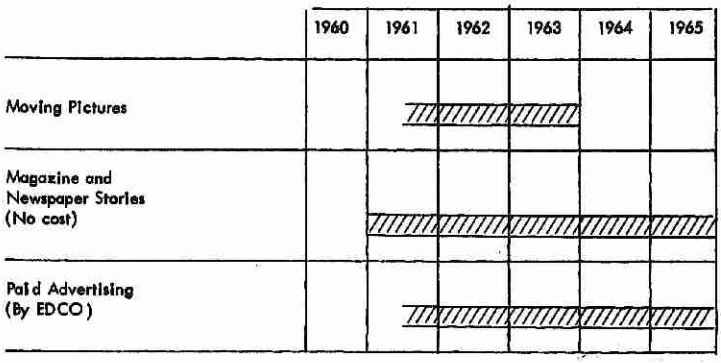
3. Paid advertising for business opportunities will be placed in newspapers, trade magazines and financial papers to attract people and money to Brazil.

4. The advertising and publicity program will be designed to:
   a. Open new world markets for Brazilian products.
   b. Attract foreign farmers, technicians, engineers and scientists.
   c. Attract foreign captial investments.
   d. Attract foreign governments investments.
   e. Attract tourists.
   f. Acquaint the world with Brazil.

For Advertising and Publicity Schedule, see Figure 6-1, Page 6-2.

For Cost and Personnel Requirements Summary, Advertising and Publicity, see Figure 6-2, Page 6-3.

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Advertising and Publicity Schedule

Figure 6-1

Moving Pictures			$1,100,000.00
Publicity Stories - No cost			
Paid Advertising - By EDCO			
		Total	$1,100,000.00

Personnel

Writers	25	)	
Movie Actors	100	)	Personnel wages
Technicians	500	)	subject to
Directors	10	)	negotiations
Extras	2,000	)	
Total	2,635		

Cost and Personnel Requirements Summary

Advertising and Publicity

Figure 6-2



SECTION VII

ECONOMIC DEVELOPMENT FINANCING

The financing of all phases of the economic development and production (after initial surveys and plans are completed) will follow normal economic development procedures.

The proposed steps for economic development production are as follows:

1. Natural Resources

   EDCO will start its natural resources development plan by financing and operating metal mineral mines. The reason for starting economic development this way is because of quick return to the Brazilian Government of funds expended in survey and planning work. Return of capital investments to EDCO will provide funds for development of other natural resources.

   When mines are producing to the satisfaction of the Brazilian Government and EDCO, production of other natural resources will begin to satisfy domestic and foreign demands. The production of other natural resources can be financed by EDCO with its own funds or by sale of stock in Brazil or the U.S.A.

   Production of natural resources will be on a lease basis from the Brazilian Government. Terms of each production lease will be negotiated separately.

   Each natural resources production operation will be done by a separate corporation operated by Brazilians.

   It should be realized that the return from the production of one mine could easily pay for all of the services offered in this proposal.

2. Transportation

   If road development and river development plans provided by EDCO are approved by the Brazilian Government, EDCO will, under separate contract, build roads and



dredge rivers. As roads are developed, EDCO will finance trucking companies (Brazilian owned), warehouses and terminals. As rivers are developed, EDCO will finance Brazilian companies for boats, barges, docks and wateheuses.

3. Agriculture

After surveys have been completed and agriculture development plans completed as suggested in Section III, EDCO will buy lands for operation of its own farms and for resale in the development of townships for foreign farmers.

The resale of lands for each township will be at a price equal to the cost of roads, schools and public buildings and utilities. In this way, the funds expended by the Brazilian Government for agriculture development will be returned.

4. Basic Industries

Financing will be done by EDCO according to established requirements for new businesses and expansion of existing businesses. Financing each business qualified by EDCO will be done with available funds or through the sale of stocks in Brazil and the U.S.A.

5. The United States Government is very much interested in the development of Brazil and under certain conditions offers financial assistance for economic development. The activities proposed herein are not presented for the purpose of obtaining economic assistance loans, but we feel the project could qualify if necessary.



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FOREIGN SERVICE DESPATCH

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281
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TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 30, 1960
DATE

REF : CERP C-2

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ACTION: Com-17
REC'D: 10/10

INFO DEPT.: ARA-1 INR-7 ARA-4 E-3 ICA-11 PER-2
OTHER: CIA-10 TAR-2 TR-3 FRB-3 XMB-4 AGR-8

SUBJECT: MONTHLY ECONOMIC SUMMARY - AUGUST 1960 INT-14 AID-6 FAA-5 CAB-6 OSD-4 army-6 Navy-3 LOC-4 USIA-10

832.00/9-30600

Summary:

Commercial activity and economic developments in August were basically similar to the pattern of preceding months. In the public works field, the President of the Republic initiated action for two important highway construction projects. An element of caution in the business community was generally reported insofar as new commitments were concerned, pending the outcome of state and federal elections. Merchandising levels showed little change, although moderate conservatism was indicated with respect to inventories and credit extension in all fields, including industrial operations and expansion. The cost of living increased moderately, with further price increases indicated for the coming weeks. A new social security program was enacted and early increases in minimum wage levels were under consideration by the Brazilian government. Most significant in the agricultural field was the sale of 100,347 short tons of sugar on the United States market, as a consequence of the Cuban quota cut. The free market rate of the cruzeiro rose only slightly over July, with the check buying rate averaging Cr$186.95 to the dollar as compared with Cr$185.20 for the previous month.

Finance:

During the exchange auctions held in August, $27,195,000 of regular and $8,433,000 of supplementary offerings under the provisions of Instruction 193 were purchased by Brazilian importers. The corresponding figures for July were $24,959,000 for the

EJBash/jw - with contributions by FFMilam, JHCrimmins, DPMann, WBlomeyer, SJEmiliano

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regular offerings and $5,464,000 for the supplementary.

In São Paulo and Rio during August the agio paid for dollar imports moved from Cr$210,00 to Cr$208.00 in the general category and from Cr$500.00 to Cr$462.00 in the special category.

During August the money in circulation increased by Cr$2.1 billion. Percentagewise the increase was 1.2% as against Cr$4.2 billion and 2.5% for August 1959.

The cost of living index of the Getúlio Vargas Foundation indicated a cumulative increase of + 8.9% for January-August 1960. For the comparable period of 1959 the corresponding figure was + 33.7%.

The average check buying rate in the free market for August was Cr$186.95 which compares with Cr$152.74 for the corresponding month of 1959.

Trade and Industry:

Business activity continued to be good, maintaining its pattern of recent months. Some caution was noted with respect to new and long term commitments, as the nation directed attention to the election campaign and the economic platforms of leading contenders for the presidency and other offices.

Merchandising generally was reported to be slightly better than the previous month. Collections were described as normal, despite reports that credits for commercial and industrial requirements were tight. Inventories were reduced slightly, reflecting both the tight money situation and the awaiting of the October election results.

Government action was highlighted by the long-deferred Congressional ratification, with exception of some tariff items, of the GATT agreements negotiated by Brazil through May 23, 1959. Another potentially significant action was the establishment of an agency to assist small and medium-sized industrial firms, similar

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to the groups previously established for the automotive, heavy machinery and shipbuilding industries.

Labor:

The Presidents of the National Confederations of Workers in Industry, Commerce, Land Transportation, and Credit Institutions, joined by the presidents of several national federations not affiliated with a confederation, convoked the Third National Labor Congress in Rio de Janeiro for August 11-14. The Congress ended ahead of schedule when three of the four presidents of confederations walked out in protest against the methods and tactics used by Communists in their efforts to dominate the Congress, thus bringing out into the open differences that have been generally played down for at least ten years. Among other actions, the Communists stole several hundred official delegate credential cards in order to pack the Congress with false delegates; rushed squads of delegates from one committee to another, whenever an important vote on a proposed resolution was being taken; and were generally disorderly, seeking to shout down their opponents.

A "rump" Congress consisting of about one-fourth to one-third of the original total number of delegates met on August 14 and dutifully approved a set of Communist-sponsored resolutions. It had originally been announced that President Kubitschek would appear at the closing session to announce formally his signing into law of the "Social Security Reform Bill", but he did not appear.

The President signed the new Social Security Act on August 26. The new law liberalizes the benefits granted to about four million workers covered by social security. (Despatch 230, September 15, 1960)

Transportation and Communications:

Among the important railroad developments during the month of August was the strike by the 15,000 employees of the Rio Grande do Sul railroad (Viação Férrea Rio Grande do Sul - VFRGS), which lasted from August 16 to August 22. The activities of the road were completely paralyzed during the six-day period, at an estimated daily cost of Cr$10 million. The strike ended with the agreement by the Federal Railway System (of which the VFRGS became part in 1959) and the Rio Grande do Sul state government to the strikers' principal claims, which included payment of past-due wage increases and more rapid promotions.

In executive actions during the month, Brazil's Acting President sent a message to Congress on August 8 requesting the opening of a special credit of Cr$3.5 billion for the conclusion of rail connections from Brasília to the center and southern regions of the country and for planning for the construction of the railroad yards and station at Brasília. There is no prospect of any legislative action prior to the October 3 elections, and it is difficult to estimate when the request for funds will be acted upon. Work on the rail approaches to Brasília has moved very slowly and even basic decisions on the routes to be followed and their characteristics remain to be taken.

The Acting President received congratulations on the message from the brand-new Brazilian Railroad Association, which had been formally created only a few days earlier. The Association, whose fundamental goal is the development and improvement of the Brazilian railroads, is composed of persons, companies and entities interested in the various aspects of rail transportation. Manufacturers and suppliers of railroad equipment and railroad construction contractors have been principally responsible for the creation of the Association and provide its principal officers as well as, presumably, the bulk of its financing. The financial resources of the principal members of the Association should permit it to make at least a good try in developing a "railroad mentality" to accompany the "highway mentality" so well established in Brazil. In a sense, the creation of the Association is a permanent extension of the series of Engineering Club debates that started in June and ended in August on the present critical situation of the Brazilian railroads.

In the highway field, the government took two major steps to improve land communication between Rio de Janeiro and Curitiba. On August 9, Acting President Mazzili signed in his home state of São Paulo a message to Congress requesting the opening of a special credit of Cr$2 billion for building a new highway parallel to the existing Rio-São Paulo road (the Presidente Dutra Highway, part of Federal Highway BR-2). At the end of the month President Kubitschek authorized the National Highway Department to effect a credit operation with the Bank of Brazil in the amount of Cr$1 billion to finance continuation of construction of the new section of BR-2 between São Paulo and Curitiba. The Rio-São Paulo segment of BR-2 is, economically, by far the most important single stretch of road in Brazil. The very heavy traffic which its existing two lanes have



had to support--and the load is constantly increasing--has led to marked deterioration of several sections and a very high accident rate. The new route for the São Paulo-Curitiba leg of BR-2, which will reduce the road distance between the two cities by more than 100 kms, is scheduled for completion in the first half of next year.

At the end of the month the Minister of Transport announced the appointment of members of a committee to study and prepare the invitation for bids for the construction of the proposed vehicular tunnel between Rio de Janeiro and Niteroi under Guanabara Bay. On the basis of the long history of delays and uncertainties connected with this project, it appears that the invitation for bids will not be ready for many months.

In the civil aviation sector, the month was marked by continuing attacks in the Chamber of Deputies by Deputy Eloy Dutra against the alleged undue influence exerted by Pan American World Airways on the Brazilian air carrier Panair do Brasil, in which the U.S. airline has a 30 percent interest. The Panair management, in reply to the Dutra charges--well publicized in paid advertisements--, (a) accused him of falsehood and distortions; (b) defended the validity of the June sale of Pan Am stock to members of Panair's directorate which reduced the holdings of the U.S. carrier from 48 percent to its present level, and (c) stated flatly that the Deputy's campaign had been inspired by a competing Brazilian air carrier which hoped to operate to Europe (where Panair now flies). The reference was unmistakably to VARIG.

Agriculture:

The Brazilian Sugar and Alcohol Institute took prompt action in taking advantage of the special sales authorization of 100,347 short tons for the U.S. market. Officials also indicated that additional quantities could be made available from the 1960-61 crop, should the United States have need. Further, the Institute has stated that the production schedule could be increased substantially to meet U.S. requirements.

The 1960-61 sugar production quota has already been increased by 260,000 metric tons above world market quotas, estimated local consumption requirements and the recent special sale to the U.S. The world market quota announced by the Sugar and Alcohol Institute amounts to 678,000 metric tons for the 1960-61 crop.

Price increases were authorized in August for milk, butter, sugar and some meat products.



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(Classification)

Page 6 of
Encl. No. 1
Desp. No. 28
From Rio de Janeiro

Enclosure No. 1:
Economic Indicators

For the Ambassador

Edward J. Bash

Edward J. Bash
Commercial Attaché

Approved;

William A. Fowler

William A. Fowler,
Counselor of Embassy
for Economic Affairs

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Economic Indicators:

Cost of Living in Rio de Janeiro (1948 = 100)

1959	Food	Clothing	Rent	Furniture	Hygiene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	501	348	498	321	398	413	561	470	4.2
Feb.	570	376	504	351	411	500	580	514	9.4
March	576	387	513	369	414	522	580	523	1.8
April	590	395	521	385	457	522	580	538	2.9
May	611	402	529	390	498	522	580	548	1.9
June	615	415	538	398	498	522	580	557	1.6
July	630	419	546	421	518	522	719	573	2.9
August	760	430	554	432	536	575	727	603	5.2
1960									
Jan.	809	476	601	488	623	632	767	691	.8
Feb.	807	480	609	512	623	652	767	696	.7
March	808	498	614	522	623	652	824	705	1.3
April	836	508	620	534	660	770	824	725	2.8
May	818	528	631	552	682	699	826	725	-
June	811	530	639	577	711	699	826	728	.4
July	830	542	646	583	717	699	826	740	1.6
August	833	543	657	588	723	699	843	745	.7

Source: Getúlio Vargas Foundation

Brazil's Foreign Trade (in US$1,000,000) - 1960

Imports	May	June	Jan/June	May	June	Jan/June
				100%	100%	100%
Total	118.0s	125.8	673.1	284	34	29
USA	52.6	43.1	195.5	31	3	5
C.B. *)	4.0	5.2	31.6			
Exports						
Total	121.1	102.2	605.6	100%	100%	100%
USA	56.1	49.0	282.4	46	48	47
C.B. *)	9.1	3.0	28.8	8	3	5

s) - Revised

*) - C.B. refers to the Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Communist China, Rumania, USSR, Albania and Bulgaria.

Source: Economic and Financial Statistical Service, Ministry of Finance.



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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PÔRTO ALEGRE

15
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 5, 1960
DATE

REF : 1957 CERP - Section requirements: Section C, Item 1

For Dept. Use Only	ACTION	INFO	DEPT. / OTHER
55	COM-2		REP-1 INR-7 ARA-4 E-3 ICA-11
	REC'D 10/17		CIA-10 IAR-2 IA-3 FAB-3 XMB-4 AGR-8

OCT 7 1960

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - September 1960

INT-7 4AB-6
OSD-4 army-4
navy-3 NSA-2
LOC-4 USIA-10

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
5. Transportation and Communications
6. Finance
7. Labor

832.00/10-560

SUMMARY:

Unseasonal rains and frost during the month of September caused damage to the wheat crop and some mortality among cattle in certain areas. Early forecasts for the wheat harvest are pessimistic and another short crop is expected. IRGA is reported to have been granted adequate federal financing, which will permit the purchase of more rice by the local Rice Institute. It is reported that the marketing of this year's soybean crop has largely been completed, with a small exportable surplus. Beef prices in Rio Grande do Sul have increased considerably in the last twelve years. Retail and wholesale trade were considered satisfactory, with large stores reporting increased sales. Current wool exports have been larger than last season's. Hopes for manufacturing tractors with foreign financial assistance are fading. State government announced project to provide sites for establishing new factories. The cruzeiro on the free market remained stable and the money market remained relatively unchanged. Estimated state budget for 1961 fiscal year shows a deficit. Management-labor conditions during September were relatively quiet. Workers are expecting a minimum wage increase due to continued rise in cost of living.

1. AGRICULTURAL DEVELOPMENTS:

a. Wheat - Early predictions for the harvest commencing in November are pessimistic. The principal reasons are 1) a 15 percent reduction in planted area; 2) widespread use of poor quality seed for new plantings; 3) unseasonal rains and a 10 percent loss from

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from frosts. Pessimistic reports range as high as 60 percent decrease from last year's disappointing crop of 350,000 metric tons. Wheat harvests have declined steadily from a level of 700/800,000 metric tons, common five years ago.

b. Rice - Recent reports indicate that IRGA (Rio Grande do Sul Rice Institute) has been granted additional federal financing for the purchase of additional stocks of this commodity to permit that agency to control speculation in this basic food item. An amount of Cr$2.5 billion is expected, and the total amount financed for the 1959-60 crop* will total over Cr$3 billion. By permitting IRGA to take up to 2 million more bags of rice, this action would also go a long way toward countering the effects of price ceilings still in effect in Rio de Janeiro. Hopes are fading that these ceilings, applicable only to Rio Grande do Sul rice, will be removed prior to Brazil's upcoming presidential elections. However, even if removed promptly, within the next day or so, shipments to the north will be down one million 60-kilo bags of milled rice from last year, and that part of the market cannot be recovered. IRGA's stocks therefore could reach a total of 3 million bags, and, if the necessary financing is forthcoming, it is felt that CACEX (Federal Foreign Trade Control Office) will not delay long before placing a large part on the international market.

c. Soybeans - The marketing of this year's crop has largely been completed, and prices continue firm. It is reported that mills have been able to purchase sufficient amounts for their needs. The crop balance is small and is expected to find a ready market abroad. The 1959-60 soybeans crop is estimated by the trade at about 180,000 metric tons.

d. Meat Situation - There has been a substantial price increase of steer on the hoof since 1948 in Rio Grande do Sul. According to statistics released by local authorities this increase amounts to 1,600 percent for the period from 1948 to July 1, 1960. Local authorities have expressed concern, and measures to correct the situation are expected to be taken by COAP (Federal Price Control Commission).

e. Wool - Good wool prices have been received by producers. A wool cooperative in the interior reported sales at an average of Cr$3,515.00 per arroba (15 kilos) for the best grades of raw wool. It is reported that the Bank of Brazil has authorized the importation of ewes into Rio Grande do Sul to improve and increase the production of wool (see despatch 39, item 1c, April 6, 1960).

f. Tobacco - According to official statistics released by the Ministry of Agriculture, the state of Rio Grande do Sul has been the largest exporter of flue-cured leaf tobacco, used in the manufacture of cigarettes. In 1959 the exports totaled 1,019 metric tons,

* Crop season: September through May



Industrial Area - Governor Brizola has announced a plan to attract manufacturers to an area with adequate road, railroad, air, and water transportation, as well as electric power facilities, located near Porto Alegre airport. Local manufacturers have been invited to utilize this space which has approximately 1,000 hectares, of which 425 hectares can be used for industrial plants. It is stated that 250 plants can be erected in that area, with housing facilities for approximately 20,000 workers. The area will be expropriated by the Government. Although this project aroused initial interest in industrial circles, some doubts have now been heard in connection with the state's present financial situation. The Consulate will report further developments.

5. TRANSPORTATION AND COMMUNICATIONS:

Telephone Problem - The study made by a committee appointed by the state to make recommendations for solving the telephone problem (see despatch 8, item 5, August 5,1960) will be submitted to the State Legislative Assembly in a few days. Press reports state that the formation of a mixed capital company has been recommended. The state will have a controlling interest of 57.5 percent, CTN(IT&T subsidiary)may participate with 20 percent, and the remainder will be for participation of telephone users and semiofficial entities. CTN will only consider participation after valuation of its property has been made by a state-appointed committee. Further developments will be reported by the Consulate.

6. FINANCE:

Exchange - The cruzeiro remained relatively steady in the free market during September, averaging Cr$188.96 to the U.S. dollar (Check buying rate), compared with Cr$188.46 in the previous month.

At the U.S. dollar auctions for commercial imports in September, the general and special category premiums showed slight variations from the preceding month levels. The general category dollar premium averaged Cr$209.25 against Cr$209.85, and the special category dollar premium averaged Cr$512.45 against Cr$470.75 in August. The Soviet Bloc agreement dollar in September stood at Cr$178.00 in the general category. No special category agreement dollar was auctioned.

Government Finance - The Rio Grande do Sul state budget for 1961 fiscal year is ready to be submitted to the Legislative Assembly. A deficit of Cr$3 billion is anticipated. Further details on the 1961 budget will be reported as they become available.

Money Conditions - It is reported that the money market remained relatively unchanged, with banks able to discount clients' short term receivables. Loan demand continued strong, presumably from the pressure of general buying on all levels of the economy in expectation of a minimum wage increase and correspondingly higher prices.

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principally to Algeria (314 metric tons); the Netherlands (239); and Uruguay (229).

g. Economic Problems of Rio Grande do Sul - With reference to the preliminary recommendations made by a federal high level committee (see despatch 9, item 1g, September 8, 1960) to solve Rio Grande do Sul's economic plight, it is interesting to note that a number of farmers have moved to the states of Santa Catarina and Parana, where large areas of good arable land are available at lower prices.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

It is reported that sales volume of the larger stores continued up, with two important retail outlets citing 50 percent increases over the previous month. Apparantly there has been no change in the collection of trade bills, with some delays in payment reported. State sales for August 1960 (latest figure available) showed a considerable increase over the preceding month. Comparative figures for July and August 1960, and August 1959 are as follows:

(In thousands of Cruzeiros)

July 1960	August 1960	August 1959
20,849,365	26,272,400	16,234,579

It should be noted that the annual August inventory clearance sales run by local stores accounted for the much greater cruzeiro figure as compared with July.

3. FOREIGN TRADE:

a. Rice - The current exportable surplus of 120,000 metric tons of milled rice from Rio Grande do Sul has not yet been cleared for disposal by the Bank of Brazil. Manifestly, lower world market quotations make the disposal of this surplus difficult.

b. Wool - Raw wool exports from Rio Grande do Sul during the period October 1959 through July 1960* amounted to 1,298 metric tons as against 774 metric tons for the preceding 10 months' period. The United States was the largest importer, with 577 metric tons, followed by the United Kingdom, with 224 tons; Germany, with 220 tons; the Netherlands, with 165 tons; Japan, with 67 tons; Belgium, with 35 tons; Italy, with 10 tons.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Tractors - It is not believed that Czech tractors (Zetor) will be manufactured here now. The proposal previously submitted by the Czech apparently did not meet federal requirements. It is considered that this project hinges on certain technical matters, including that of locating a qualified local engine manufacturer for these tractors.

* October through September: clipping, grading and marketing season.

Industrial Area - Governor Brizola has announced a plan to attract manufacturers to an area with adequate road, railroad, air, and water transportation, as well as electric power facilities, located near Porto Alegre airport. Local manufacturers have been invited to utilize this space which has approximately 1,000 hectares, of which 425 hectares can be used for industrial plants. It is stated that 250 plants can be erected in that area, with housing facilities for approximately 20,000 workers. The area will be expropriated by the Government. Although this project aroused initial interest in industrial circles, some doubts have now been heard in connection with the state's present financial situation. The Consulate will report further developments.

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Money Conditions - It is reported that the money market remained relatively unchanged, with banks able to discount clients' short term receivables. Loan demand continued strong, presumably from the pressure of general buying on all levels of the economy in expectation of a minimum wage increase and correspondingly higher prices.



7. LABOR:

The strikes reported in August 1960 have all been settled, although, to the parties involved, the solutions are considered temporary compromises pending the outcome of October's elections. The strike of wheat and corn mill employees lasted over a month, with workers gaining a 40 percent wage increase retroactive to February 1960; while mills received permission to raise prices on all flour except that used for the cheapest quality bread. Workers, in general, are now looking forward to an expected increase of at least 60 percent over the present minimum wage of Cr$5,000.00 per month.

Percy Warner
American Consul

cc.: Amembassy RIO

RW

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[redacted]

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IN SERVICE DESPATCH

143
DESP. NO.

FROM : Amconsgen, São Paulo

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 7, 1960
DATE

REF : CERP C - General Interest

OCT 7 1960

For Dept. Use Only

ACTION REC'D 10/10

DEPT. INFO OTHER: ARA-5 NMA-2 REP-1 OVR-10 E-7 ICA-11 EOA-5 COM-12 AMAA-35 NAVY-20 AIR-30 OSD-2 OCB-2 NSA-4 INT-7 FRB-3 TRS-3 USIA-10 CIA-16 LAB-6 TAR-2 AGR-8 NRB-4

SUBJECT: Biweekly Economic Review, September 23 - October 6, 1960

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1.	Petrobras Drills for Oil at Guareí	R. E. Cahn
2.	Russian Tourist Agency in São Paulo	R. E. Cahn
3.	São Paulo Municipal Budget for 1961	R. E. Cahn
4.	Special Foreign Exchange Treatment Requested for Dried Fruit Import for Xmas Trade	R. E. Cahn
5.	Australian Trade Mission to Visit São Paulo	A. D. Ventura
6.	Possible Increase of Inter-City Bus Fares	A. D. Ventura
7.	Minimum Wage Commission Recommends 60 Percent Increase	J. F. Shea

1. Petrobras Drills for Oil at Guareí

On September 24 Petrobras, the federal petroleum monopoly, started drilling for oil at Guareí in south central São Paulo, not far from the city of Itapetininga. The drilling equipment for that purpose was transferred to Guareí from Campo Grande in the State of Mato Grosso. Present plans are to drill down to between 1500 and 2000 meters, dependent upon the geological formation. The presence of gas or oil is expected to occur at a depth of around 800 meters, but it remains to be seen whether it is there in commercial quantities.

2. Russian Tourist Agency in São Paulo

A press note in the O Estado de São Paulo of October 7 reported that INTOURIST, the official Soviet tourist agency, authorized the Brasil-USSR Cultural Union to establish an agency in São Paulo for the purpose of obtaining entry visas for Russian citizens, principally for scientists, musicians and authors who might come to Brazil for symposiums, congresses, etc. The report further said that the agency would also promote visits of Brasilians to the USSR.

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(See Index for Contributors)

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BUREAU OF INTELLIGENCE AND RESEARCH
OCT 17 1960

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5. São Paulo Municipal Budget for 1961

The Mayor of São Paulo sent a bill to the Municipal Council covering the 1961 Municipal budget. Revenue and Expenditures are each placed at Cr$14,558,505,000. This is an increase of Cr$5,471,305,000 over the revenue estimated in the 1960 budget. About 42 percent of the revenue is expected to be obtained from real estate taxes. While no increase in rates is contemplated, it is understood that a revaluation of real property is taking place.

4. Special Foreign Exchange Treatment Requested for Dried Fruit Imports for Christmas Trade

The São Paulo food trade requested the Federal authorities to make foreign exchange available at a special auction for the importation of dried fruit for the Christmas trade. Dried fruit is included in the luxury import category, in which exchange currently costs about Cr$600.00 a US$1.00, and a much lower rate is desired for these imports. The food trade contends that foreign suppliers are pressing importers to meet commitments assumed under the assumption that the usual annual special auctions would take place.

5. Australian Trade Mission to Visit São Paulo

An Australian Trade Mission is expected to arrive in São Paulo on October 18, coming from Chile. The mission, which is composed of six businessmen representing a variety of Australian industries will remain five days in São Paulo, studying possibilities of expanding Australian-Brazilian trade. It will also visit Rio de Janeiro before departing for Venezuela on November 1.

6. Possible Increase of Inter-City Bus Fares

A note proposing a 20 percent increase on present inter-city bus fares was submitted by the Highways Department of the Secretariat of Transport to Governor Carvalho Pinto. The increase would be of a temporary nature, pending results of studies on tariffs now under way. The Governor is expected to approve the proposal.

Comment:

The proposed temporary increase in fares is based on a recommendation of the Special Commission of Tariffs of the Secretariat of Transport, which studied a memo from the Association of Passenger Transport Companies of the State of São Paulo requesting a 30 percent increase in fares. The Association alleged that since the last fare increase in December 1958, operating expenses increased considerably. As examples they mentioned two general wage increases, and the cost of buses and parts which went up by 60 to 80 percent.

7. Minimum Wage Commission Recommends 60 Percent Increase

São Paulo employers and trade union leaders serving on the minimum wage

1236

commission unanimously recommended that existing minimum wages be increased 60 percent. Trade union leaders from São Paulo, Minas Gerais and Guanabara, met in the city of São Paulo and urged that the minimum be increased 65 percent, but failed in that effort.

Comment:

The decision was generally regarded as political and inspired by the Minister of Labor, João Baptista Ramos, in an attempt to attract worker support for Vice-President João Goulart in his campaign for re-election. Employer opposition, especially in the State of Guanabara, held up the decreeing of new minimum wages prior to the presidential elections and the new minimum has not yet been authorized. The last increase in minimum wages was decreed in January 1959. Since that time the cost of living is estimated to have increased 65 percent. Many employers have already increased the price of their products and a further rise in the cost of living may be expected.

For the Consul General:

Ralph J. Burton

Ralph J. Burton
Consul

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FOREIGN SERVICE DESPATCH

FROM : Amcongen, São Paulo

DESP. NO. 145

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE October 10, 1960

REF :

For Dept. Use Only	ACTION / REC'D	DEPT. / INFO / OTHER
25	Ara-4	RMR-2 Rfp-2 Po-4 E-3 H-1
n	10-18	Cia-10 Lab-6 USIA-10 Com-12

SUBJECT: Santos Weekly Report IN-7 agr-8

Transmitted herewith for the information of the Embassy and the Department is the weekly report from the American Consulate at Santos, dated September 30, 1960.

With reference to Item III-3, as has been reported by Embassy Rio, the proposed new minimum wage has not yet been approved.

Due to various rearrangements in secretarial services during the inspection of this post there has been a week's delay in forwarding the attached. It is a usual practice of this post to forward as quickly as possible.

William P. Cochran, Jr.
Consul General

Enclosure:

Santos Weekly Report
dated September 30, 1960

cc: Amembassy, Rio

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
OCT 24 1960

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, São Paulo — 147 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — October 10, 1960 DATE

REF : CERP C - General Interest

G-1 OCT 11 1960

For Dept. Use Only: ACTION COM-12 | REC'D 10/17 | INFO DEPT. REV-1 *ARA-4 *INR-7 E-3 *ICA-11 EUR-5 OTHER CIA-10 FRB-3 TAR-2 TR-3 XMB-4 *AGR-8 (USTR) CAB-6 LOC-4 NSA-2 ARMY-8 *L AEC-7 FAA-5 FTC-1 OSD-4 USIA-10 NAVY-7

SUBJECT: São Paulo Quarterly Review - Third Quarter 1960

SUMMARY

Business was mixed; active in manufacturing, cautious in wholesale trade because of elections, and scare buying at retail in anticipation of rising prices. Automotive production was up and the São Paulo power supply was increased. The government plan of action moved along, except for funds planned to provide cheap credit. A 1961 budget proposal balances state revenue and expenditures at Cr$106 billion. Russian wheat and diesel oil arrived during the quarter and coffee and oranges were shipped to Russia. Hard currency import exchange purchases were heavy. Viracopos airport neared completion. The Sorocabana Railway installed a new signal control system. Most major crops were expected to be larger than last year, except for coffee estimated at less than half of last year's bumper crop. Cotton quality was low. Sugar production headed for record levels, with good prospects of exports to the United States and elsewhere. In the labor field there were some wage increases, and the São Paulo wage commission recommended a 60 percent increase in the minimum wage. A 24-hour strike paralyzed the port of Santos on July 1.

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BUSINESS ACTIVITY

Business was mixed during the third quarter of the year. Automotive production set new highs during each of the months of June, July and August, and is reported to have continued at that pace in September. General manufacturing activity continued strong, as evidenced by a higher rate of power consumption. Wholesale trade in a number of lines fell off somewhat during the quarter, attributed to cautious buying pending the outcome of the election for President of Brazil taking place on October 3. Retail trade on the other hand took an unexpected turn upward in September, due to so-called scare buying caused by discussion of an increase in the minimum wage scale. Consumers have learned by experience that prices go up when higher minimum wages are decreed.

LWS

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Ad valorem sales tax revenue rose in July to Cr$6.1 billion and again in August to Cr$6.5 billion. Part of the increase in revenue was due to rising prices. Collections, however, rose more in the interior of the state than in the city of São Paulo, and higher factory sales of automotive vehicles and parts probably accounted for a major portion of the increase in sales tax revenue. The cost of living rose 1.5 percent in July and 1.8 percent in August, bringing the total increase since the beginning of the year to 17.9 percent.

São Paulo's power supply was increased in August when two new generators of 47,500 KW each went into operation at the Peixoto power plant of the Companhia Paulista de Força e Luz. An additional 20,000 KW was added to the supply on September 23 upon official inauguration of the Florida Paulista Thermoelectric Plant owned by the state-controlled USELPA Company. The Florida Paulista Plant will operate on diesel oil and will serve various cities in the western part of the state of São Paulo.

FINANCE

The government plan of action moved along smoothly in every respect except in the establishment of the revolving funds that are to provide cheap credit facilities--Fund for Expanding Basic Industry, Fund for Financing Industries Producing Production Goods, and Fund for Expansion of Agriculture and Cattle Raising. Money for these funds is to come from credit operations, which may be covered by surplus budgetary revenue collections. Budgetary surpluses have occurred in recent years, primarily because the constant rise in prices resulted in heavier collections under the ad valorem sales tax than estimated at the beginning of the year. This year will be no exception, but present indications are that little will be left over from the current year's surplus after covering the deficit of Cr$4.5 billion in the 1960 budget as voted by the State Legislature, and the additional uncovered expenditures of Cr$2.3 billion proposed in a subsequent adjustment in the budget. This probably has delayed the establishment of the revolving funds in question. During the first nine months of 1960 the government authorized expenditures within the Plan of Action in the amount of Cr$11,354 million, out of a total of Cr$13,168 million allocated in the 1960 budget. Besides this, special credits totaling Cr$3,464 million were authorized for activities included in the plan.

The São Paulo Light preference shares offered to the public on July 1 were almost completely sold by the end of September, one month ahead of the closing date announced when the shares were first offered. Shares of the S. A. Industrias Reunidas F. Matarazzo, placed on the market in mid June, have not moved as rapidly and by the end of September had not passed the half-way mark.

At the end of the quarter the Secretary of Finance announced that the 1961 budget bill was ready to be sent to the state legislature. The bill



places revenue and expenditures at Cr$106 billion each. This compares with a total 1960 budget of close to Cr$86.5 billion, including an adjustment involving new expenditures of Cr$2.7 billion still subject to legislative approval.

FOREIGN TRADE

During the third quarter some US $23 million in hard currency was sold in S%o Paulo for imports, over and above the usual amounts offered at the foreign exchange auctions. This compares with extra sales of US$15 million in the second quarter of the year when additional fixed rate offerings were instituted. This permits a greater value of hard currency imports during the current year. The maximum extra amount permissible of three times the sum put up for auction was taken up in S%o Paulo at the September 27 auction, upon the circulation of rumors that sales of extra exchange would soon be stopped.

Wheat arrivals at Santos from Russia totaled 22,200 tons during the quarter. During the same period 230 tons of diesel oil were received from that source. Shipments from Santos to Russia included 196,000 bags of coffee and 36,000 cases of oranges.

Tractors that arrived at Santos during the third quarter in exchange for coffee included 538 Polish tractors, 200 British tractors, and 20 road tractors from East Germany.

NEW INVESTMENTS

The following new investments were made or announced during the third quarter of 1960:

Irlemp-Victor Juntas Ltda., an association of the local company, Irlemp S.A. Industria e Comercio, with the Victor Manufacturing & Gasket Company of Canada (a holding company for the Victor Manufacturing and Gasket Corporation of Chicago) was formed on an initial capital of Cr$60 million. The new company will produce gaskets under Victor patents for the automotive industry.

The auto parts factory of Industrias Gemmer do Brasil S.A. at S%o Bernardo do Campo (S.P.) was formally inaugurated in September. This Cr$560 million corporation is owned by the Ross Gear & Tool Co., Inc., of Lafayette, Indiana, and the local Brasmotor company. The new plant manufactures radiators, steering assemblies, horns and flexible tubing for the automobile industry.

Scania Vabis Motores Diesel S. A., a company controlled by Scania Vabis A.B. of Södertälje, Sweden, altered its name to Scania Vabis do Brasil Veiculas e Motores and raised its capital from Cr$250 to Cr$610 million. The company will from now on manufacture, distribute and sell Scania Vabis trucks, which had been manufactured since 1958 by Vemag Veiculos e Maquinas Agricolas. Vemag will remain a minority shareholder in the local Scania Vabis corporation.

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MWM Motores Diesel S. A. increased its capital from Cr$62.4 million to Cr$158.8 million through the incorporation of machinery and equipment supplied by its parent company Motoren-Werke Mannheim A.G. of Mannheim, Germany, and by Süddeutsche Bremsen A.G. of Munich, Germany. MWM will manufacture diesel engines for Brazilian-made Fendt, Renault and Valmet tractors.

Sprecher & Schuh A. G. of Aarau, Switzerland, are investing Cr$100 million to set up a subsidiary in São Paulo, Sprecher & Schuh do Brasil S.A. - Industria de Aparelhagens Elétricas, to manufacture high tension circuit breakers and other electric equipment for Brazilian power plants. The local company is expected to start manufacture in 1961.

Parachoques Ibesa-Rockwell Ltda., a recently organized company owned by the Rockwell Standard Corporation of Coraopolis, Pennsylvania, and the local Cobrasil group, is building a plant to manufacture automobile bumpers and other sheet metal stampings. Part of the US company's investment in the local firm is machinery and equipment worth US $380,000 which will be imported from the United States without exchange coverage.

TRANSPORTATION

Although authorized as an alternate for Brasilia, the opening of the Viracopos international airport at Campinas to regular operational traffic was delayed for lack of complete control tower and air navigation installations. The chief of the Fourth Air Routes Service (comparable to the U.S. Federal Aviation Agency's Air Traffic Control Service) estimates that all necessary communications and navigation gear will be installed and operating by the middle of October and that Viracopos will be in regular operation by November.

An asphalt surfaced access road leading directly from Viracopos to the Anhanguera Highway has been opened to traffic, but passenger terminal facilities at the airport are still incomplete.

On September 15 an automatic signal control system went into service on a short (less than 2 miles) double-track section of the Sorocabana's line between Julio Prestes and Barra Funda stations in São Paulo. The system will eventually be extended to the entire 450 kilometers (280 miles) of track operated by the Sorocabana between São Paulo and Ourinhos. In addition to greater economy and safety, the company expects a significant increase in total capacity to result from the more efficient and regular operation of its trains under the new system. Signal equipment imported from the United States was supplied by the Union Switch and Signal Division of the Westinghouse Air Brake Company. Earlier in the month, Governor Carvalho Pinto had authorized the Sorocabana to purchase 15 new diesel-electric locomotives at a cost of about two million dollars to be financed through the Federal Railway Net.

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AGRICULTURE

Prospects for agriculture appeared moderately favorable during the quarter, despite an off year for coffee production. The São Paulo coffee crop is estimated at less than half of last year's bumper crop of over 15 million bags of 132 pounds. Prices during the quarter were often considerably lower than the officially set levels, due largely to delays and confusion in instituting support buying. Transactions were at a low level. However, at the end of September it appeared that these difficulties would be eliminated and producers would receive an average net price in the interior after tax of about 2,700 cruzeiros per sack of 132 pounds of cleaned coffee, which would be quite remunerative to efficient producers.

Most major crops were expected to be larger this year than last, despite a severe seasonal drought during part of the quarter. Prices tended to be much higher than last year, except for a few products like beans which were in short supply and very high priced last year.

The cotton crop in the State of São Paulo totaled 188,000 metric tons in 1960, compared with 144,000 in 1959. Quality was unusually low, attributed partly to wet weather during the harvest. The 1961 crop is expected to be slightly larger, producing an export surplus for which remunerative prices are anticipated.

Sugar production in the State of São Paulo appeared headed for record levels this season. In August the State's quota was increased by 3,000,000 bags of 132 pounds in view of prospects of increased Brazilian sugar exports to the United States and elsewhere, and because of the ability of São Paulo to increase production quickly. This brought the State's total quota to 23,530,462 bags (43 percent of the total for Brazil), compared with production of 20,859,885 bags during the previous season. Production of export-type sugar was speeded up in the hope of shipping the authorized quota of 5,441,625 bags from Santos by early October.

The 1960 corn crop in the State of São Paulo was about 15 percent smaller than expected, actual production being estimated at 29 million sacks of 132 pounds. The anticipated export surplus did not materialize.

Production of oranges in the State is expected to exceed 18,000,000 boxes, an increase of over 22 percent compared with the previous crop. Exports of this year's crop of citrus fruit from Santos totaled 2,902,068 boxes as of August 30, with good prospects that 1960 total exports will surpass last year's three million boxes.

Cattle prices rose seasonally during the quarter, reaching prices over double those of the same time last year. This was reflected in sharp increases in the prices of the better cuts of meat, whose prices were not controlled, and in shortages of the other cuts whose prices were supposed to be controlled. Consumption fell by one-quarter to one-half, abetted by a consumers' strike.

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The agrarian reform bill was still under consideration in the São Paulo State Legislature at the end of September, and there was no indication that it would be passed soon.

LABOR

The third quarter of 1960 São Paulo labor scene was marked by a series of significant events. The large coffee port of Santos was paralyzed on July 1 by a 24-hour general strike called as a demonstration of sympathy for some 30 wheat millers employed by a British firm, Moinho Paulista, who objected to a transfer to another city; the split between Communists and non-Communists which occurred during the Third National Labor Congress held in Rio de Janeiro had serious repercussions in São Paulo and almost split the São Paulo State Trade Union Council (CST) and the Frente Nacionalista; a new force in São Paulo labor led by Don Jorge Marcos Oliveira, socially minded Bishop of Santo André, led a strike of some 600 biscuit workers which is now in its fourth month.

Unions representing workers in gas, telephone, and baking industries obtained wage increases of approximately 38% over existing wages. Trade unions representing an estimated 300,000 textile, metal, paper and clothing workers launched a campaign for increased wages of 55%. At the quarter's end, in an obviously political move, São Paulo employer and union members of the São Paulo minimum wage commission recommended that existing minimum wages be increased 60%. This sizeable upward revision, however, has not been recommended by minimum wage commissions in other Brazilian states. As a result the Minister of Labor has not yet decreed new minimum wages.

Taxicab and trolley strikes partially tied up traffic in the capital city during the quarter. The cab drivers struck for two days in protest of a new regulation which compels each driver to submit to a test measuring emotional stability, I.Q., reaction, etc., while the streetcar operators walked off the job for approximately 24 hours when the city-owned streetcar lines failed to meet their monthly payroll.

Longshoremen's unions which are under considerable leftist influence held a week-long national convention during the month of August in Santos.

Arturo Jauregui, director of organization, announced that the Inter-American Regional Organization of Workers (O.R.I.T.) will open up an office in São Paulo in the near future.

William P. Cochran, Jr.
Consul General

(See next page for contributors)

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Contributors:

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JFShea : Labor
ADVentura: New Investments
JBPerkey : Transportation

Enclosure:

Statistical Annex

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STATISTICAL APPENDIX

	Second Quarter	July	August	Cumulative Total 8 months (Jan.-Aug.)
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros)1/				
1960	16,395	6,102	6,490	45,124
1959	11,724	4,559	4,257	31,054
Total State Revenue from taxes (billions of cruzeiros)2/				
1960	19,146	6,877	7,292	49,693
1959	13,930	4,082	4,780	35,949
Electric Power Consumption of Industry in State of São Paulo (millions of KWH)3/				
1960	938	333	354	2,495
1959	843	284	288	2,201
Motor Vehicle Production in State of São Paulo (in units)				
1960	29,575	12,388	13,522	81,650
1959	22,450	7,872	7,642	59,723
Petitions in Bankruptcy in City of São Paulo (in numbers)4/				
1960	177	59	78	521
1959	223	67	60	521
Petitions for Creditors' Agreements in City of São Paulo (in numbers)4/				
1960	18	4	7	46
1959	53	15	11	158
Notes Protested in City of São Paulo (in numbers)4/				
1960	13,787	5,172	4,722	37,518
1959	14,492	4,940	4,801	42,808
Notes Protested in City of São Paulo (millions of cruzeiros)4/				
1960	347	110	107	842
1959	312	110	137	917
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average: Base 1951 = 100)5/	June			
1960	644	654	666	-
1959	471	478	507	-

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Notes

1/ Revenue figures are based on a sales and consignment tax rate of 4.8 percent.

2/ Excluding accounts computed at year end.

3/ Electric Power Consumption covers sales by the two main companies (São Paulo Light S/A - Serviços de Eletricidade; Cia. Paulista de Força e Luz), which together account for over 98 percent of total power supplied to industry in the State of São Paulo.

4/ Data on Petitions in Bankruptcy, Petitions for Voluntary Settlements, and Notes Protested refer solely to the City of São Paulo, and reportedly represent over 80 percent of total bankruptcy and settlement petitions and notes protested in the State of São Paulo.

5/ The Cost of Living Index put out by the Statistical Department of the São Paulo Prefeitura is admittedly incomplete and tends to show less than the actual rise in cost of living for low-paid workers.

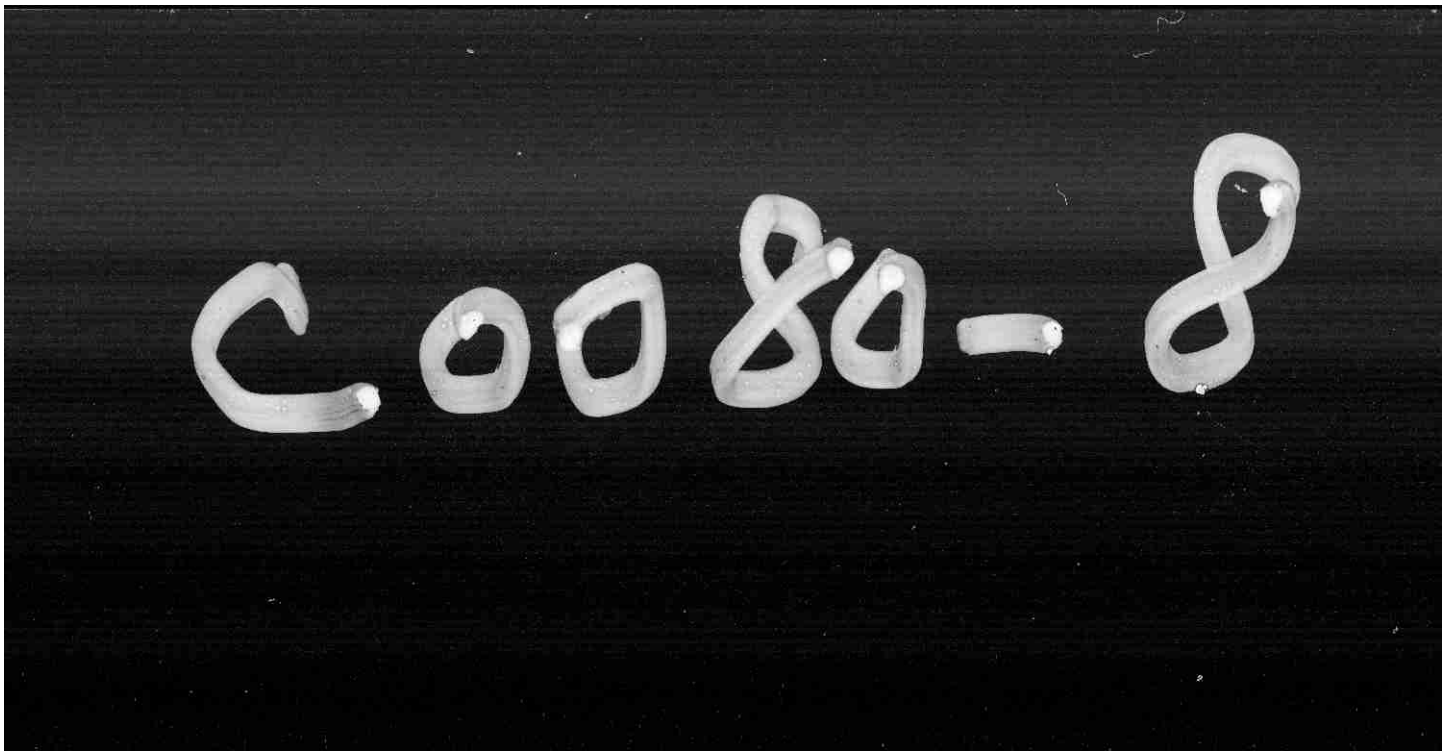
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