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ROLL 9

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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

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INTERNAL AFFAIRS BRAZIL, 1960-1963	
Roll No.	Roll Contents
Roll 1	732.00/1-160-732.00/9-1960
Roll 2	732.99/9-2060-732.00/7-2861
Roll 3	732.00/8-161-732.00/5-1262
Roll 4	732.00/5-1462-732.00/9-1962
Roll 5	732.00/9-2062-732.00/1/5-561
Roll 6	732.00/1/5-1261-732.13/5-3162
Roll 7	732.13/56-262-732.563/8-362
Roll 8	732.563/8-1662-832.00/10-1060
This Roll → Roll 9	832.00/10-1160-832.00/10-661
Roll 10	832.00/10-1361-832.00/10-962
Roll 11	832.00/10-1162-832.05111/12-560
Roll 12	832.05111/2-1061-832.062/8-3160 (and: 832.05156/2-2260-832.10/4-2960)
Roll 13	832.062/9-160-832.10/2-2161
Roll 14	832.10/2-2361-832.10/7-1162
Roll 15	832.10/7-1262-832.131/1-1961
Roll 16	832.131/1-2661-832.16/3-2262
Roll 17	832.16/4-662-832.245/1-2263
Roll 18	832.25/1-1460-832.2614/7-1862
Roll 19	832.2614/7-2662-832.424/9-1062
Roll 20	832.424/9-2662-932.30/2-2862
Roll 21	932.30/3-162-932.84/4-1962

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## |
| | .01 | Agents (other than diplomatic or consular) |
| | .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 |
| | .041## | Misuse of flag, insults and indignities to flag of country ** by nationals of country ## |
| | .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 5** .##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 academies, 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**.
	.151	Stock
	.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**.
	.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
- .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**2424 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
 - .317 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
- .332 Building and paving materials (all types, metal, wood, glass, etc.)
- .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
- .39 Other manufactures, Miscellaneous. For building and paving materials, see 8**332
- .391 Lumber, Wood products not otherwise classifiable
- .392 Paper, Paper products not otherwise classifiable
- .393 Newsprint, Wood pulp
- .393 Manufactured non-metallic minerals not otherwise classifiable
- .3931 Marble, Lime and limestone, Asbestos, Slate. For mining, see 8**25
- .3932 Glass and clay products, Ceramics
- .393 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)
- 8** .50 Public order, Safety and health, Charities
 - .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)

CLASS 9

COMMUNICATIONS, TRANSPORTATION, AND SCIENCE

- 9**.00 Communications (general)
 - .01 Concessions, Contracts
 - .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**44)
 .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)

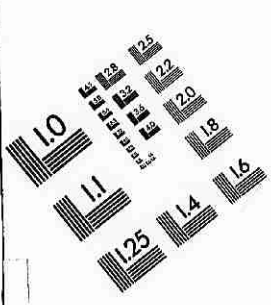
 .71 Land transportation
 .71## Land transportation between country or area ** and country or area ##. Use
 smaller number for **
 .711 Laws and regulations
 .712 Railroad, Railways, Rates, Demurrage, Accidents
 .712## Rail transportation between country or area ** and country or area ##. Use smaller
 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##
 .721 Laws and regulations (air pilot licenses)
 .722 Rates (domestic and foreign), Concessions, Contracts, Subsidies
 .723 Accidents (** nationality of plane), Repairs
 .724 Airports, Landing fields, Landing aids, Radar, Landing rights
 .725 Fueling

- 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 seamen's 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

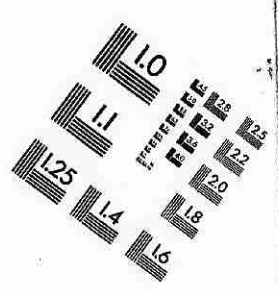
9**	.8134	Optics
	.8135	Heat and Cold
	.8136	Electricity and magnetism (gyroscopes)
	.8137	Nuclear physics and nuclear chemistry, Cosmic rays, Heavy water
	.8138	Atomic and molecular physics
	.8139	Miscellaneous, Time, Calendar, Weights and measures
	.814	Basic chemistry (analytical)
	.815	Applied chemistry
	.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, tectonophysics, 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

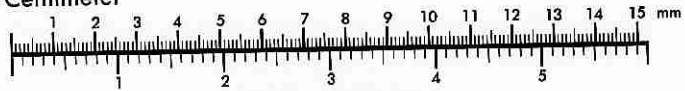


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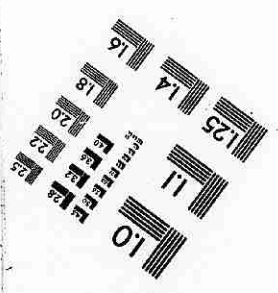
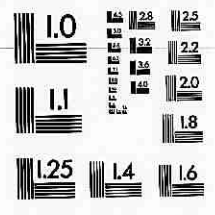
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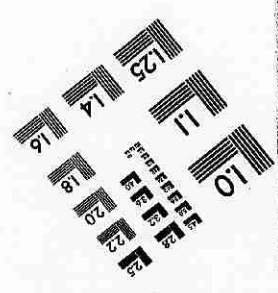
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FROM : Amembassy RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 11, 1960

REF : CERP C-1

OCT 13 1960

25 ACTION DEPT. REP-1 RMR-2 INR-7 ICA-11 U/HSC-1
 REC'D 10-17 CORN-12 VSIA-10 OSD-2 Army-35
 SUBJECT: BI-WEEKLY ECONOMIC REVIEW No. 12 (Period Covered Sep. 20-Oct 13)

May-20 Air-30 CIA-16 OCB-2 NSA-4 LOC-4
 Lef-6 INDEX IN-7 Agr-8 TR-3

1. Huge Increase in Currency Circulation
2. Increase of Foreign Exchange Auctions
3. Higher Minimum Wages Promised
4. Brazilian National Steel Mill
5. Ords Dam in the News Again
6. Fertilizer Plant Inaugurated
7. Proposed Pipe-Line
8. Oil Shale Plant for Brazil
9. Oil Well Drilling Equipment
10. Outboard Motor Production Starts
11. Air Minister Refuses Permission for Domestic Operation of VARIG Caravelles
12. New Financial Director of the Federal Railway System
13. Engineering Club Recommendations on Rail Deficit
14. Prospect of Separate Communications Ministry

1. Huge Increase in Currency Circulation:

The outstanding currency issue at the end of September amounted to Cr\$177.00 billion, representing an increase of Cr\$9.5 billion during the month of September, for a total increase since the end of 1959 to Cr\$25.4 billion. In 1959, the increase during September amounted to Cr\$3.2 billion and the increase during the first nine months of the year amounted to Cr\$15.6 billion. (UNCLASSIFIED)

Comment: Information is not yet available to indicate the causes of the huge increase of money supply during the past month. It seems likely, however, that the increase was at least partially induced by credit expansion at the Bank of Brazil, possibly in connection with the electoral campaign under way. It is pertinent to note that during the first eight months of 1960, net Bank of Brazil loans to the Treasury increased by Cr\$21.4 billion as compared with Cr\$18.1 billion during the same period of 1959. On the

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Page 2 of
Encl. No. 314
Dep. No.
From Rio de Janeiro

other hand, "other" loans by the Bank of Brazil expanded during the first eight months of 1960 by Cr\$27.2 billion, of which Cr\$10.6 billion took place during the month of August alone. In 1959, "other" loans by the Bank of Brazil increased during August by "only" Cr\$2.2 billion, while the increase during the first eight months of that year aggregated Cr\$10.8 billion. (OFFICIAL USE ONLY)

2. Increase of Foreign Exchange Auctions:

The so-called "extra" sales of 150/day foreign exchange certificates in Rio and São Paulo amounted to \$5.8 million on September 27. This compared with extra sales of \$2.9 million on September 20 and previous "extra" sales of about \$1.5 million at each weekly auction. (UNCLASSIFIED)

Comment: It was widely rumored that the sudden huge increase in the demand for the 150/day certificates was induced by speculation that the Bank of Brazil would reduce the offerings of these certificates after the elections of October 3 or would increase the price at which they would be available. The Bank of Brazil has denied all such rumors. (UNCLASSIFIED)

3. Higher Minimum Wages Promised:

On September 30, President Kubitschek announced that new legal minimum wages would be decreed by no later than mid-October, and that the new minimums in each region of the country would be 50 to 60% above present levels. He said that social justice made higher minimum wages imperative, but that the issuance of a decree would be postponed until after the election in order to avoid misinterpretation of the administration's action as an effort to influence voters. In the same statement he acknowledged that agreement in many of the 22 regional minimum wage commissions (composed of labor, management, and government representatives) had not yet been reached. (UNCLASSIFIED)

Comment: Vice President Goulart and Labor Minister Batista Ramos made strong efforts to push through agreement on higher minimum wages prior to the election, but time ran out. Presumably the President's specific promise that higher minima would be decreed within two weeks was considered by the administration to be the most effective pre-election action possible in the circumstances. (OFFICIAL USE ONLY)

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Page 3 of
End. No.
Disp. No. 314
From Rio de Janeiro

4. Brazilian National Steel Mill:

The Brazilian National Steel Mill has been importing steel plates to supplement domestic production. It now has been announced that no steel products will be imported for resale by the National Steel Mill after January, 1961.

The National Steel Mill inaugurated its eighth open-hearth furnace. This is expected to increase "Volta Redonda's" annual capacity by 200,000 tons of ingots, making the total capacity 1,300,000 tons of steel ingots per annum. (UNCLASSIFIED)

5. Ord's Dam in the News Again:

Ord's Dam, Ceara, the scene of panic during unusual floods last year, is in the news again. The engineer in charge of repairs and completion of the spillway threatens to dynamite the dam to avoid repetition of the ~~spillage~~ to downstream population unless construction funds are supplied. The report states that the 800 million cruzeiros (\$4,000,000) appropriation for the Ord's dam was diverted to construct the Fortaleza-Brasilia highway. (UNCLASSIFIED)

6. Fertilizer Plant Inaugurated:

OAMIG, State of Minas Gerais-controlled Companhia Agricola de Minas Gerais S/A, has inaugurated its fertilizer factory near Araxa, Minas Gerais, to produce 25,000 tons per year of ground apatite (phosphate) rock. (UNCLASSIFIED)

7. Proposed Pipe-Line:

A government committee has recommended construction of a pipe-line from Rio de Janeiro to Belo Horizonte to move petroleum products. No details are given except that it would parallel the highway on which the products are trucked and have an initial capacity of 25,000 barrels per day, to be doubled later. (UNCLASSIFIED)

8. Oil Shale Plant for Brazil:

The local press reported that a bituminous shale plant is being projected by Soviet technicians. This plant, which would be the

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Page 4 of
Encl. No. 314
Disp. No. 314
From Rio de Janeiro

third in the world, would have capacity to produce more than a million cubic meters of gas per day and would be constructed near a large shale deposit on the borders of the Paraíba River. Beside bituminous gas, the plant would also produce rubber and other chemical products.
(UNCLASSIFIED)

Comment: The plant belongs to Companhia Industrial de Rocha Petropolitana, which is constructing its installations in Pindamonhangaba (state of São Paulo). Last January, three Soviet engineers visited Brazil to study the possibility of this project which now has been announced. (See WER No. 5 and 12, January 29 and March 18, resp.)
(UNCLASSIFIED)

9. Oil Well Drilling Equipment:

A new company has been formed in São Paulo to manufacture oil-well drilling equipment. It is said to be formed by "a well known Austrian steel construction firm" and the Murray-Simonsen group of Brazil.
(UNCLASSIFIED)

10. Outboard Motor Production Starts:

"Archimedes" outboard motors are now being made in Brazil under license from A.B. Electrolux, of Sweden. The 12 HP model B-22-N is being built by Industria de Motores Maritimos MOTOMAR, S/A, a subsidiary of Cia. T. Janak, Comercio e Industria of Rio de Janeiro.

Comment: Outboard motors are the work-horse of the interior where transportation and travel are on the rivers and streams. The manufacture in Brazil of 12 HP motors may well preclude, in due time, importation of similar sizes, which are mainly of U.S. manufacture.
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11. Air Minister Refuses Permission for Domestic Operation of VARIG Caravelles:

In a decision of September 22, Air Minister Mello upheld the refusal of the Director General of Civil Aeronautics Directorate of a request by Varig that the use of the carrier's Caravelles in domestic service be authorized. In his statement the Minister pointed out that Varig had always declared that the Caravelles were for economic air lines.
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Page 5 of
End. No. 413
Disp. No. 413
From Rio de Janeiro

were not intended for operation on domestic routes, where the use of such advanced equipment would force the government to grant foreign exchange for the purchase by other domestic carriers of competitive aircraft. The Minister stated moreover that the configuration and high speed of the Caravelles would aggravate the problem represented by the excess capacity already being offered domestically. The Minister recommended to DAC that it study the possibility of reconciling the public interest (marked by the need to preserve foreign exchange and to curb excess capacity) with Varig's need to utilize its equipment better. (UNCLASSIFIED)

Comment: Varig has always intended to operate the Caravelles domestically, but for tactical purposes connected with the bitter controversies of mid-1959 over the crisis in commercial aviation and its relationship to purchases of jet equipment, the company took the public position repeatedly that it had no intention of operating the twin jet within Brazil but rather that it would be employed in "change of gauge" service from Rio de Janeiro/São Paulo to Buenos Aires. An Embassy officer has been told by a senior Varig official that the company is confident that President Kubitschek, after the elections, will overrule the Air Minister and permit the Caravelles to be placed on international routes. It is undoubtedly true that Varig cannot operate the Caravelles economically if they are to be limited, as at present, to thrice-weekly round-trip flights between Rio de Janeiro and Argentina. (OFFICIAL USE ONLY)

12. New Financial Director of the Federal Railway System:

At a stockholders' meeting on September 23, Mario Pires was elected Financial Director of the Federal Railway System (Rêde Ferroviária Federal S/A-RFFSA). He replaces Newton de Paiva Pereira who had resigned the post following a policy difference with the majority of the Rêde board of directors over the purchase of rail diesel cars, with part of the EXIM Bank \$100 million railroad equipment loan, from the Budd Company of Philadelphia. The new director, who will serve until 1964, is reported to be close to president Kubitschek, but he is not known to have had experience in railroad matters. (UNCLASSIFIED)

Comment: Newton de Paiva submitted his resignation when he refused to go along with the majority of the other directors of the Rêde in confirming an earlier decision to make the controverted Budd purchase of the RDC's. Paiva felt that a lower bid for the construction of the cars submitted by ACF should have been accepted. The suggestions in Congress and in the press that the order had

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Page 6 of
Encl. No. 314
Disp. No. 314
From Rio de Janeiro

been placed with Budd because of irregularities led to a public exchange of accusations and counter-accusations between Paiva and the present Commercial Director of the Rede, Geraldo Mascarenhas.
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13. Engineering Club Recommendations on Rail Deficit:

On September 20, the Engineering Club of Rio de Janeiro delivered to Ernani de Amaral Peixoto, the Minister of Transportation, Communications and Public Works, a summary report of the series of lectures, held under the auspices of the club, concerning the causes and consequences of the deficit of the Federal Railway System. Among its recommendations, the report included the revision of rate policy so as to permit flexibility in the tariff structure; the elimination of uneconomic branch lines; the creation of a railroad fund to provide the necessary funds for a continuing capital investment program; the concession of exchange favors to railways to the same extent that they were granted to other means of transportation; administrative measures to insure the transfer of excess personnel to other federal agencies and--as the last suggestion--the elaboration of a coordinated system of transport within Brazil.

Comment: The recommendations of the Engineering Club were quite similar to those outlined by the Rede directors in their comments on the System's problems in their annual report for 1959, which was the springboard for the Club's series of discussions (BWER 4, June 8; WER 15, April 11). The broad nature of some of the suggestions illustrates the size of the problem and indicates how much there is to do to begin to bring the railroads to a state of health. The efforts of the Club may not have any tangible immediate effects but its contribution to a general awareness of the seriousness of the railroads' plight can be fruitful in the long run.
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14. Prospect of Separate Communications Ministry:

In the meeting in which he accepted the Engineering Club report on the discussions of the rail deficit, Minister Amaral Peixoto stated that before the end of this year he would deliver to President Kubitschek a draft of a law creating a Ministry of Communications. In his comments, Amaral Peixoto remarked that it was humanly impossible for one man to operate his present ministry, which encompasses all transportation except civil aviation, communications and public works. Amaral Peixoto observed that, in addition to

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Page 7 of
Encl. No.
Disp. No. 514
From Rio de Janeiro

the separate communications entity, other ministries, including one for ground transport, might be subsequently created out of the present ministry.
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Comment: From every point of view the present Ministry of Transportation, Communications and Public Works is an administrative monstrosity, and its division into at least two separate ministries has long been recommended by a wide variety of authorities. The creation of a separate Ministry of Communications would be a step forward but it would by no means solve the fundamental difficulties which make Brazilian communications chaotic. In any case, Amaral Peixoto has been talking about the necessity of a separate communications ministry for at least a year now but actually very little has been done in the way of studies and planning. The establishment of a deadline may now stimulate some action.
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For the Ambassador,

Edward S. Bash
Edward S. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Contributors:

Items 1,2 - HKMay
Item 3 - DPMann
Items 4,5,6,7,9,10 - EIBrown
Item 8 - EJBash/JHWiegerinck
Items 11,12,13,14 - JHOrinimas

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 14, 1960

REF : CERP C-2

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	COM-12	RED-1
	10/24	CIA-70
		TAR-2
		TA-3
		FRB-3
		XMB-4

SUBJECT: Monthly Economic Report - September, 1960: Navy-3 NSA-2 USIA-1

LOC-4A GR-8 INT-7 LAB-6 OSD-4 Army-1

INDEX

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 local money market has reached its tightest point in many months. Payments of trade bills are very slow. Although a good volume of exports is moving out, countervailing forces appear to be stronger, leading to an increasing scarcity of funds. A large amount of Bank of Brazil notes are being placed privately, thus drying up excess funds in the hands of individual investors. The shortening of sales terms by São Paulo and Rio manufacturers has had the effect of reducing the flexibility of local firms. Cocoa shipments have been slow, warehousing facilities are jammed, CACEX has reduced the scale of its purchasing operations and thereby the flow of funds from that source into the market has dropped. Cocoa traders are awaiting the announcement of a new marketing plan, expected to include sweeping changes from the present set-up under CACEX's control.

Figures recently released indicate that there has been an increase of about 23% in the average daily production rate of crude oil this year. In this regard, a decrease of about 22%, by value, in Brazilian petroleum imports as compared to last year has been reported.

Accompanying the increasing tightness in the money market payments of trade bills both locally and in the interior have slowed considerably since last month. The situation is presently the worst it has been for many months. Retail sales are also reported to have fallen off substantially. Some small to medium stores

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Page 2 of
Dep. No. 26
From Salvador, Bahia, Brazil.

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Page _____ of
End. No. _____
Dep. No. _____
From _____

report sales to be off by as much as 85%.

2. Industry and Investments.

(a) German geologists Koenig and Kramer (see Economic Report for July, 1960), in company of Brazilian technicians Neiva de Figueiredo of the Conselho de Desenvolvimento and Messrs. Onofre Chaves and Fausto Soares of the Departamento Nacional de Produção Mineral, have been conducting mineral surveys in Jequié, State of Bahia and in surrounding towns. At a meeting held recently at the State Planning Commission (CPE), these gentlemen discussed their initial study impressions and suggested measures for an extensive program, having in mind the establishment of an iron and steel industry in Bahia. Samples of minerals collected will be sent to their mining laboratory at Hannover, Germany for examination. To evaluate the extension of the mines, a large group of geologists and topographers are scheduled to arrive from Germany in the near future. The geologists will submit a report to the West Germany Government for the purpose of determining the cost of undertaking this assistance program.

(b) It has been reported that the State government will subscribe to shares of the "Frigorífico Unifó S.A.", a cold storage plant to be constructed in Salvador (see Economic Report of July, 1960). The capital of this outfit, which was originally foreseen at 80 million cruzeiros, will be increased to 200 million cruzeiros through State support. The Companhia Docas da Bahia will also participate in this enterprise by granting an area of 5000 square meters of the port area where the storage plant will be built. Construction is expected to commence shortly. It will have a storage capacity for 5,000 tons of merchandise in addition to an ice factory.

(c) The Governor of Bahia signed a law dated September 1, 1960, which authorizes the Executive Power to guarantee, in the name of the State, a supplementary credit account with the Banco Nacional de Desenvolvimento Econômico, in favor of the Centrais Elétricas do Rio de Contas S/A. This company will be the supplier of hydroelectric power from the Rio de Contas (see Economic report for May, 1960). Credit in the amount of cruzeiros 646 million was reportedly authorized for the exclusive purpose of finishing the construction of the Funil hydroelectric plant, transmission lines, etc., to supply electricity to the following Bahian towns: Jequié, Ilheus, Itabuna, Ipiá and Ubatã. The State government has also been authorized to subscribe 200 million cruzeiros for additional shares of the Centrais Elétricas do Rio de Contas S.A.

3. Agricultural Development and Policy.

(a) Cocoa. The cocoa market is quiet in anticipation of a new marketing plan to be announced shortly. The general feeling is that the plan will represent a sweeping change from the present set-up. The most persistent rumor is that exports will be returned to private firms but that a special marketing board, patterned after those in existence in the cocoa exporting countries of Africa, will be set up to control the over-all marketing policy, establish minimum export prices, etc. Costa Filho, Director of the CACEX has been talking

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Page 3 of
Disp. No. 26
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
End. No. _____
Disp. No. _____
From _____

about shifting the control of cocoa policy from CACEX to a new agency for some time, and it is generally thought this will represent the core of the new plan. Since legislation would be necessary to create such a marketing board and this is an election year, (especially with Janio in) it will probably be many more months before it could legally begin to function. There are also rumors that negotiation of part of the exchange derived from cocoa exports is to be permitted on the free market.

Estimates for the total Bahia 1960-61 cocoa crop now runs from the lowest of 2,000,000 to the highest of 2,500,000 bags, representing a 15-30% decrease over last year's bumper crop. A reliable source estimates that the main crop will be a meager 800,000 bags. First hand reports from the cocoa zone indicate that, in addition to the well publicized losses from pod rot, the trees simply are not bearing much fruit. Whether the Instituto of Cocoa or the growers will attempt to rectify this situation is questionable. They have been warned by experts that if the situation remains unchecked their production will continue to fall off.

Deliveries into the port of Ilheus have again dropped with a return of bad weather and consequent disruption in transportation facilities. The exporters are presently paying Cr\$800.00 per arroba of 15 kilograms in the interior, and the cooperatives, Cr\$820 to Cr\$830.00. Exports through July of this year were 1,113,00 bags of 60 kilograms each compared to 650,000 bags during the same period last year.

The cocoa product manufacturers have received no allocation of beans so far from this year's crop, and as a result most of their plants are shut down. Some are working off small stocks of beans for their own account to fill orders for paste and butter from the chocolate manufacturers in the South. One local manufacturer has just started production, on a small scale, of the only chocolate made in Bahia.

The local press has given much coverage lately to contraband cocoa activity. Two small Brazilian motor vessels "Neves" and "Presidente" supposedly engaged in the business of smuggling cocoa, have been confiscated by the local authorities for investigation. The owners of the vessels have disappeared and are believed to be in Dutch Guiana. It is well established that cocoa smuggling is not new to Bahia.

(b) Castor Seed and Castor Oil. Castorseed continues to arrive in Salvador in quantity, and the local oil processors are crushing at full capacity. The prospect for a good crop in Brazil appears to have had repercussions in the world castor oil market. Spot prices have edged downward slightly and futures are off about 8-10% from the prices prevailing a month ago. There is some feeling here that prices are more realistic now and should have the effect of encouraging present consumers to continue to buy castor oil rather than look for cheaper substitute products. It is reported that the entry of a third oil manufacturer here will raise the annual requirements on the local industry to 90,000 metric tons. Since the annual crop in Bahia has averaged about 70,000

UNCLASSIFIED

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Page 4 of
Disp. No. 26
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

tons over the past decade, this should provide a considerable stimulus to increased production. This year's crop is still being estimated at about 80,000 tons.

(c) Tobacco Leaf. Offers from abroad are still about 10% below what the exporters are asking. The latter are resisting the price pressure, and as a result sales continue slow. Remaining stocks from this year's crop are estimated at 30,000 bales (75 kilograms) of top grades and 20,000 bales of medium grades. It is generally felt that to move these remaining stocks the exporters will eventually give in and accept the lower prices. Prospects for the new crop continue to be very good. As noted previously, plantings were larger than usual, and up to now weather conditions have been very favorable for this crop.

(d) On September 10, 1960 Governor Juracy Magalhães officially inaugurated the "Empresa de Conservação do Solo, Água e Mecanização da Lavoura" (ECOSAMA S.A.). This company has been established for the purpose of assisting the State government in the general services of agriculture and rural engineering such as forest clearing, construction of water tanks, wells, farm roads, irrigation systems and drilling of artesian wells. The State government will own half the capital and the remainder will be subscribed by banks, agricultural, industrial and commercial organizations, cooperative and private individuals. The registered capital is 20 million cruzeiros and will be increased to 150 million cruzeiros by the sale of nominal shares in the amount of cruzeiros 1,000 each.

(e) Mr. Van Derwey, professor of the Institut Agronomique de Gembloux, Belgium, has arrived in Salvador at the invitation of a local firm to give instruction and act in an advisory capacity in connection with the cultivation of the dende tree. Dende grows wild in this State. The fruit produces a palm oil which has many useful purposes and is presently used in this locality for food seasoning. This firm presently operates on a small scale and ships the oil to São Paulo in bulk where it is further refined and distributed.

4. Petroleum.

(a) Petrobras announced that the daily average production of crude oil is up 23% over last year - 75,000 barrels this year as compared to 65,000 in 1959 and 58,000 in 1958. It is estimated that national production is thus supplying the equivalent of about 29% of the country's requirements. Imports of crude oil and refined products were down to \$109 million during the first six months of 1960, as compared to \$139 million and \$143 million during the comparable periods in 1959 and 1958. Crude oil production reached the record of 90,000 barrels daily on September 12, 1960.

(b) Petrobras announced that a new oil field, "Jacaranda", has been discovered in Bahia approximately one mile south of São Sebastião. The petroleum lies at a depth of 2,126 meters.

UNCLASSIFIED

0013

Page 5 of
Disp. No. 26
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
End. No. _____
Disp. No. _____
From _____

5. Transportation and Communication.

(a) The Rede Ferroviaria Federal has authorized its railway branches to grant a discount of 50% in freight charges of animals and other products destined to agricultural and animal expositions, as well related equipment in connection with the expositions. A passenger discount in the same amount has also been extended to individuals interested in visiting the expositions.

(b) The MORNACPRIDE, one of the most modern vessels of the Moore McCormack Lines, called at Salvador recently on her maiden voyage. The captain hosted a buffet luncheon, inviting local officials and businessmen to inspect the ship. The vessel is 484 feet long, has a speed of 19 knots and a capacity for 40,000 cubic feet of refrigerated cargo. The ship is air conditioned throughout and is reportedly the first of several such ships scheduled to ply in Latin American waters.

(c) Radio-Itapoã has announced that it will inaugurate its television station on November 19, 1960 with a roundup of the highlights of Bahia during the year. Salvador has been on the verge of TV for many months now. The tower is erected, equipment installed and personnel are in the process of being trained. Although the original target date has been missed by about one year, it is assumed that Bahia is now close to live television.

6. Labor.

(a) Graphic art employees have held meetings at their Union (Sindicato dos Trabalhadores na Industria Grafica) demanding an increase in their salaries.

(b) Port workers of the Companhia Docas da Bahia have obtained an increase of 40% over their former salaries.

(c) Bank and commercial employees are still demanding, through their Unions, an increase of 50% in their salaries.

Cost of living in Bahia continues on its upward trend and is creating a serious financial problem for the laboring classes.

7. Finance.

According to the State Internal Revenue Department, Cr\$1,128,262,769 were collected during the first nine months of 1960 which constitutes an increase of Cr\$194,273,166 over the same period in 1959.

8. East-West Trade.

Exports to Soviet block countries during the month of September were as

UNCLASSIFIED

0014

Page 6 of
Desp. No. 26
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

follows: Poland 1,417 metric tons of cocoa beans; Yugoslavia, 300 tons of
sisal fiber; Czechoslovakia, 179 tons of cocoa beans.

FOR THE CONSUL:

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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AIR POUCH

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FOREIGN SERVICE DESPATCH

FROM : American Consulate, Curitiba

16

DESP. NO.

OCT 14 1960

October 14, 1960

DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP Section C2

20 For Dept. Use Only	ACTION REC'D	DEPT. I N F O THER
	COM-12	REAL TR-7 E-3 ARA-4 IRA-11
	10-24-60	CHA-10 TR-3 FRA-3 XMA-4 AGR-5 DIT-1 LAB-6 TR-1

SUBJECT: ECONOMIC SUMMARY FOR SEPTEMBER 1960 NSA-2 ARMY-6 NAVY-3 AIR

I SUMMARY

The elections temporarily put the meat shortage, the coffee problem and the cost of living on page 2 of most of the newspapers but they have since returned to their former prominence.

The meat supply increased slightly, but so did the price; coffee exports dropped again and the cost of living continued to rise.

Wage demands reached fever pitch everyone expecting something to be done before the elections about increasing the minimum wage. Nothing was done. Retail trade is very good, quite a bit higher than last year, and credit has eased somewhat.

The Bank of Boston is planning to open a branch in Curitiba in the near future. It will be the second American bank to operate here.

II AGRICULTURE

1. Coffee: From July through September about 1 1/2 million bags of coffee from the 1960/61 coffee crop were sent to Paranaguá thereby adding to the abundance already in the warehouses. The warehouse construction business continues to boom in Paranaguá, Curitiba and Ponta Grossa, warehouse owners being the only element inclined to look with favor upon the I.B.C.'s coffee policies.

Shipments of coffee out of Paranaguá amounted to 180,000 bags during September, the port of Antonina exporting 50,000 bags during the same month.

SOURCES: "Diário do Paraná", Sept. 4, 13, 14, 16, 18, 27, 1960

"Estado do Paraná": Sept. 14, 16, 21, 27, 28, 1960

"O Dia": Sept. 1, 1960

"Tribuna do Paraná": Sep. 1, 4, 12, 14, 15, 17, 1960

2. Lumber

GScanlan:bb

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

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0016

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Page 2 of 4

Encl. No.

Disp. No. 16

From AmConsulate, Curitiba

2- Lumber

An FAO expert made the sombre prediction that within 40 years Brazil will be importing pine, today its chief wood export. Since reforestation is something little practiced here he may well be right. At a meeting of lumber producers held in Curitiba the same problem was discussed. Paraná and parts of Santa Catarina have large reserves, especially of pine, but through indiscriminate cutting the reserves are dwindling.

Sources: "Diário do Paraná": 9/17; 9/21, 1960
"Estado do Paraná": 9/15; 9/17; 9/24.
"Gazeta do Povo" 9/21/60.

3. Wheat Plagues:

Western and Central Paraná wheat plantations are being hard - hit by a plague of lizzards. The state Secretariat of Agriculture is distributing insecticides but it is expected that further damage may be done. The wheat crop of the municipio of Toledo in Paraná (about 400 tons) has been attacked and may be a complete loss.

Sources: "Diário do Paraná": 9/23/60
"Estado do Paraná": 9/29/60

III LABOR

1. Minimum Wage

Despite the usual flood of promises and rumors nothing has been done about increasing the minimum wage. Vice President João Goulart in a press interview one week before the elections said that new minimums would be announced on October 1, with Curitiba workers receiving a minimum salary of Cr\$ 6.750.00. Since this is half of what labor unions here have been demanding Goulart's words were hardly comforting.

The demands of other laboring groups for increases continue to be aired but it will probably be the end of the year before any increases are granted. Metal workers want a 45% raise; civil construction workers 50%; and stevedores 50%. Bank workers; taxi drivers and chemical workers have been asking for similar increases.

Sources: "Diário do Paraná": 9/13; 9/16; 9/18; 9/22; 9/25;
9/28.
"Estado do Paraná": 9/20; 9/13; 9/21; 9/29.
"O Dia": 9/20; 9/21.
"Tribuna do Paraná": 9/12; 9/28; 9/29.

2. Prices:

The "Day of Protest" against the high cost of living naturally failed to achieve its objective. (see last month's despatch). Although the stores were closed the

UNCLASSIFIED

0017

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Page 3 of 4
Encl. No. _____
Disp. No. 16
From: Consulate, Curitiba

closed the employees were present, engaged in marking up the prices. Business before "Protest Day" is said to have been exceptionally good.

Meat increased to about Cr\$ 140/150 per kilo and is expected to go as high as 200 per kilo before long. Consumption has been dropping with the increase in prices.

Sources: Personal observation.

"Diário do Paraná": Sep. 1, 11, 13, 14, 17, 18, 1960

"Estado do Paraná": Sep. 14, 15, 16, 1960

"O Dia": Sep. 13, 15, 16, 17, 18, 1960

"Gazeta do Povo": Sep. 16, 17.

IV TRANSPORTATION AND COMMUNICATIONS:

1. International Bridge

The bridge connecting Paraná with Paraguay over the Paraná river is in the finishing stages and is now scheduled for opening on December 15. The bridge will have an open span of 303 meters making it the largest arch-type bridge in the world. An increase in commerce and tourism between Paraguay and Brazil and the opening up of a direct route to the sea for Paraguay (through the port of Parana-gua) will be the economic consequences of the bridge's construction.

Sources: "Diário do Paraná": 9/28/60
"Ultima Hora": 9/29/60

V FINANCE

1. Bank of Boston is planning to establish a branch in Curitiba in the near future. It will be the second American bank in Curitiba, the First National City Bank of New York having opened a branch in December 1959.

COMMENT: First National City has been doing exceptionally well in Curitiba a fact which Boston has certainly not overlooked. Bank of Boston recently opened greatly expanded quarters in a new building in São Paulo.

Sources: Personal Conversation.

VI INVESTMENT

A French company, "L'Institut Français d'Organisation et Productivité" is said to be "favorably considering" the possibility of investment in the state of Paraná. The source of this information is the director of the Rural Department of the Banco do Estado do Paraná. The French company is said to be interested in opening a cellphese factory and a factory for the construction of

aluminum tubes

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0018

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(Classification)

Page 4 of 4
Encl. No. _____
Disp. No. 16
From AmConsulate, Curitiba

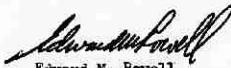
aluminium tubes. The factories would be built with Brazilian capital with the French providing the machinery. Thus far all of the negotiations have been carried on through the mail so it is unlikely that construction is imminent.

Sources: "Estado do Paraná": 9/16; 9/20/60

VII FOREIGN TRADE AND COMMERCIAL POLICY

Summaries of the report of the United States Trade Mission to Brazil, published recently in "Foreign Commerce Weekly" were carried in the press here during the past month. The Mission's laudatory comments on the growth of the Brazilian economy were emphasized but the difficulties American investors face in Brazil (inflation, import restrictions, changing government policies) were also noted.

Sources: "Diário do Paraná" 9/10; 9/16/60
"Folha do Comercio" 9/12; 9/26/60


Edward M. Rowell
American Consul

cc: Counselor of Embassy for Consular Affairs
Rio de Janeiro.

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FOREIGN SERVICE DESPATCH

11

FROM : AMCONSUL, Belém, Pará, Brazil

DESP. NO.

October 14, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE

REF : CERP Requirement, Section B Item 2.

55 For Dept. Use Only	ACTION REC'D 10/24	DEPT. IN OTHER	ARR-1 INR-7 ARA-4 E-3 ICA-4
			CIA-10 TAA-2 TR-3 FRB-3 XMB-4 AGR-

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - SEPTEMBER, 1960 40C-4

SUMMARY

Sales volumes during September 1960 were reported satisfactory, reflecting efficient business activity in the Amazon Valley. Certain businessmen, however, foresee a drop in the purchasing power of the local population, which may bring about some reduction in overall sales. Credit to business was tightened during that month, perhaps as a result of the present political situation.

Financial situation in the Valley continued unchanged from that reported for the previous month. Government agencies, however, have cut down on allocations of funds. The Pará State revenue office reports a highly satisfactory collection of taxes for this period. The average check buying and selling rate in the free market was: Cr\$186 for purchase and Cr\$190 for sale to one US dollar.

Import and export business as well as interstate outgoing and incoming shipments were normal.

The concrete bridge over the Guamá river serving the Belém-Brasília highway is now completed and open to traffic. The Bragança railroad has finished laying track to its terminal at the Belém docks.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

It was reported by merchants that during September 1960, business activity maintained about the same level as in the previous period. Nevertheless, some experienced businessmen in this area have voiced their concern regarding a decrease in the volume of sales for the coming months, due to a substantial drop in the people's purchasing power as a result of continued inflation. It is further explained that people in the Amazon Valley are displaying tendency to limit their purchases to the strictly necessary. Merchants on their part continue to make all possible effort to boost sales volume, through the extensive use of long-term credit and other sales promotion devices.

Credit to business during that period was slightly tightened since credit sources need to make a revision on their credit policy in view of the economic and financial pronouncements made by the candidates for the Presidency of the Republic and for the Pará State gubernatorial succession.

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Finance/

REPORTER

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Page 2 of
Encl. No. 11 - Oct. 14, 1960
Desp. No. 11 - Oct. 14, 1960
From Belem, Para, Brazil

FINANCE

The financial situation of the Amazon Valley during September 1960 continued fair, although official financing sources like SFVEA, Bank of Brazil and Amazon Credit Bank, have held back on the release of funds, possibly on account of the elections. Private banks, on the other hand, kept on providing financing assistance to industry and agriculture.

The Para State tax collections during September 1960 were at a normal level. The State administration was in a position to meet all the obligations for that month, and in addition it had a high cash balance for the following month.

The check buying and selling rate in the exchange free market during this period was: September 1, Cr\$184 for purchase, Cr\$188 for sale; September 30, Cr\$185 for purchase, Cr\$189 for sale, to one US dollar. The exchange fluctuation during the month was: Cr\$183.50 for purchase, Cr\$187 for sale, the lowest; Cr\$185 for purchase, Cr\$189 for sale, the highest, to one US dollar. Local banks reported a steady demand for US dollars in September.

IMPORT AND EXPORTS

Import business in this period was reported active with large incoming shipments of raw wheat, chemicals, machinery, cod fish and fruit from Europe, United States and Argentina. Substantial amounts of Amazonian products were exported through the port of Belem to Europe, Argentina, Japan and United States.

Interstate outgoing and incoming shipments were somewhat delayed on account of irregular ship schedules during the first half of September, but became normal in the latter part of that month.

TRANSPORTATION AND COMMUNICATIONS

On September 16, the contracting company turned over to SFVEA the concrete bridge over the Guama river, connecting two portions of the BR-14 Belém-Brasília highway at the town of São Miguel do Guama. The bridge has already been open to traffic and will be extensively used by vehicles that reach Belém coming from northeastern areas through the State of Maranhão and vice-versa. Official inauguration of this bridge will take place in January 1961, to coincide with the inauguration of the bridge over the Tocantins river.

The Bragança railroad, which belongs to the Rede Ferroviária Nacional, has now completed its terminal at the Belém docks. It is expected that very soon freight cars of this railroad will be loading directly at the dock's warehouses any cargo bound for towns and villages along the Bragança railroad. A substantial reduction in freight rates is anticipated.

[Signature]
A. Jose DeSouza
American Consul

c.c.: American Embassy, Rio de Janeiro, Guanabara, Brasil.

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0021

AIR POUCH

PRIORITY

FOREIGN SERVICE DESPATCH

FROM : Amcongen, SMO Paulo

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : GERP C - General Interest

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163

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832.00/10-2160

October 21, 1960

OCT 21 1960

20 For Dept. Use Only	ACTION ARA-5	DEPT. IN	RM/R-2 REPI INR-10 ICA-11 E-7 FE-3 USIA-10 OSD-2 NSA-4 ARMY-35 NAVY-20 AIR-30 CIA-16 OCB-2 COM-12 RGA-5 XMB-4 AAB-6
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SUBJECT: Biweekly Economic Review, October 7 - October 20, 1960

Index

1. Santos Dock Company Raises Charges 2. Viracopos Airport Inaugurated 3. Meat Prices Continue to Rise - Butchers to Go on 48-Hour Lock-Out 4. Australian Trade Mission in SMO Paulo 5. Corn Products Increases Brazilian Investment 6. Nine Months Municipal Accounts 7. Strikes 8. Wage Developments	A. D. Ventura R. E. Cahn A. D. Ventura A. D. Ventura A. D. Ventura R. E. Cahn J. F. Shea J. F. Shea
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1. Santos Dock Company Raises Charges

On October 18 the Santos Dock Company raised all dock charges except rates for internal storage and petroleum products by 15 percent. This measure was authorized by the Federal Ministry of Transport to meet increased operating costs occasioned by higher wages and benefits to dock workers agreed upon at the end of September.

2. Viracopos Airport Inaugurated

Viracopos international airport at Campinas (see Despatch 147 of October 10, 1960) was officially opened to regular operation on October 19, 1960, and is now available for jet air traffic to SMO Paulo. The concrete landing strip of 2,760 meters will later be extended to 3,600 meters. A temporary passenger terminal was rushed to completion in 30 days in order to permit the inauguration.

3. Meat Prices Continue to Rise - Butchers to Go on 48-Hour Lock-Out

With three price increases in the past 10 days of higher

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OCT 26 1960

BUREAU OF INTER-AMERICAN AFFAIRS

ACTION ASSIGNED TO NAME OF OFFICER & OFFICE SYMBOL	ACTION TAKEN DATE OF ACTION	DIRECTIONS TO RM/R
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Page 2 of
End. No.
Desp. No. 163
From: Amcongan, São Paulo

quality beef (cuts from the uncontrolled hindquarters) have risen 40 percent. Cuts from the second quality forequarters (on which price control is exercised) are becoming increasingly scarce at controlled prices. The high prices of meat, which are due to the substantially increased prices of slaughter cattle during the annual "off-season," have caused meat consumption to drop an estimated 40 to 50 percent. To protest the high prices, three thousand butchers, members of the Association of Fresh Meat Retailers of the State of São Paulo decided to declare a 48-hour lock-out on October 26 and 27. At a meeting on October 18, they also approved the following additional measures: a) continue to protest the price increases, b) campaign against reportedly proposed exportation of meat abroad, and c) ask the local price control commission, the city government, and the state secretariat of agriculture and other entities to assist in the campaign against high prices and exportation of meat.

4. Australian Trade Mission in São Paulo

An Australian Trade Mission, composed of six members, visited São Paulo from October 14 to 18 (see item 5, Despatch 143 of October 7).

Mission members exchanged information with São Paulo businessmen with a view to expanding Australian-Brazilian trade. The possibility of Brazil purchasing from Australia such additional materials as zinc, copper, special steels, and coke was discussed during a visit to the Federation of Industries of the State of São Paulo. A diversification of Brazilian exports to Australia (now mostly agricultural products) to include industrial goods was also discussed. The possibility of a direct shipping line between Brazil and Australia is being examined.

5. Corn Products Increases Brazilian Investment

On the occasion of its 30th anniversary, Refinações de Milho Brasil of São Paulo, a subsidiary of the Corn Products Company of New York, announced plans to invest Cr\$1.6 billion to set up a new mill for the industrialization of corn. The mill, to be the largest and most modern of its kind in Latin America, will be located at Mogi Guaçu, a town some 100 miles from the city of São Paulo. Construction work is due to start early in 1961. Most of the machinery and equipment will be obtained locally. When completed in about two years, the new plant will employ 500 persons to produce a line of corn oils, syrups, starches, and dextrine.

6. Nine Months Municipal Accounts

At the end of nine months the 1960 municipal accounts showed revenue totaling Cr\$12,615 million and expenditures of Cr\$12,568 million. Revenue includes treasury notes and bonds issued in the sum of Cr\$2,208 million. The bonds issued have a total face value of Cr\$919 million, but they were placed at a discount and netted only Cr\$541 million. Property taxes were the largest source of revenue and produced Cr\$4 billion in the first nine months of 1960.

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Page 3 of

Encl. No.

Disp. No. 163

From Amoenon, SSo Paulo

7. Strikes

On October 18 some 3,000 longshoremen joined in a nationwide strike of stevedores and tied up the large coffee port of Santos. The strike was settled the same day, however, when the longshoremen accepted an increase in wages of 35%. On October 19 traffic in SSo Paulo was partially tied up by a strike of bus drivers who were a day late in receiving their wages. This strike was settled on the morning of October 20 when the company met the delayed payroll. No major incidents of violence were reported in either strike.

8. Wage Developments

President Kubitschek's decree increasing the minimum wage 60% and an offer by SSo Paulo metal, machinery, and electrical appliance employers to increase existing wages approximately 30% appears to have taken steam out of a proposed strike which would have affected some 350,000 city of SSo Paulo metal workers, textile workers, shoe workers, and printers. The minimum wage decree increased existing city of SSo Paulo minimum wages from Cr\$5,900 to Cr\$9,440, from \$31 to 59 U. S. dollars at the present free market rate of exchange. The employer's offer, though rejected by the union, was put forth during preliminary negotiations and indicates, in the opinion of veteran SSo Paulo trade union leaders, a disposition to increase the "ante" to 35/40%, which should go a long way towards assuring labor peace in SSo Paulo. Since the elections on October 3rd, some left wing trade union leaders have been beating the drums for a proposed general strike as a protest to what they considered administration promises to increase minimum wages prior to the elections. The President's decree, signed on October 15th, increasing the minimum, headed off this threat.

For the Consul General:

Scott Lyon
Scott C. Lyon
American Consul

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AIR PRIORITY PRIORITY		OFFICIAL USE ONLY (Security Classification)		DO NOT TYPE IN THIS SPACE																			
FOREIGN SERVICE DESPATCH																							
FROM : Amembassy RIO DE JANEIRO		342		832.00/10-2460																			
TO : THE DEPARTMENT OF STATE, WASHINGTON.		OCT 24 1960		DATE																			
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<table border="1"> <tr> <td>85- For Dept. Use Only</td> <td>ACTION REC'D</td> <td>DEPT. OTHER</td> </tr> <tr> <td></td> <td>10-29</td> <td>VSIA-11</td> </tr> </table>		85- For Dept. Use Only	ACTION REC'D	DEPT. OTHER		10-29	VSIA-11	<table border="1"> <tr> <td>Rep-1</td> <td>RMK-2</td> <td>INR-10</td> <td>ICA-4</td> <td>E-4</td> <td>U/MS-1</td> </tr> <tr> <td>Com-12</td> <td>OSD-2</td> <td>Army-35</td> <td>May-20</td> <td></td> <td></td> </tr> </table>				Rep-1	RMK-2	INR-10	ICA-4	E-4	U/MS-1	Com-12	OSD-2	Army-35	May-20		
85- For Dept. Use Only	ACTION REC'D	DEPT. OTHER																					
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Rep-1	RMK-2	INR-10	ICA-4	E-4	U/MS-1																		
Com-12	OSD-2	Army-35	May-20																				
SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered Oct. 3-17)																							
<table border="1"> <tr> <td>air-25</td> <td>Cia-16</td> <td>OCB-2</td> <td>NSA-4</td> <td>INT-7</td> <td>Lab-6</td> </tr> <tr> <td>FAB-3</td> <td>MMB-4</td> <td>INDEX</td> <td>FAA-5</td> <td>CAB-6</td> <td>TR-3</td> </tr> </table>						air-25	Cia-16	OCB-2	NSA-4	INT-7	Lab-6	FAB-3	MMB-4	INDEX	FAA-5	CAB-6	TR-3						
air-25	Cia-16	OCB-2	NSA-4	INT-7	Lab-6																		
FAB-3	MMB-4	INDEX	FAA-5	CAB-6	TR-3																		

1. Currency Issuance Continues
2. Minimum Wages Increased
3. Labor Ministry in New Administration
4. Apparent Progress on Rio-Niteroi Tunnel
5. Sao Paulo International Airport Scheduled to Open October 19
6. New Refinery Equipment Inaugurated
7. Minas Gerais Iron Ore Export Group
8. German Investment in Steel Plant
9. Volta Redonda Supplies Steel for New Bridge
10. Proposal for Changes in Coal-Producing Industry
11. Petrobras Plans
12. Nationalization of Esso

1. Currency Issuance Continues

The outstanding currency issue increased by Cr\$2.6 billion during the first 15 days of October, as compared with an increase of Cr\$2.6 billion during the full month of October 1959.

(UNCLASSIFIED)

Comment: While the huge increase of paper money outstanding during September (Cr\$9.5 billion) was probably attributable in part to the election campaign then underway, it is doubtful that the amount of paper currency issued so far in October was influenced by the same factors, inasmuch as almost all of the October increase took place after the date of the election.

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Page 2 of
Encl. No. 342
Disp. No.
From Rio de Janeiro

2. Minimum Wages Increased

On October 15, President Kubitschek signed a decree raising legal minimum wages by 60%. In spite of the objections of Rio's employer associations, Guanabara's new minimum of Cr\$9,600 will continue to be the highest minimum wage in the nation. The new minimum monthly wages for some other cities are as follows:

São Paulo	Cr\$ 9,440
Niteroi, Volta Redonda	9,120
Belo Horizonte	8,480
Porto Alegre	8,000
Recife, Salvador, and Curitiba	7,200
Natal	5,760
Teresina (Piauí)	4,000

Prior to the issuance of the decree there was talk in labor circles, especially in the states of São Paulo, Minas Gerais, and Guanabara, of strikes should there be further delay in decreasing the new minima.
(UNCLASSIFIED)

A wage dispute between Guanabara bankworkers and the bankers association was settled on October 14 by the Regional Labor Court. Bank employees who were earning less than Cr\$9,000 on September 1 were granted a 35% increase; employees who were earning Cr\$9,000 to Cr\$12,000 were granted a 33% increase; and employees who were earning more than Cr\$12,000 were granted a 30% raise. The increases are retroactive to September 1, the expiration date of the last annual wage agreement.
(UNCLASSIFIED)

3. Labor Ministry in New Administration

In an interview with the press on October 13, President-elect Janio Quadros gave the clear impression that he does not intend to allow Vice President Goulart to run the Ministry of Labor in the new administration. During the Kubitschek administration, Goulart has had effective control of the Labor Ministry, and on numerous occasions he favored Communist labor leaders over anti-Communists. Quadros indicated that in the future the Vice-President will perform only the duties assigned to him under the Constitution, i.e. principally to preside over the Senate.
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4. Apparent Progress on Rio-Niteroi Tunnel

According to the press, the Minister of Transport has received

OFFICIAL USE ONLY

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Page 3 of
Encl. No. 342
Dep. No. 342
From Rio de Janeiro

the draft of the invitation for bids for the construction of a vehicular and pedestrian tunnel under Guanabara Bay linking Rio de Janeiro and Niteroi, the capital of the State of Rio de Janeiro. The document has been referred to the Legal Adviser of the Ministry for comment. The Embassy has been told by an official close to the subject that the call for bids should be officially published in the near future. (UNCLASSIFIED)

Comment: There have been so many false reports in recent years about commencement of work on the tunnel, in the construction and operation of which several U.S. firms are interested, that the Embassy hesitates to put full credence in the current reports, ~~and~~ ~~immediately~~. If, however, the reports turn out to be true, the Embassy will forward the call for bids immediately. (OFFICIAL USE ONLY)

5. Sao Paulo International Airport Scheduled to Open October 19

After a series of changes and counterchanges of date (See BWER 11, September 21), Brazilian aviation authorities have announced that Viracopos International Airport near Campinas, Sao Paulo, will be inaugurated on October 19 during Brazilian Aviation Week. The first landing is to be made by a VARIG Boeing-707. (UNCLASSIFIED)

6. New Refinery Equipment Inaugurated

On October 14, 1960, the President of Brazil inaugurated the new refinery facilities at Refinaria Presidente Bernardes in Cubatao that will allow for an increase in producing capacity to 120 thousand barrels daily. (UNCLASSIFIED)

7. Minas Gerais Iron Ore Export Group

Following a "Congress for the Exportation of Iron Ore" which was held in Belo Horizonte, Minas Gerais, the Governor of the State approved setting up a state working group to supplement activity of the Federal iron ore export study group. (UNCLASSIFIED)

Comment: The apparent purpose of this new commission is to defend the interest of the State of Minas Gerais in relation to the export of iron ore. This state is the principal producer of iron ore for export. (OFFICIAL USE ONLY)

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0027

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(Classification)

Page 4 of

End. No.

Dep. No. 342

From Rio de Janeiro

8. German Investment in Steel Plant

German industrialist Wilhelm von Menges, President of Ferrostaal A.G., visited the site of the proposed new steel plant (Cia. Ferro e Aço de Vitória) with the Governor of the State of Espírito Santo, Brazil. The German corporation will have 40% interest in the plant which is expected to be completed in July 1962. Eisenbau Essen G.m.b.H. are the engineers and constructors. (UNCLASSIFIED)

Comment: Brazil now has German participation in addition to Belgian and Japanese in its steel industry, but no U.S. participation. (UNCLASSIFIED)

9. Volta Redonda Supplies Steel for New Bridge

The Brazilian National Steel Company (Volta Redonda) is fabricating, supplying and erecting the structural steel on the site for the new "Friendship Bridge", at the Foz do Iguaçu uniting Brazil and Paraguay. (UNCLASSIFIED)

Comment: This is another index of Brazil's industrial and engineering progress; a few years ago, a steel construction project of even lesser scale would have had to be fabricated abroad, and erected by foreign engineers and workmen. (UNCLASSIFIED)

10. Proposal for Changes in Coal-Producing Industry

President Juscelino Kubitschek, in the presence of governors of three coal-producing states, signed a message to Congress asking for changes in the structure of the National Coal Plan Commission and proposing other measures to assist the coal-producing industry. The objective is to improve coal productive capacity and lower the unit cost in order to meet increasing requirements from the expanding steel industry. (UNCLASSIFIED)

11. Petrobras Plans

The local press reported that PETROBRAS plans to invest during the next year, approximately 25 billion cruzeiros, six billion of which would be for the exploration of new petroleum fields. There are plans for the installation of a natural gasoline plant in Salvador that will distill gas which is now burnt at the wells. Further prospects are the installation of a fertilizer factory and

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0028

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Page 5
Encl. No. 342
Desp. No. 342
From Rio de Janeiro

the construction of a terminal at Ilhéus. The same source reported that in 1960 PETROBRAS will reach a production of 42 million barrels of crude oil, or 120 thousand barrels per day, which was expected to be reached only in 1961, in accordance to President Kubitschek's "Program of Goals". (UNCLASSIFIED)

12. Nationalization of ESSO

An article appeared in the weekly publication "O Semanário" of October 8, 1960, publishing an internal memorandum distributed to the employees of Shell Oil Company. The letter indicates the reasons for ESSO's nationalization (see despatch 777, February 3, 1960), implying that the principal motive of the company was to achieve exemption of the 25% tax over profits which is charged to foreign companies operating in Brazil. The letter maintains that the only real change that took place was the transfer of the company's head-office from the U.S. to Brazil. (UNCLASSIFIED)

Comment: The oil companies were disturbed over the "leak" from the Shell Oil Company's internal organization. It is understood that Shell and other oil companies have been preparing to take action similar to that of Esso. Any public controversy aroused over the issue at this time might jeopardize plans for action.

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For the Ambassador,

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Contributors:

Item 1 - HEMay
Items 2,3 - DPMann
Items 4,5 - JHCrimmins
Items 6,11,13 - EJBash/JHWiegerinck
Items 7,8,9,10 - EIBrown

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE 18
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. October 27, 1960 NOV - I 1960
DATE

REF : Consulate's Despatch No. 8, Item 4, August 5, 1960

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
11-9-60	PM/R-2 REP-1 INR-7 E-3 ICA-11 4/MSC-3 CI-5	
	CIA-10 COM-10 TR-3 FRB-3 YMA-4 DAF-1 AAB-6 AGR-8	

SUBJECT: Survey of Business Problems by Point IV Technician on Public HEW-5
and Business Administration
NSA-2 451A-10
ARMY-4

Recently there has developed a surge of interest in the economic plight of Rio Grande do Sul. Governor Brizola has released portions of a classified study, the full official text of which is not yet available. A newspaper reporter from the "Correio da Manhã" of Rio de Janeiro has published a series of articles which are headlined as finding the difficulties here comparable to those in the Brazilian Northeast, etc., etc.

The Consulate believes it may be timely, therefore, to forward to the Department the text of a survey made by Professor Winston Oberg of the Point IV - Michigan State University business administration project established during the past year at the University of Rio Grande do Sul. This survey was made in order to provide an appropriate focus on the problems of the business community here and reflects a dispassionate and objective view bearing on the overall economic situation here which is lacking, perhaps, in some of the other studies. Professor Oberg's survey is limited in scope because it was addressed to a particular problem. There is, for example, no mention of the high tax rates and electric power problems which are important aspects of the situation. Nonetheless, it is important as an authoritative expression of views on key matters affecting them by business and industrial leaders here, together with a trained analysis of possible solutions to some of their dilemmas.

A concrete illustration of the interest which Professor Oberg and his URGs associates have aroused can be seen by the enthusiastic response to the first business executive training course offered by the local University. The Course commenced on August 22, with an enrollment of 37 persons, although capacity had been stated to be 35. Fee for the course is \$10,000 (approx. US\$55.00), a considerable amount by local standards.

attn: Mr. M.
Encl. Text of Survey
cc. Amembassy (With ~~Enclosure~~)

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
NOV 14 1960
Percy Warner
American Consul

Warner/HBLcom/zms
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Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

Talk by Professor Winston Oberg at the Top Level Seminar in Administration (Jornada de Administração) of the Faculty of Economic Sciences-Universidade do Rio Grande do Sul (URGS) Country Club, Porto Alegre, April 1, 1960.

THE PROBLEMS OF RIO GRANDE BUSINESS MANAGERS
AND WHAT THE UNIVERSITY IS DOING TO HELP THEM

The title of my talk is slightly different from the one that is announced. Perhaps I should explain the change. Originally, I intended to tell you about some of the things that American businessmen were doing that interested me. For example, the way electronic computers are being used to help in managerial decision-making and the way some people in the United States are predicting that computers will eventually replace or eliminate thousands of managers in large American companies. And then I was going to talk about some of the similarities between U.S. and Brazilian business, and some of the differences as I saw them.

But the more I thought about those subjects, the more it seemed that I might be talking about something that interested me but not about something that interested you. So I decided to talk about something that I think will interest both you and me--the problems that you are running into, the things that worry you most.

What are these problems? And how do I know what these are? To answer the second question first: When I arrived in Porto Alegre in September 1959, to spend two years at the Faculty of Economics Sciences of the University of Rio Grande do Sul, under a Point IV program agreement, the first job that Professor Pery Diniz, the Director of the Faculty, gave me was that of helping develop an intensive course for business executives.

I told him that I knew a good deal about the problems of U.S. businessmen, but very little about those of Porto Alegre or Rio Grande do Sul businessmen. If I were to recommend courses like those we have in the United States, without first trying to find out what business executives down here really wanted and needed, it would be a little like a doctor prescribing a medicine for a patient without first making an examination and a diagnosis. Professor Diniz agreed and so for the first two and a half months of my stay in Porto Alegre, I went from company to company, interviewing (through an interpreter, of course) the top managers in each company and trying to find out what were the main problems facing them.

I visited nearly forty companies and talked to more than fifty executives. With the help of the Federation of Industries, I talked

UNCLASSIFIED

0031

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

with the directors of ten large industrial companies. The Commercial Association helped arrange interviews with ten large commercial companies. In addition, I visited banks, newspapers, insurance companies, and several small commercial and industrial companies. More than 80 problems were mentioned during these visits. Since many of these were duplication of each other, it was possible to condense this list into some 13 major problems.

I thought you would be interested in hearing the list--not only because many of you are men whom I visited and who reported these problems to me, but also because the rest of you will probably find that these are the same problems that are worrying you. If I am wrong, and some of you find that I have omitted the things that are really worrying you, I would very much appreciate hearing from you because the purpose of the study was just this: to find out what problems are giving business managers here the most worry.

What are the problems that are worrying Rio Grande managers? As I said, it was possible to make a list of 14. Seven of these were economic problems. Five were personnel problems. And two could only be classified as "miscellaneous".

Here is the list, together with some of the typical comments made about each problem.

THE ECONOMIC PROBLEMS

1) The Problem of raising money - the shortage of capital.

Eleven companies mentioned this problem in one way or another. They complained about the shortage of money, the difficulty of raising capital, the difficulty in financing credit sales. Here are some typical comments:

"We buy on 90 day terms and sell on 120 to 300 day terms. It is difficult to finance these long term sales but we have to because our competitors do."

"Many of our sales are to the government and they take up to 3 years to pay. This puts a great strain on our capital. It is even worse when a new government takes over. They don't like to pay the bills of the former government."

"75% of the money printed in Brazil is in Rio, São Paulo, and Belo Horizonte. There is a real shortage of money down here."

"Money is shifted to Minas and to other states for political reasons. Eight banks in Porto Alegre have only half the assets of one bank in Minas. The president of the country is from Minas and has been

UNCLASSIFIED

0032

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

favoring that state."

2) The problem of competition with other states, particularly São Paulo, Minas Gerais, and Rio.

Ten companies mentioned this problem in different ways. Some sample comments:

"Our main markets are in the triangle: São Paulo, Minas, Rio. We are at a disadvantage being located here. Transportation costs to the market put us at a disadvantage."

"We are thinking of moving our headquarters out of Rio Grande do Sul to central Brazil. The future looks better there."

"The money that is taken out of Rio Grande do Sul by taxes and spent elsewhere in Brazil makes it difficult for local businesses. Our business down here is discriminated against in favor of some other state."

3) The problem of inflation.

Eight companies complained about inflation. Some typical comments:

"The big problem is how to maintain your capital in the face of inflation. Paper profits aren't real profits. Some of our competitors don't realize what their real costs and profits are. So they charge unrealistically low prices. They think they're making a profit, but actually they're eating into their capital."

"Big farmers and businessmen in general are not putting their money back into the farm or business to produce more but are putting it into real estate. This cuts down on the amount of things produced and just makes the inflation worse."

4) The farm problem and its effect on business.

Seven companies mentioned this problem. Some of the comments:

"Agriculture will always be the main source of income here. We're giving too much attention to industry. We used to feed all of Brazil. Now Rio Grande do Sul is importing feijão!"

"Our state is mainly agricultural. Industry should be based on agriculture. Our companies should be based on either using what the farms produce or making things for the farms to use."

"We are trying to do too much and not being realistic. This state should try to improve the quality of its farming first, before worrying about industry."

UNCLASSIFIED

0033

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED

(Classification)

Page 11 of
End. No. 1
Disp. No. 18
From PORTO ALEGRE

"This is an agricultural state. Our money comes from agriculture but we are trying to superimpose on this an industrial economy. Rio Grande do Sul should concentrate on agriculture. That's where the money is."

(It's probably not necessary to say that the men speaking here are not men from industrial companies. Some are bankers, others insurance men, others in the newspaper business.)

5) The transportation problem.

This was only mentioned twice. Here are the comments:

"The big problem in this state is transportation. We're neglecting our river and coastal shipping, which is the cheapest possible kind of transportation, and building expensive roads that run right along side the rivers! Social laws have ruined river traffic by requiring so many employees."

"We can send iron by truck to Rio cheaper than by boat. This is completely foolish. The main reason is that when you ship by boat you have to go through a despachante twice."

6) The difficulty of getting materials and parts.

This was mentioned twice. One man said: "We are tight rope walkers here. We have difficulty getting materials. We have to make substitutes. Many times we have to make things that São Paulo manufacturers can buy ready-made."

7) The lack of good economic data.

This was mentioned once: "We don't have enough statistics on business. We don't know how much income people have or where the purchasing power is. We need more market research, more information about market potential".

THE PERSONNEL PROBLEMS

These were mentioned nearly as often as the economic problems.

1) The problem of finding and training managers.

Nine companies mentioned this problem in one way or another. Here are some of their comments:

"Our businessmen have had no training. In many cases, a man gets to be a director because he's the only man available, not because he's well qualified or the best man for the job."

UNCLASSIFIED

0034

Page _____ of _____
Desp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 5 of _____
Encl. No. 1
Desp. No. 18
From PORTO ALEGRE

"Rio Grande do Sul managements are getting old. They're not keeping up with the progress of the country."

"We can't get good management trainees. The universities don't produce them. We've tried to get men from the University. They haven't worked out. The people here who are managers have all started as clerks."

"We can't replace the directors if they leave. We don't have anybody who can take their place."

"We've grown, but our people have not. We've grown too fast for our management".

"We need to decentralize, but we can't. We don't have any people to give the responsibility to. You can't delegate responsibility. People won't accept it."

And here's a very interesting and candid comment: "The family idea here is strong. You get a young fellow with ability and he works hard expecting to get ahead and then along comes the 20 year old son of the owner and he's boss. It discourages people who aren't relatives. Of course, it's pretty important to have close family control at the top because you need absolute loyalty. No one in Brazil considers it dishonest to cheat the government. But to cheat you need close family-type management and control. You can't afford to let outsiders in. You have to keep the management in the family. It's possible that this will change now that the government is getting more successful in its tax collection. It's getting quite a bit tougher to cheat".

2) The problem of getting good skilled or technical workers.

Nine companies mentioned this problem. Here are some of the comments:

"We can buy machinery easier than we can get good men to run the machinery. It takes up to 2 years to train a good lathe man."

"There is a real shortage of good technical people in the shop and office."

"There is a shortage of technical schools here and a scarcity of skilled labor."

"We have to train our mechanics. We can't hire any. Then we have the problem that when you train a man you often lose him. Other companies hire him away from you after you've spent the time and money to train him."

UNCLASSIFIED

0035

UNCLASSIFIED

(Classification)

Page 6 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

3) The problem of getting good foremen.

Six companies mentioned this problem. Here are some of the comments:

"People don't know how to handle the people working for them, how to get the most out of people. Sometimes they get too friendly with subordinates hoping this will get more cooperation, but just the reverse happens."

"There just aren't enough good foremen."

"Some good men don't want to be foremen. They don't want to be the boss of their colleagues, don't want responsibility."

"This is a family company so we don't have much trouble at the top, but the people below this level--the chefs and sub-chefs give trouble."

4) The problem of "estabilização"

Six companies mentioned this problem. Some typical comments:

"If you keep a man more than ten years it's very hard to fire him. Even if a man is a very good worker before then, he sometimes starts to loaf. He knows you won't fire him. So you generally get rid of your men before they've been with you ten years. This means you lose some good people."

"More than 20% of the men we fire are good men who just want to collect the money."

"Estabilização leads to high turnover. This problem is worst with our mechanics and with our salesmen."

5) The problem of getting good workers.

Five companies mentioned this problem. Some of the comments:

"The basic problem in Brazil is the weakness of primary education. It is difficult to get good help. Workers are willing and intelligent, but they have had only four years of schooling and they can't do simple arithmetic problems."

"Our big problem is the low quality of primary schools in Brazil. Workers can't understand technical orders."

"The level of our people is very low. They are lacking in ability to understand mathematics, designs or drawings, etc."

UNCLASSIFIED

0036

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

"The big problem here is to teach the rural people who are leaving the farms for industry. They need to be taught to read, to do simple mathematics.

MISCELLANEOUS PROBLEMS

There were two problems that couldn't be put in the two categories above.

1) The problem of changing the organization as the company grows.

Three companies mentioned this problem. Here are two comments:

"Our main problem is that the firm is getting too big for one man and one mind to control them. We need to learn to decentralize and to define responsibility."

"Our main problem was organization. Our company developed like an Italian house. We got to the point we couldn't get any higher without losing control."

2) The problem of inaccurate or inadequate financial statements.

One banker said that his big problem was: "How do you get realistic financial statements from companies that want to borrow money from you? Most companies tend to understate their assets and financial position so as to minimize their tax obligations."

This completes the list of problems and the quotations illustrating each. As you can see, they cover a wide variety of fields. I'm sure I don't have to tell you that I have no help to offer for many of them. In many cases, the problems are political and I may have talked to men representing one political point of view of another. I've made no attempt to revise or censor any comments. It is also possible that I've mistaken some of the problems or that some have gotten mixed up in the translation.

However, there are some problems that are so similar to those that American businesses face and have faced that I think I can say something constructive about them. And with most of these, the University of RGS is preparing to give what help it can. In less than a year, I believe the University will be in a position to give a good deal of help.

HELP THROUGH TEACHING

How can the university help business men? It can do so in three ways. The first, and most obvious way, is by teaching. And the University of Rio Grande do Sul through its Faculty of Economic Sciences is setting up four kinds of training programs which should help solve some of the problems which have been mentioned.

UNCLASSIFIED

0037

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

First, in order to do something about the shortage of good executives and in order to help even the good executives become better, the Economics Faculty has scheduled a series of "Jornadas" of which this is the first. In these first "Jornadas", as Professor Diniz said yesterday, we are demonstrating some of the ways that schools in the United States and also in São Paulo have found to help executives learn to do their jobs better: case discussions, "living" cases, business games, role playing plus, of course, the tried and tested methods that all of us know so well--the use of lectures and reading materials. We hope you will give us your honest impression of these methods so that we can change and improve (or even eliminate) them so that future jornadas and courses will be the best that we can make them. As you all know, these jornadas are only for top management. We will hold four this Fall and others from time to time in the future.

Future jornadas will probably focus on particular problems of interest to top management. It could be, for example, that a whole jornada would be devoted to the problem of inflation and how best to protect your company from inflation. Some of you may wish to suggest other subjects for future jornadas.

Second, both for the top management and for men in middle management who are expected to advance to top management, a six week intensive course is planned for next Spring. Classes will be held at the university, five days a week, in the morning. Participants will thus be able to remain on the job part-time and attend the course. The first course will begin in August. It will cover the same subjects that are being covered in these first four jornadas, administrative efficiency, marketing strategy, management accounting and finance, and productivity and methods of production. We will probably offer two such courses a year.

Third, to do something about the shortage of technical manpower, another very frequently-mentioned personnel problem, the Economics Faculty is planning evening school courses for specialists in business subjects. Most of you have seen the list of courses that are being considered. You may also wish to suggest other courses that you would like to have offered for some of your employees.

Fourth, and perhaps most important, the Faculty of Economic Sciences is developing a curriculum in business administration leading to a Bachelor's degree.

The first Economics graduates with a specialization in business administration will probably be leaving the University to look for jobs in December, 1962. Those of you who told me that you could not find capable young men to bring into the company as executive trainees will no doubt want to visit the Faculty in November and December, 1962, to talk to some of these men.

UNCLASSIFIED

0038

Page _____ of _____
Desp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 9 of 18
End. No. 18
Desp. No. 18
From PORTO ALEGRE

There won't be many of them that year, but if things develop in Brazil as they did in the United States and it looks to me as though Brazil is moving in that direction, you will find more and more bright young men going into business administration. The American economist W.W. Rostow says that he believes Brazil is in the first stages of a period of fantastically rapid economic development. The people who will be best able to capitalize on that development are people who have an understanding of business and business problems. The best place, in my opinion, for a young man to get such understanding is in a business school. Many of you with sons whom you hope to have succeed in your business will want to consider seriously enrolling them in a school of business administration. So far, to my knowledge, there are only two or three in Brazil--the School of Administration in São Paulo where Professor Henriques is a faculty member; the Faculty of Economics here, which is just beginning such a school, and the University of Bahia, which is starting its first courses this year, with the help of faculty members from the School of Administration in São Paulo.

But this is only the beginning. In five years time, I am willing to predict that most of the federal universities in Brazil will have a business administration curriculum. In the United States more people are studying business administration in the universities there, than are studying any other profession except the teaching profession. I expect the same development in Brazil. And you people are fortunate, in my opinion, in having one of the first universities in Brazil to start such a course. Your companies will be able to "get in on the ground floor" as we say, you will be able to hire some of the very first Brazilian-trained business administration graduates. And your companies will have a competitive advantage over many other areas in Brazil, as a result.

HELP THROUGH RESEARCH

The second way a university can help business managers is by research. One of the problems mentioned in the interviews was the problem of finding information about markets and market potential. The Institute of Economic Research in the Faculty of Economic Sciences is carrying out some kinds of economic research. Those of you who don't know about this institute may wish to ask to be put on the mailing list of this Institute or you may wish to make a visit to the Institute to find out more about what information it has to offer.

In addition to economic research, the University is now preparing to do research directly in the fields of management. You have all heard about the new Institute of Administration which has been set up by the University, with Professor Astor Barcellos as its head.

UNCLASSIFIED

0039

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 10 of
Encl. No. 1
Disp. No. 18
From PORTO ALEGRE

One activity which this Institute will carry out is research into problems of administration, both in the field of business administration and in public administration. Case problems, like the ones you are discussing in these jornadas but drawn from the experiences of firms in Rio Grande do Sul, are needed to help teach future intensive courses and future business administration courses.

We hope that all of you will be willing to talk with representatives of the Institute when they go out looking for case problems, and that many of you will be able to provide the research people with cases that can be used in University teaching and even in future jornadas such as this one.

Another research activity will be carried out by professors who are interested in a special problem or who want to write a text book for Brazilian students. For example, Professor Henriques is interested in studying the utilization of engineers in Brazilian companies. I am carrying out research both in the United States and in Brazil on how companies handle their personnel administration problems. As the Faculty of Economics Sciences and the Institute of Administration develop, many of their faculty members will develop similar research projects. Your cooperation and that of your companies will help these professors and in the long run, their research will help you by producing better and better trained business graduates and better and better jornadas and intensive courses.

HELP THROUGH CONSULTING

The final way that the university can help is through consultation with individual companies on specific problems. So far, there have not been many people in the Faculty of Economics Sciences who were in a position to do such consultation. Most of them have other jobs, in addition to their teaching jobs. However, with the development of the Institute of Administration, that situation will change. Already, there are six professors from the Faculty of Economics Sciences in the United States studying for a graduate degree in business administration. When these men return, some of them will be employed both as teachers and as members of the Institute of Administration. Their work will involve research like that already described. But they will also be able to carry out consulting projects. For example, one large company that is represented at this jornada has asked for help in developing a training program for its supervisors. Another organization is very interested in developing a work simplification program for its supervisors and workers. By next October or November, the Institute of Administration should have men on its staff who will be able to take on assignments like these.

There will, of course, be a charge for these services as there should be. If such service costs money, companies will

UNCLASSIFIED

0040

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 11 of
Ind. No. 1
Disp. No. 18
From PORTO ALEGRE

only call a consultant in when they really need him and when they think he will be able to help them. This will help to insure that the consultants are used when they are most needed. However, the charge will not be exorbitant and nearly all of you, I am sure, will be able to afford such assistance if you should wish it.

CONCLUSION

At the start of this paper, I listed the main problems that came out of interviews with the top managements of nearly forty Porto Alegre companies and suggested that if other Porto Alegre companies or companies from other parts of the state have problems that haven't been listed, we would very much like to hear what these problems are.

After listing the problems, I suggested some ways in which the University of Rio Grande do Sul through its Faculty of Economics Sciences and its Institute of Economic Research and its Institute of Administration will be able to help with these problems. With some of the problems, they are already giving help. In addition, as the services of these different organizations expand during the next two years, many more business problems will be made easier through their efforts.

But, I also pointed out and would like to close by repeating: This is not a one-way street. The University can and will be able to help you; but you people can also help the University. You can help by 1) contributing cases for us to use in our classroom, 2) hiring the graduates of business administration courses, 3) sending your employees to our programs, 4) attending future jornadas, 5) providing research opportunities to our professors and 6) perhaps even sending your sons to study in the FGE.

The University of Rio Grande do Sul may be the first federal university in Brazil to grant a degree to a business administration specialist. You, in this state, have a head start on the rest of the country. This is a competitive advantage that prove more significant than many of the competitive disadvantages you mentioned. In my opinion it is to you clear advantage to get behind Dean Diniz and Professor Barcellos and the programs here with your time, your energy, and where necessary with your money. Because you have an opportunity here to create a university business administration program unequalled anywhere in Brazil. I hope you take that opportunity.

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0041

ATP PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO
TO : THE DEPARTMENT OF STATE, WASHINGTON.
REF : CERP C-2

362
DESP. NO.

October 31, 1960

G-1 SCSE

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
11/15	CAM-12	REP-1 INR-7 ARA-4 E-3 ICA-11 PER
		CTA-10 TAA-2 TR-3 FRG-3 XMB-4 AGR
SUBJECT:	MONTHLY ECONOMIC REVIEW - SEPTEMBER 1960 400-4 USIA-10	
	INT-7 LAB-6 OSD-4 Army-6 Navy-4 NSAS	
	Summary: FAA-5 CAB-6 AN-6	

Basic optimism prevailed in the business community during September, as state and national election campaigns drew to a close for the Brazilian elections on October third. There were scattered reports of some inclination to defer decisions on new and long term commitments, but the consensus was that this situation reflected more the current problems in financing than any lack of confidence. Industrial and commercial activity were reported as registering normal progress over the preceding month and September 1959. Cost of living increased significantly over the index of August, due largely to authorized price increases of various consumer necessities and public transportation. Anticipation of early increases in minimum wage levels likewise had an inflationary effect. The average dollar check buying rate for cruzeiros on the free market increased only slightly, from Cr\$186.95 in August to Cr\$187.47 in September, per U.S.\$1.00. Money in circulation increased 5.7% over August. Transportation was in the limelight as railroad operation problems were aired and as one Brazilian airline again was refused permission to use its jet equipment in providing domestic service. Further highway projects were undertaken, including one to pave the Brazilian highway running through the state of Paraná to the Brazilian border, which provides an outlet to Paraguay through the port of Paranaguá.

Finance:

During the exchange auctions held in September, US\$25,540,000 of regular offerings and \$14,658,000 of supplementary offerings under the provisions of instruction 193 were purchased by Brazilian

EJBash/jw - with contributions
by FMilam, JHCrimmins, DPMann
WBlomeyer, SJEmliano, EJBrow

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LWS

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0042

UNCLASSIFIED
(Classification)

Page 362 of
Encl. No. _____
Desp. No. 362
From Rio de Janeiro

importers. The corresponding figures for August were \$27,195,000 for the regular offerings and \$8,433,000 for the supplementary offerings. Throughout the month in the regular auctions, considering Brazil as a whole, in the general category the rate fluctuated between a low of Cr\$208.00 and a high of Cr\$210.00. In the special category the rate fluctuated widely between Cr\$503.00 and Cr\$650.00, varying both in terms of time and region. On September 27, the last foreign exchange auction before the Presidential elections, for the first time since the inception of Instruction 193, the entire extra offerings of dollars was taken up in São Paulo (though not in Rio) and \$4,965,000 were purchased by Brazilian importers beyond the regular offering of \$1,655,000.

With respect to the regular auctioning of exchange in Rio and São Paulo (the most important exchanges), the agio paid for dollars in the general category kept fairly stable at the Cr\$210.00 limit with minor variations, whereas in the special category the agio fluctuated widely between Cr\$510.00 and Cr\$614.00.

During September the paper money issued increased by Cr\$9.5 billion and 5.7% in relation to the previous month when the increase was Cr\$2.1 billion, for a percentage jump of 1.2. For January-September 1960 the cumulative increase was Cr\$22.4 billion or 14.5%. For the comparable period of 1959 the corresponding figures were respectively Cr\$15.6 billion and 13.0%.

The average check buying rate in the free market for September was Cr\$187.47 per US\$1.00, which compares with Cr\$158.80 for the corresponding month of 1959. The comparative figures for the previous month were Cr\$186.95 in August 1960 and Cr\$152.74 in August 1959.

The cost of living index computed by the Getulio Vargas Foundation indicated an increase of 3.6% in September, for a cumulative increase of 12.6% for January-September. This compares with 0.7% increase in August and a corresponding figure of + 38.0% for the period January-September 1959.

Trade and Industry:

Business circles described general commercial and industrial activity during September as normal, similar to the preceding month. Higher labor costs and a tight credit situation caused

UNCLASSIFIED

0043

UNCLASSIFIED

(Classification)

Page 3 of
Encl. No.
Disp. No. 362
From Rio de Janeiro

some concern, although the prevailing judgment was that these were operating problems that generally would be met without serious long-term consequences.

Merchandising was reported as good in most lines, although higher prices for several basic foodstuffs and some public services had a slight adverse effect upon sales of less essential consumer goods. Further price rises were anticipated to absorb the costs expected from increases in minimum wage levels scheduled for October.

Industrial production was reported as slightly above August, continuing the steady trend of recent months. The automotive industry drew special attention as plans were announced for plant and production expansion during coming months. Progress was reported in the drive to make automotive production entirely out of national products by the end of 1961. Industry reports indicate that the products now range from about 85% Brazilian (by weight) for some passenger vehicles to 95-98% in the case of jeeps and trucks.

Labor:

Vice President Goulart and Labor Minister Batista Ramos made strenuous efforts during September to bring about an accord between employers and unions which could have resulted in new and higher minimum wages prior to the election on October 3, but no final agreement was reached. On September 30 President Kubitschek promised that new minima would be decreed within two weeks.

For purposes of minimum wages, Brazil is divided into some twenty-two regions, in each of which the legal minimum wage is decided upon by a commission made up of representatives of employers, labor, and the Government. The differences in minimum wages among regions appear to be based to a considerable extent on the general level of prosperity of a region and upon how much employers claim they are able to pay, and not primarily upon differences in living costs.

On September 1, the three anti-Communist 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 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

UNCLASSIFIED

0044

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 362
From Rio de Janeiro

a call for campaigns to organize more workers and negotiate collective bargaining contracts, less Government control of unions, and the extension of the benefits of social security and labor legislation to farm workers. The Confederations circulated the manifesto to affiliates throughout the country, where in some instances discussion groups were formed to examine it point by point and make suggestions.

Transportation and Communications:

In the railroad sector, September saw the appointment of Mario Pires as the new Financial Director of the Federal Railway System (RFFSA) to replace Newton de Paiva Pereira, who reportedly had resigned the post following a policy difference with the majority of the Rêde's seven-man board of directors over the purchase of rail diesel cars, to be financed by the \$100 million Eximbank loan, from the Budd Company of Philadelphia. Paiva, who believed that a lower bid by ACF should have been accepted, became engaged in a newspaper polemic with the Commercial Director of the RFFSA, who defended the award to Budd primarily on the grounds that the Philadelphia firm had more experience than ACF in the construction of stainless steel equipment. Mr. Pires, the new Financial Director, is not known to have had railroad experience. At present three of the seven directors have railroad backgrounds.

In another potentially important development in the railroad field, the Engineering Club of Rio de Janeiro on September 20--ten days before the third anniversary of the founding of the RFFSA--delivered to Ernani de Amaral Peixoto, the Minister of Transportation, Communications and Public Works, a summary report of the series of lectures, held under the auspices of the club, concerning the causes and consequences of the deficit of the Federal Railway System. Among its recommendations, the report included the revision of rate policy so as to permit flexibility in the tariff structure; the elimination of uneconomic branch lines; the creation of a railroad fund to provide the necessary funds for a continuing capital investment program; the concession of exchange favors to railways to the same extent that they were granted to other means of transportation; administrative measures to insure the transfer of excess personnel to other federal agencies and--as the last suggestion--the elaboration of a coordinated system of transport within Brazil. The recommendations of the Engineering Club were quite similar to those outlined by the Rêde directors in their comments on the System's problems in their annual report for 1959, which was the springboard for the Club's series of discussions. The broad nature of some of the suggestions illustrates the size of the

UNCLASSIFIED

0045

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 362
From Rio de Janeiro

problem and indicates how much there is to do to begin to bring the railroads to a state of health. The efforts of the Club may not have any tangible immediate effects but its contribution to a general awareness of the seriousness of the railroads' plight can be fruitful in the long run.

In aviation, the long-awaited opening of Viracopos International Airport in Campinas, São Paulo, scheduled for September 16, was postponed for technical reasons to an unspecified date in October. 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), meant that international carriers operating jet equipment would have to continue to use the considerably (800 meters) shorter Cumbica military airport in São Paulo.

In an interesting decision of September 22, Air Minister Mello upheld the refusal of the Director General of Civil Aeronautics Directorate of a request by VARIG that the use of the carrier's Caravelles in domestic service be authorized. In his statement the Minister pointed out that VARIG had always declared that the Caravelles were not intended for operation on domestic routes, where the use of such advanced equipment would force the government to grant foreign exchange for the purchase by other domestic carriers of competitive aircraft. The Minister stated moreover that the configuration and high speed of the Caravelles would aggravate the problem represented by the excess capacity already being offered domestically. The Minister recommended to DAC that it study the possibility of reconciling the public interest (marked by the need to preserve foreign exchange and to curb excess capacity) with VARIG's need to utilize its equipment better.

During the bitter controversies of mid-1959 over the crisis in commercial aviation and its relationship to purchases of jet equipment, VARIG took public position repeatedly that it had no intention of operating the Caravelle domestically, but rather that it would be employed in change-of-gauge service between Rio/São Paulo and Buenos Aires. It remains to be seen whether VARIG will now take its request for permission to use the twin jet domestically to the President, on the basis that, as matters stand, the utilization rate for the VARIG Caravelles, based on three round-trips Rio-Buenos Aires per week, is quite low. If VARIG does eventually receive authorization to fly the French jet internally, that action will probably lead to a series of requests from other domestic carriers for exchange facilities to purchase modern high-performance jet and turboprop equipment.

UNCLASSIFIED

0046

UNCLASSIFIED

(Classification)

Page 6 of

Encl. No.

Disp. No. 362

From Rio de Janeiro

The month was marked by two significant actions by President Kubitschek in the highway sector, one with eventual international significance. On September 6, he 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 north-west of Curitiba) and Foz de Iguaçu on the Paraná River. The eastern section of BR-35 runs from Ponta Grossa to the port of Paranaguá, via Curitiba. At Foz de Iguaçu the highway will connect with the Paraguayan road to Asunción 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, as noted in last month's summary, is being rerouted and reconstructed. 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.

Eight days after his action on BR-35, the President, 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. 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% 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.

During September, the cost of transportation in Rio de Janeiro was increased substantially. On September 2, Governor

UNCLASSIFIED

0047

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No. 362
Desp. No. 362
From Rio de Janeiro

Sette Camara signed a decree authorizing a 20% increase in bus and jitney fares. The increase, which became effective in mid-month, was granted to compensate for raises in the wages of bus company employees. A jump of 55 percent in taxi fares was approved on September 19, but the new rates were not to become effective until shortly after the elections in early October.

In the shipping area, three important events connected with the execution of the Brazilian program to install a shipbuilding industry took place during the month. On September 3, the National Economic Development Bank signed with the Companhia Comercio e Navegacao a contract for loans in the amount of Cr\$447 million for the extension and improvement of the company's installations in Guanabara Bay designed to permit the expansion of ship repair services, the maintenance of propulsion equipment, and the construction of 27,000 DWT tons of shipping annually. The yards already have under construction three 1500 DWT coastal vessels, two of which are supposed to be launched this year; at full capacity, the company plans to turn out one 10,000 DWT, two 5500 DWT and four 1500 DWT ships per year. On September 16, the Merchant Marine Commission signed contracts with the Caneco shipyard of Rio de Janeiro and the S6 shipyard of Porto Alegre for the first incentive-orders for the construction by each company of a 2200 DWT ship for the coastwise service, for delivery in 22 months. The basic price established for construction was approximately Cr\$86,000 per DWT.

The Naval Engineering Center of the Polytechnical School of the University of São Paulo sponsored the first Week of Studies of Maritime Transport and Ship Construction during the period September 19-24. According to participants in the series of seminars, the initiative of the Center, which was established in 1957 and is now turning out 20 naval engineers per year, was quite successful and permitted a useful survey not only of the long-standing problems of waterborne transport in Brazil but also of the newer issues raised by the program to create a ship construction industry.

In communications, the recurring idea of the establishment of a separate ministry of communications received attention during the month. On September 20, Minister of Transport Amaral Peixoto stated that before the end of this year he would deliver to President Kubitschek a draft of a law creating a Ministry of Communications. In his comments, Amaral Peixoto remarked that it was humanly impossible for one man to operate his present ministry, which encompasses all transportation except civil aviation,

UNCLASSIFIED

0048

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No. 362
Desp. No. 362
From Rio de Janeiro

communications and public works. Amaral Peixoto observed that, in addition to the separate communications entity, other ministries, including one for ground transport, might be subsequently created out of the present ministry. From every point of view the present Ministry of Transportation, Communications and Public Works is regarded as an administrative monstrosity, and its division into at least two separate ministries has long been recommended by a wide variety of authorities. The creation of a separate Ministry of Communications would be a step forward, but it would by no means solve the fundamental difficulties which make Brazilian communications chaotic.

Agriculture:

Coffee exports during the month of September 1960 amounted to 1,610,569 bags, bringing total exports for the current marketing year (July 1-September 30, 1960) to 5,049,275 bags. These shipments compare with 1,689,183 bags exported during September 1959 and 5,760,233 bags exported during the period of July 1st to September 30, 1959.

For the Ambassador

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

AK
Enclosure:

Economic Indicators

UNCLASSIFIED

0049

UNCLASSIFIED
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Page 1 of
Encl. No. 1
Disp. No. 362
From Rio de Janeiro

ECONOMIC INDICATORS:

Cost of Living in Rio de Janeiro (1948 = 100)

	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
1959									
Jan.	501	348	498	321	398	413	461	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
Sept.	701	431	562	432	544	605	758	622	3.2
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
Sept.	859	554	664	590	732	734	961	772	3.6

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (in US\$1,000,000)

Imports	June	July	Jan-July	June	July	Jan-July
Total	125.8	137.2	810.3	100%	100%	100%
USA	43.1	47.4	242.8	34	35	30
C.B. *)	5.2	5.5	37.1	4	4	5
Exports						
Total	102.2	128.6	734.2	100%	100%	100%
USA	49.0	58.2	340.6	48	45	46
C.B.	3.1	12.9	41.7	3	10	6

\$ - 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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0051

AIR-POUCH		UNCLASSIFIED	DO NOT TYPE IN THIS SPACE
PRIORITY		(Security Classification)	832.00/11-160
FOREIGN SERVICE DESPATCH			XR 732.11
FROM :	Amcongen SMO PAULO	179	November 1, 1960
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DATE
REF :	CERF - Section D Item IV-A-4		
25- For Dept. Use Only	ACTION REC'D	DEPT. IN OTHER	
	Am-4	Rep-1 RMR-2 INR-7 E-7. ICA-11	
	11-8	Am-10 Com-8 Tar-2 TA-3 FRA-3	

SUBJECT: Reaction to Janio Quadros' Economic Program
Lab-6
Army - May 4 NS-2 XMB-4. DLF-1 Agr-8 USA-10

The Correio Paulistano asked Mr. Plinio Cavalcanti de Albuquerque, Director of the Coffee Department of the Brazilian Rural Society, for his opinion regarding replies recently made by Janio Quadros to four of the questions asked by the press. The following questions were asked by the newspaper:

1. Should Janio Quadros eliminate exchange confiscation in the manner indicated by him? Is the country prepared for that measure? What would be the repercussions? Should confiscation be eliminated immediately?
2. The President-elect referred to "disinflation" to indicate a milder form of combating inflation. Do you think it possible to "disinflate" without affecting the rate of economic development?
3. What is your opinion on regulating the remittance of profits by foreign investors?
4. What do you think of the following reply made by Janio Quadros: "I maintained during the campaign that Brazil should sell to those who want to buy from Brazil and should buy from wherever it is to Brazil's interest to do so."

Mr. Plinio Cavalcanti said in reply to the first question that no one in Brazil can overlook the need to eliminate the artificial aspects of the exchange. Prolonged distortions, however, make it difficult to take rapid corrective measures and Janio Quadros intends to do so gradually. Coffee planters, Cavalcanti said, no longer are interested in a direct suppression of the existing system. Overproduction of coffee requires official support measures, and non-inflationary funds for that

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NAME OF OFFICER	DATE OF	DATE OF	ACTION
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0052

UNCLASSIFIED
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Page 2 of
Encl. No. 179
Desp. No.
From Amcongen São Paulo

purpose can be obtained only from the current exchange premium fund. Enlightened coffee planters interpret Janio Quadros' remarks as not meaning immediate abolition of exchange confiscation, but utilization of the exchange profits, obtained from the sale at auction of exchange produced by coffee exports, entirely on behalf of coffee.

On "disinflation" Mr. Cavalcanti said it was his belief the President-elect did not wish to reduce the rate of economic development, but to prevent inflation from getting worse without resorting to deflation. He believed an effort would be made to stabilize prices at their current level.

On point three Mr. Plinio Cavalcanti replied that he could think of no one who could object to the remittance of profits by foreign investors, or who could be in favor of such remittances without some regulation. Janio Quadros intends to regulate these remittances, but it is still not clear how this will be done.

On the last question Mr. Cavalcanti said common sense dictates the broadest possible foreign trade for Brazil, since Brazilian economic development depends upon exports. The only way for anyone to sell to everyone is to buy from everyone. "To subordinate trade to any other interests than commercial interests is a luxury that only rich countries can afford, and even that procedure is not followed by the United States, which is the richest of all and whose vessels carry goods to all ports, even those belonging to nations with whose political and social doctrines it differs."

For the Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

Source: Correio Paulistano October 30, 1960.

UNCLASSIFIED

0053

Kansas State University
OF AGRICULTURE AND APPLIED SCIENCE

Manhattan, Kansas

Department of Agricultural Economics
Weiners Hall

November 2, 1960

Department of State
Chief of Brazilian Desk
Washington, D. C.

Dear Sir:

To facilitate the organization of a review of economic development in Brazil, may I please have unclassified information you have available for the last ten years concerning:

- | | | |
|---|----------------------|--------------------------|
| - 1. Population | a. birth rates | b. death rates |
| - 2. Employment | | |
| - 3. Imports and exports | a. physical data | b. value data |
| - 4. Balance of payments | | |
| - 5. Industrial growth | a. physical data | b. value data |
| - 6. Agricultural | a. production growth | b. technological changes |
| - 7. National revenue and income per man hour | | |
| - 8. Capital output ratios | | |

I would appreciate having the names and addresses of any private or informational groups in New York or Washington that you know of who would have similar information.

Sincerely,

Frank B. Clayton
Frank B. Clayton

The American Chamber of Commerce for Brazil

11
Annual Economic Survey - ECLA
- Anuario Estadística - 1959 - Population - Trade - Expenditures
Demographic yearbook of UN Empl. + birth rate
Statistical yearbook of UN
Direction of International Trade - Exp + Imp by Country
Balance of Payments Yearbook - IMF
Technological change - James - Group 1000

*Dept of Commerce
Director of Foreign
Dev. Ag. for Trade
& Investment -
204 - 1959
Ltr. Ch. of Commerce*

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RR:EST/13 gpk*

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632.00/11-260

0054

In reply refer to
ADM 57/5

November 17, 1960

Dear Mr. Clayton:

I have your letter of November 2, 1960 in which you requested
unclassified information on various aspects of the Brazilian economy
during the past ten years.

The following unclassified publications may be obtained from
the respective agencies or from public libraries:

Annual Economic Survey of Economic Commission for Latin America
(ECLA), published by the United Nations

Statistical Yearbook of the Conselho Nacional
de Estatística of the Brazilian government (available from the
Brazilian Embassy, Washington, D.C.)

Confidence Statistics (one copy enclosed; also published in English)

Statistical Yearbook of the United Nations

Directory of International Trade, published by the United Nations

Index of Foreign Trade, published by the International
Trade Year, Washington, D.C.

Directory of Foreign Investment Associations for Trade and
Commerce, published by the Department of Commerce, 1957, 30 cents

Agencies which may be able to provide some of the information
you seek include the Pan American Union, Washington, D.C., and New York
University's Social Sciences.

In preparing

Mr. Frank S. Clayton,
Department of Agricultural Economics,
State College University,
Washington, D.C.

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In preparing this letter I have consulted the Brazil Desk
Officer at the Department of Commerce, who received your letter to
him of November 2, 1960. He has asked me to tell you that the
above represent his suggestions as well.

Sincerely yours,

For the Secretary of State ✓

J. W. Wilson
Officer in Charge, Brazilian Affairs

Enclosure

Confidential

CC: Mr. James Von Stroebel, Department of Commerce

ARA:EST/B:LTS:agm:jok 11/17/60

NOV 17 1960 P.M.

0056

AIR POUCH		OFFICIAL USE ONLY (Security Classification)		DO NOT TYPE IN THIS SPACE 832.00/11-46	
PRIORITY		FOREIGN SERVICE DESPATCH			
FROM : Amoenen, São Paulo		183		November 4, 1960	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		REF : CERP C - General Interest			
ACTION		DEPT.			
REC'D		AMIR-2 REP-1 ENR-10 E-6 ICA-1			
U/R		HSEA-10 OSD-2 ARMY-35 NAVY-20 AIR-25			
SUBJECT: Biweekly Economic Review, October 21 - November 3, 1960					

Index

1. Santos Port Congested
2. Higher Wages Cause Price Increases
3. Labor Unrest
4. Secretary Benson Visits São Paulo
5. Oliver Replaces Case in Tractor Factory
6. Latin American Free Trade Zone Discussed
7. São Paulo State Secretary of Agriculture Plans Visit to U. S.

R. E. Cahn
A. D. Ventura
J. F. Shea
F. W. Traeger
R. E. Cahn
R. E. Cahn
F. W. Traeger

1. Santos Port Congested (UNCLASSIFIED)

The port of Santos is again becoming congested because of several days of heavy rains, that hampered loading and discharging, and a strike of coffee baggers and handlers that started on October 27 and is still undecided. In the meantime several vessels scheduled to load coffee passed Santos or left after a few hours in the harbor. On November 3, there were 21 vessels awaiting docking space.

2. Higher Wages Cause Price Increases (UNCLASSIFIED)

Increased wages, primarily minimum wages, and rising operating costs caused the municipal transport company (Companhia Municipal de Transportes em Camion - CMTC) to increase fares by approximately 40 percent, effective November 1. On that date, a total of 114 interstate trucking companies raised interstate freight rates by 35 percent for the same reason. The following other price increases were also attributed largely to higher wages. The Brazilian Coffee Institute authorized coffee roasters and distributors to raise the retail price of coffee by 22 percent. ~~Wages of employees~~ by approximately 10 percent.

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0057

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Page 2 of
Encl. No.
Disp. No. 183
From Amsongen São Paulo

Laundry service rates went up an average 15 percent. Willys Overland do Brasil S. A. announced a 2 to 4.5 percent rise in the prices of its jeeps, station wagons, and small passenger cars. At least one other motor vehicle manufacturer is expected to raise its prices in November.

In Campinas, the higher wage level caused the street car operators to request fare increases of 65 percent, while bus operators asked for an increase of 40 percent.

3. Labor Unrest (OFFICIAL USE ONLY)

A sharp rise in food prices and the cost of living, combined with considerable left-wing agitation, has resulted in a wave of strikes in the City and State of São Paulo during the last few weeks. An estimated 120,000 metal workers are entering the fifth day of a walkout which halted production in metal, machine and electrical appliance plants and factories in the capital city. A companion strike of some 30,000 typographical workers lasted two days and was settled by an agreement which provided a wage increase of 31 percent for printers employed by newspapers and an increase of 36 percent for printers working in publishing houses. A strike of 25,000 shoe workers which lasted four days during the previous week was settled by a labor court decision awarding workers a 25 percent increase in existing wages.

Two strikes are also in progress in the large coffee port of Santos, a five day strike of longshoremen handling coffee and a week-old strike of ferry and passenger boat workers.

The longshoremen walkout has affected 150 warehouses and has brought all coffee shipping activity to a halt. The strikers are seeking an increase in wages of 40 percent. The ferry and passenger boat dispute involves job classification and fringe benefits.

Chemical, pharmaceutical, and textile workers in the city and throughout the State whose contracts are now expiring are also threatening to strike unless wages are substantially increased. At the same time a strike of some 600 biscuit workers employed by a British firm is now in its 135th day. The walkouts have in the most part been orderly and no major incidents of violence have been reported.

Comment: Three weeks ago labor peace in São Paulo appeared to be assured. Minimum wages had been increased some 60 percent from Cr\$5,900 to Cr\$9,440, approximately US\$32 to \$52 a month at the present free market rate of exchange. Metalworkers and employers appeared to be reaching a peaceful agreement during preliminary negotiations. The workers were demanding 50 percent and the employers were offering 29.4 percent, but São Paulo labor leaders felt that both parties would settle for 36 percent. However, prices began to rise and the ever present Communists formed a coordinating committee to beat the drums for wage increases among the rank and file and to direct strike activity. Employers faced with paying new minimum wages also stiffened and pared down the demands for further sizeable increases. As a result

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0058

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Page 3 of
Encl. No.
Desp. No. 183
From Amcoengen São Paulo

the situation has so degenerated there is a possibility that an estimated half million workers could be involved in work stoppages in the near future.

4. Secretary Benson Visits São Paulo (UNCLASSIFIED)

United States Secretary of Agriculture Ezra Taft Benson, accompanied by Department of Agriculture officials and U. S. agricultural newsmen, visited São Paulo October 24 and 25 during his market development and goodwill trip to South America. While in São Paulo he met with State Governor Carvalho Pinto, State Secretary of Agriculture Jose Bonifacio Coutinho Nogueira, and other state officials and discussed U. S. - Brasil agricultural relations in general and São Paulo's development programs, as well as trade aspects of sugar, wheat, coffee and cotton. He gave a major address at a luncheon attended by some 350 São Paulo agricultural and commercial leaders and members of the American business community in which he spoke about U. S. agricultural trade policy and relations, the Act of Bogota, and hemispheric relations in general. A one-hour press conference followed the luncheon. Secretary Benson also took part in the signing of an agreement between the Great Plains Wheat Market Development Association and the São Paulo Federation of Industries under which a nutrition education program emphasizing vegetable proteins will be carried out jointly by the São Paulo wheat industries and wheat producers and U. S. wheat growers.

Comment: Secretary Benson's successful visit in São Paulo was most useful in clarifying U. S. agricultural trade policies and prospects, especially as regards sugar and wheat. His speech was warmly and enthusiastically received. His participation in the signing of the wheat market development agreement culminated lengthy negotiations for this agreement. His visit, activities, and statements were widely reported by the local news services.

5. Oliver Replaces Case in Tractor Factory (UNCLASSIFIED)

The J. I. Case Company, which had joined Industrias Pereira Lopes S. A. in the formation of Cia. de Maquinas Case for the production of tractors in São Paulo (see desp. 362 of April 17, 1960), gave up its plans for making tractors in Brazil. Pereira Lopes is now working with the Oliver Machinery Company for the production of tractors in Brazil, in place of the Case Company.

6. Latin American Free Trade Zone Discussed (UNCLASSIFIED)

The Latin American Free Trade Zone (still requiring Congressional approval in Brazil) was discussed in São Paulo by Federal Foreign Office and financial officials at a meeting held on November 3 at the Federation of São Paulo Commercial Associations. The main purpose of the meeting was to obtain information on products to be included in the mutual and negotiable lists of the zone for gradual customs duty elimination in 12 years. For that purpose questionnaires were distributed to be filled out by everyone interested in developing or expanding trade in the zone.

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Page 4 of

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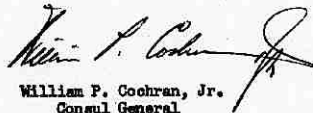
Disp. No. 183

From São Paulo, Amcogen

7. São Paulo State Secretary of Agriculture Plans Visit to U. S.
(UNCLASSIFIED)

The Secretary of Agriculture of the State of São Paulo Jose Bonifacio Coutinho Nogueira plans to fly to New York along with other Brazilian officials on November 9th on Varig Airline's jet flight inaugurating its São Paulo - New York route. He hopes to spend one day in Washington in meetings with Department of Agriculture and other U. S. officials, and expects to return to São Paulo on November 15th.

Comment: Secretary Nogueira states privately that he would like to discuss agricultural relations and U. S. technical assistance in agriculture in particular. Secretary Nogueira met with Secretary Benson during the latter's visit to São Paulo and broached these subjects. The local press reports that Secretary Nogueira is going to the U. S. to continue negotiations begun here with Secretary Benson.


William P. Cochran, Jr.
Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

21

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 7, 1960

REF : 1957 CERP Section requirements: Section C, Item 1 NOV - 8 1960

55 For Dept. Use Only	ACTION REC'D	DEPT. I N F O OTHER
	COM-12	REP-1
	11/16	INA-7
		MAA-4
		E-3
		ICA-4
		CEA-10
		TAA-2
		TRA-3
		FAB-3
		KMA-4
		AFR-8

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - October 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

SUMMARY:

The weather has been reported favorable to crops and cattle during October. Wheat forecasts are conflicting. The rice situation improved because of additional federal funds received by IRGA. Current wool clip is expected to be of better quality and somewhat larger than previous crop because of favorable weather conditions. Retail and wholesale trade sources continue to report satisfactory sales. The cruzeiro in the free market weakened slightly. The money market tightened after two easy months. Local exporters have been invited to contact Uruguayan firms interested in importing bananas, tobacco and yerba mate. Strikes continued to disturb management-labor relations.

1. AGRICULTURAL DEVELOPMENTS:

a. Rice - The rice situation has improved in as much as IRG A (Rice Institute) received an additional \$2,500 million of federal funds and is active in the market, having purchased a total of over 2,000,000 bags to date. With the new funds IRGA's purchases are expected to reach close to 3,000,000 bags from this season's record 17,500,000 fifty-kilo bags of rough rice harvest. Local prices are up and rice is once again moving north in quantity. Although price ceilings continue in Rio de Janeiro, Rio Grande do Sul rice is reportedly being sold in that area above the ceilings without intervention from COFAP authorities. International prices, as well,

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0061

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Page 2 of
Encl. No. _____
Disp. No. 21
From PORTO ALEGRE

are reportedly rising and it is now felt that IRGA's stocks can be exported before year-end without much difficulty.

b. Wool - Estimates for the wool clip now in progress are for a yield of 25,000 metric tons greasy, as against 23,000 metric tons last year, which is considered a satisfactory increase from flocks still feeling the effects of last year's floods. It probably will be another year or two before the total clip reaches former levels of 30,000 metric tons. Quality is reported better than the last clip and prices average about \$3,000 per arroba (15 kilos), with top quality bringing \$4,500 per arroba. It is expected that these prices will remain reasonably steady throughout the season, as domestic industrial capacity, estimated at 22,000 metric tons, has not expanded significantly, and growers' production costs are slightly lower this year because of favorable weather.

c. Soybeans - A small amount of soybeans from the current season's excellent harvest is still being marketed, and prices continue to be firm, latest quotations reaching \$1,000 per 60-kilo bag.

d. Wheat - Forecasts for the 1960-61 wheat harvest in Rio Grande do Sul are somewhat conflicting. Some sources predict a short crop, whereas others indicate a high yield compared with the previous disappointing crop. No indications are available as to the area planted. The Bank of Brazil, wheat cooperatives and the State Secretariat of Agriculture are making a survey to establish the average production cost to fix a minimum price for the coming crop. Bakers in Porto Alegre continued to pressure authorities for an increase in bread prices, particularly because of the higher minimum wage now established by the federal government.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Despite the distraction of a national election and its effect on business conditions, retailers and wholesalers report satisfactory sales with trade bill collections continuing to improve, particularly in the interior. The 60 percent increase in the minimum wage level, approved this month by the federal government, will not be immediately felt by consumers of locally manufactured goods, as many companies with a large number of employees in this category recently raised wages and prices in anticipation of the new law. However, the local press has already carried reports of projected price increases for gasoline, tires, transportation, and bread.

Comparative figures of state sales for September (latest figure available) and August 1960, and September 1959 are as follows:

<u>September 1960</u>	<u>August 1960</u>	<u>September 1959</u>
22,000,582	26,272,400	16,490,632

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0062

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Page 3 of
Encl. No. 21
Desp. No. 21
From PORTO ALEGRE

3. FOREIGN TRADE:

No major items have come to hand on foreign trade activities during the month under review. Newspapers were mostly concentrating its reporting efforts on the political campaign and results of the presidential elections. It has been noted, however, that Uruguay has a demand for Rio Grande do Sul bananas, tobacco and yerba mate, amounting to a total of US\$408,018. Exporters have been invited to contact Uruguayan importing firms.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Representatives of industry held discussions early in October with the president of the Federation of Industries of Rio de Janeiro on the working of the Montevideo Treaty. A list will be prepared of local products available for export under the Treaty.

5. TRANSPORTATION AND COMMUNICATIONS:

Telephone Problem - The State Legislative Assembly has not yet decided about the contemplated formation of a mixed capital telephone company (Desp. 15, October 5, 1960, Item 5). Further development will be reported by the Consulate.

6. FINANCE:

Exchange - The cruzeiro weakened slightly in the free market in October, averaging \$191.21 to the U.S. dollar (check buying rate), compared with \$188.96 in the previous month.

At the import auctions in October the premiums showed slight variations from the previous month levels. In the general category the dollar premiums averaged \$210.00 against \$209.25. In the special category premiums paid averaged \$577.53 against \$512.45. The Soviet Bloc auction premium for the agreement dollar remained at \$178.00 in the general category. No special category agreement dollar was auctioned for Soviet Bloc imports.

"Brizolotas" - The State Governor signed a law in October authorizing Secretariat of Finance to issue the fourth series of "Brizolotas" amounting to \$2,780,350,000 in the denominations of \$50, 100, 200, 500, 1,000, 5,000, 10,000 and 100,000. The redemption for these treasury letters varies from 15 to 360 days of issuance date.

Money Conditions - After two relatively easy months, the money market tightened once again during October, according to banking sources. Banks, faced with continued heavy demand for loans, were not able to meet all the short term discount needs of good clients.

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0063

Page _____ of _____
Desp. No. _____
From _____

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Page 4 of _____
Encl. No. 21
Desp. No. _____
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7. LABOR:

Strikes continued to upset normal conditions during October. Stevedores went out on another one-day strike, their second in three months, and gas station attendants struck for three days effectively cutting off the supply of gas and oil throughout Porto Alegre. It is believed that strikes will be continued in November because of apparently unsatisfactory settlements. Stevedores struck because of delay in payment of wages, and gas station attendants demanded payment of fringe benefits. Local minimum wage has been increased from \$5,000.00 to \$8,000.00 per month, effective October 18, 1960, which will reflect in higher living costs.

8. MISCELLANEOUS:

State Electrification Program - The following imports were authorized under foreign financing arrangements registered with the SUMOC (Money and Credit Control) in May 1960 by the State: electric generating and transmission equipment, valued at 223,400,000 lire, US\$882,197 and US\$(Czech) 2,400,000. These were financed from Italy, the USA, and Czechoslovakia over periods extending to November 1967, 75 months and 60 months, respectively.

Light and Power Syndicate Ltd. - Pelotas, second important city of the State, has been hit by a power shortage, and protests against the local Light and Power Syndicate Ltd. (American Foreign Power Company subsidiary) have gained strength. Because of threat of expropriation by the State, this public utility has been discouraged to expand its generating capacity. Protests also include high cost of electricity and frequent power rationing programs. Sr. Wilson Vargas, State Secretary of Energy and Communications told the press that the State Government is contemplating expropriation of this United States property, but studies will not be concluded until January, 1961 when a decision will be made. The Consulate will report further developments.

Hyman Bloom
Hyman Bloom
American Consul

cc. Amembassy RIO

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FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 7, 1960

REF : CERP C-1

25 For Dept. Use Only	ACTION REC'D	DEPT. OTHERS
	11-21	Com-12 USIA-10 OSD-2 Army-35

SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period covered October 18-31)

navy-20 Air-25 cia-16 OCB-2 NSA-4 IN-7
 Feb-6 Apr-8 INDEX H H FA-2

1. Rio Legislators Vote Intervention in Telephone Company
2. Rent Control Extended
3. Some After Effects of Minimum Wage Increases
4. Pan American Railway Congress Ends
5. New Reduced Rate Air Service Between Brazil and Portugal
6. Brazil-West German Trade Commission
7. Agricultural Modernization Study
8. First Brazilian Tuna-Fishing Vessel Launched
9. Belo Horizonte-Sao Paulo Highway Inaugurated

* * *

1. Rio Legislators Vote Intervention in Telephone Company:

On October 21, the Rio de Janeiro Council of Aldermen unexpectedly approved a two year-old bill intervening the Companhia Telefônica Brasileira (part of the Canadian-owned Light Group) by, according to the bill, the prefecture of the old Federal District (now the State of Guanabara). The bill provides that the intervention, which will last until telephone service is "regularized", will extend to the control of revenue from operations of the CTB intercity and international services when calls originate in the (old) Federal District. Furthermore, according to the bill, the city government will also operate directly, by means of a mixed (government-private) company, telephone service in mutual traffic with the CTB; action to this effect can be started within 90 days. The bill was passed by the Council, whose current legality and future existence is uncertain as a result of the October 3 election of a Governor and Constituent Assembly, following attacks on the Light Group in connection with a one-day strike.

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BUREAU OF
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Page 2 of
Encl. No. 385
Disp. No.
From Rio de Janeiro

employees of the light-owned street car company. According to present indications, the bill will have to be acted upon by Governor Sette Camara and cannot be held over for incoming Governor Carlos Lacerda.
(UNCLASSIFIED)

Comment: The passage of the bill came as a complete surprise and was made possible by some adroit maneuvering by the bill's supporters, who took advantage of the temporary absence from the Council of its opponents. The aldermen's action appears, in part, to have been a politically motivated attempt to embarrass Lacerda by dropping the issue in his lap. Now, however, it seems that some action on the bill will have to be taken by Sette Camara before Lacerda's assumption of power. The CTB appears to believe that the bill will somehow be nullified but the situation is so confused that the company is not really sure what will happen. For example, the obviously anachronistic references in the bill to the Federal District and its prefect would clearly seem to be a fatal flaw, but no one is positive that this argument will hold. In itself intervention offers no hope as a means of solving the acute shortage of telephones in Rio--there are estimated to be 200,000 unfulfilled requests for phones--which has been brought about principally by the maintenance of government policies on profits which make investment in new plants unattractive. The CTB-supported solution, embodied in another bill under consideration in the Council of Aldermen, calls for self-financing of installation by subscribers, who would receive debentures in exchange for their payments.
(OFFICIAL USE ONLY)

2. Rent Control Extended:

On October 20, the Federal Chamber of Deputies extended the life of the rent control law until June 1961, thereby postponing until that time consideration of the various proposed changes in the rent legislation. At the present time there is a wide gap between the controlled rents paid by tenants who have been occupying dwelling units for some time and the uncontrolled rents which must be paid by new tenants. A proposed amendment to the law would authorize gradual increases in the rent on controlled housing so that after five years the gap would be closed. Prior to the Chamber's action on October 20, most labor leaders made public statements urging continuance of rent control, and afterwards some expressed regret that the extension was for such a short period of time.
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0066

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Page 3 of
Encl. No. 385
Disp. No.
From Rio de Janeiro

3. Some After Effects of Minimum Wage Increases:

The pressures on the Federal Government's price control agency, COFAP, were increased by the 60% increase in the legal minimum wage which went into effect on October 18. Retailers of meat, milk, and bread, as well as owners of Rio's numerous coffee bars, petitioned for price increases because of higher labor costs. COFAP authorized an increase in the price of bread, but has thus far delayed action on the other petitions. Both the butchers and the coffee bar owners say they will cease all sales until higher prices are authorized (the dairy industry won a price increase from COFAP last July by suspending all sale of milk in Rio for some ten days). COFAP puts a specific price tag on only a relatively few basic food items, and on these items the controls are fairly effective; on other consumer items, COFAP's controls are quite flexible and not greatly effective.

The 60% increase in the legal minimum wage is reportedly causing some unemployment for workers in low-wage industries, although no statistics are available. Rio's hotel industry, for example, has reportedly discharged quite a few workers on the grounds that it can not afford to raise wages from Cr\$6,000 to Cr\$9,600, the new legal minimum for Guanabara. In a statement to the press on October 20, Labor Minister Batista Ramos said that this unemployment does not worry him because a similar situation always develops right after an increase in the legal minimum wage, but that business soon adjusts to the higher wages and the unemployment is only temporary. (UNCLASSIFIED)

4. Pan American Railway Congress Ends:

The Tenth Pan American Railway Congress, which opened on October 12, came to an end in Brasilia on October 27, at a formal closing session presided over by Minister of Transport Amaral Peixoto in the absence of President Kubitschek. The business meetings of the Congress were held in Rio de Janeiro October 12-19 and were quite successful despite some delays in the preparation and distribution of some of the technical papers. On October 20 the Congress moved by train to São Paulo for week-long visits to railroads and manufacturing installations in the area and for an elaborate exhibit of railroad equipment in the city's Ibirapuera Park. The U.S. Delegation, headed by Daniel F. Loomis, President of the Association of American Railroads, took a leading role in the Congress and made an excellent impression on their fellow delegates and Brazilian hosts. Mexico City was chosen by acclamation as the site of the XI Congress in 1963. (UNCLASSIFIED)

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0067

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Page 4 of

End. No.

Desp. No. 385

From Rio de Janeiro

Comment: On the whole, the Congress was very well organized, especially in the light of the severe handicaps (mostly of a financial nature) created for the Brazilian arrangements committee by the delays and heavy-handed procedures of the Brazilian Government
(OFFICIAL USE ONLY)

5. New Reduced Rate Air Service Between Brazil and Portugal:

On October 27, Panair do Brasil and Transportes Aereas Portugueses signed an agreement, under negotiation for a year, creating a reduced-rate air service, popularly called Friendship Flights, between Brazil and Portugal. According to the agreement and to the implementing regulations issued by the Brazilian Air Ministry (a) the service, which is regional in nature, will operate only between the two countries with intermediate traffic stops only in territories of those countries; (b) tickets will be sold only in Brazil and Portugal and only to Brazilian and Portuguese citizens or to foreigners resident in the two countries; (c) only piston-aircraft in a compact configuration may be used; (d) service on board will be more modest than that in present tourist class flights; and (e) Panair and TAP will operate the service in pool. The fare for the service has been set at \$215 (roughly the equivalent of a third-class passage by ship); Panair DC-7C's will be used, with a prospect of eventual employment of TAP Super Constellations in 1961; and twice-weekly flights will commence in December.

The Air Ministry, in its regulations concerning the service, stated that third-flag carriers could carry between Brazil and Portugal only a fixed number of passengers, this figure to be based, in general, on the traffic carried in 1958 and 1959, increased annually by ten percent.
(UNCLASSIFIED)

Comment: From Panair's point of view the new service offers the prospect of effective utilization of its DC-7C's following the entry into service, scheduled for December, of its two DC-8's, partial financing of which by the Exim-Bank was recently announced. The sharp reductions in fares may very well have unsettling effects on the already unstable IATA rate structure in the South Atlantic.
(OFFICIAL USE ONLY)

6. Brazil-West German Trade Commission:

The Brazilian Foreign Office announced establishment of a mixed Brazilian-West German Committee to study the possibility of

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0068

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Page 5 of
Encl. No. _____
Disp. No. 385
From Rio de Janeiro

an increase in commercial relations between the two countries, in accordance with recent conversations in Brazil with German Minister Von Brentano. (UNCLASSIFIED)

7. Agricultural Modernization Study:

Under the Brazilian Development Council there was created the Executive Group for Modernization of Agriculture (Grupo Executivo de Modernização da Agricultura)-GEMAG - to study means for modernizing and mechanizing agriculture and the industrialization of agricultural products. (UNCLASSIFIED)

8. First Brazilian Tuna-Fishing Vessel Launched:

The local newspapers reported that the first Brazilian tuna-fishing vessel was launched in Rio de Janeiro. The vessel will fish the Atlantic coastal zone along the states of Rio de Janeiro, São Paulo, Paraná and Santa Catarina. It has a capacity for 30 tons of fish. Its crew consists of 20 Brazilians and the technical part is in charge of two Japanese.

9. Belo-Horizonte-São Paulo Highway Inaugurated:

In two separate ceremonies, one in the town of Betim outside Belo Horizonte and the other outside of São Paulo, President Kubitschek on October 22 formally inaugurated Federal Highway BR-55, the so-called Fernao Dias Highway, linking Belo Horizonte and São Paulo. The completely paved road covers approximately 560 kilometers, about 100 of which are in São Paulo and the remainder in Minas Gerais. (The São Paulo segment had actually been inaugurated in July 1959 by Governor Carvalho Pinto). Of major economic significance, BR-55 completes the triangle of paved highways connecting São Paulo and Rio de Janeiro and serving the economic heart of Brazil.

The highway, which follows the route BR-2-Bragança Paulista-Extrema (in Minas Gerais)-Pouso Alegre-Varginha-Oliveira-Betim-Belo Horizonte, passes through the richest part of the state of Minas Gerais and will facilitate substantially the movement of the products of Minas steel plants to the São Paulo market. The lack of really good, direct rail service between Belo Horizonte and São Paulo heightens the economic importance of the new road, which

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0069

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Page 6 of
Encl. No. 385
Disp. No. 385
From Rio de Janeiro

will permit the connection between the two cities to be made in ten hours. According to the National Highway Department, the total cost of the highway was Cr\$4,561 billion. (UNCLASSIFIED)

For the Ambassador,

Edward J. Bash

Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler

William A. Fowler
Counselor of Embassy
for Economic Affairs

Contributors:

Items 1,4,5,9 - JHCrimmins
Items 2,3 - DPMann
Items 6,7 - EIBrown
Item 8 - EJB/JWiegerinck

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate, RECIFE, BRAZIL.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 8, 1960

REF : OERP 0-2

EUR-5

ACTION		DEPT.	EUR-3
55 For Dept.	* COM-2	IN	REP-1 * INA-7 * ARA-4 E-3 ECA-11 W/FW-2
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SUBJECT: ECONOMIC SUMMARY FOR JUNE-JULY-AUGUST-SEPTEMBER 1960, USIA-10
DUF-1 *LAB-6. OSO-5 army-8 navy-4 NSA-2 LOC.

TABLE OF CONTENTS

I. SUMMARY

II. AGRICULTURAL DEVELOPMENTS

- A. Pernambuco Agrarian Reform Program Continues
B. A Bad Year For São Francisco Onions
C. Tractors For Pernambuco

III. FISHERIES AND MINERALS

- #### A. Foreign Fishing Operations Criticized

IV. FINANCE

- #### A. Government Deficits Foreseen In Pernambuco

V. TRANSPORTATION AND COMMUNICATIONS

- A. Recife Port Traffic Jam
- B. Railroad Progress In Rio Grande do Norte
- C. More Electricity For Northeast
- D. Paraíba Petitions CHESF

VI. INDUSTRY

- A. Synthetic Rubber Company Organized
B. Match Factory for Pernambuco
C. New Steel Plants
D. Pernambuco Industrial City

VII. FOREIGN TRADE

- A. Trade Missions - U. S. and

VIII. INVESTMENT CLIMATE

- ### A. Foreigners Blamed For High Prices And Inflation

IX. SOCIO-ECONOMIC

- A. Movement For Mass Culture

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670

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0071

UNCLASSIFIED
(Classification)

Page 2 of
End. No. --
Disp. No. 18
From Recife, Brazil.

- X. MISCELLANEOUS
- A. Ords Dam Reconstruction
 - B. SUDENE Activities
 - C. UN-SUDENE Irrigation Project For The São Francisco Valley
 - D. Economic Indicators

UNCLASSIFIED

0072

UNCLASSIFIED

(Classification)

Page three of

Encl. No. --

Disp. No. 18

From Recife, Brazil.

I. SUMMARY

It appears that 1960 will be a good year for the big money crops of the Northeast. The cutting of the sugar cane commenced on September 1 with an attractive buying price having been set by the Sugar and Alcohol Institute for the 1960-61 sugar crop; the prospects of selling in the U. S. market has enthused the local sugar industry. The winter weather conditions have been favorable for a large sugar crop (13 million 60-kilo bags in Pernambuco). The cotton matured late (30 days) and prices were unusually high in the interior as ginners were forced to bid high in order to cover early sales commitments. The crop is expected to be a large one of better than average quality. August was a good month for the sisal growers because of increased exports but the market faded in September.

General food crops - beans, corn, manioc, etc. - were classified as good or above average throughout the area.

Tight money conditions prevailed throughout the period. The larger industries were reported to be having financing difficulties and often being unable to discount their trade bills. Despite this retail sales were maintained at high levels and optimism apparently predominates in business circles. The textile industry has enjoyed a prosperous year and only recently has some buyer resistance been encountered as, probably, all retailers rush to stock their inventories before the next round of price rises.

The regional drive for industrialization spurred by SUDENE and State aid - appeared to be gaining momentum as the ground was broken for several new industrial enterprises.

II. AGRICULTURAL DEVELOPMENTS

A. Pernambuco Agrarian Reform Program Continues

Governor Old Sampaio, on September 3, decreed that for "public utility" the State will expropriate two more small sugar plantations. These two "engenhos" (Barra and Terra Preta) will be combined with the Engenho Galilea as part of the Governor's colonization and agricultural reform program. The excess of rural workers from Galilea will be moved onto the new holdings.

COMMENT: Each farmer is given 10 hectares (about 25 acres) of land which - if all payments are met - will be his within 20 years. The State is also supplying technical (agronomist), administrative, and marketing support plus schools and medical assistance. Governor Sampaio has stated that he will use \$5 million of a forthcoming \$15 million loan from private sources in the United States to finance his agricultural reform program.

UNCLASSIFIED

0073

UNCLASSIFIED

(Classification)

Page four of

Encl. No. --

Dep. No. 18

From Recife, Brazil.

B. A Bad Year For the Onions of São Francisco

The introduction, several years ago, of the onion into the interior São Francisco Valley area of Pernambuco was a successful experiment; many struggling farmers prospered. Traditionally the local onion growers' main problem was transporting his crop to the southern markets; this year two new problems have arisen to shatter hopes of another good year. In July a mysterious blight was reported to be endangering the total crop. Retrenching from the infestation, the onion growers were next hit by a Federal (COFAP) decision to import onions from Egypt and Argentina in order to prevent high domestic onion prices. By late August the price of onions from the new crop had dropped from Cr\$48 to Cr\$25 per kilo, and by mid-September to Cr\$3 per kilo. SOS's were being frantically wired to both State and Federal authorities.

C. Tractors For Pernambuco

Utilizing a loan from the "Banco Economico da Bahia", the Pernambuco Secretary of Agriculture purchased 115 tractors (of which 37 will be 35 h.p. models, 18 will be 59 H.P. models, and 10 will be 85 H.P. models) for use by CAGEP (Agricultural Storage Company of Pernambuco) and Pernambuco farmers. Of the total, International Harvester (U. S. and German branches) will provide 110 tractors. Thirty-six Allis Chalmers tractors, obtained through a previous purchase, arrived in Recife on August 31 and were promptly paraded as another achievement of the present State administration.

COMMENT: There is still a question of the training of skilled operators, general maintenance, and replacement parts for the tractors which are being dispersed in the interior communities.

III. FISHERIES AND MINERALS

A. Foreign Fishing Operations Criticized

At the Fifteenth State Congress of the Students of Pernambuco, on July 2, 1960, a motion was approved to censure the "piratical" activities of the Japanese fishing company Nippon Reizo in Brazil. The Japanese, in their whaling and tuna operations in Northeastern waters, were pictured as acting illegally and contrary to the terms of their contract with the Ministry of Agriculture. (Jornal do Comercio, July 31.)

The Minister of Agriculture, Barros Carvalho of Pernambuco, announced on July 31 that he had ordered a team of experts to study several "grave accusations" that had been made against INERAPE, the Nippon Reizo affiliate in Recife. Minister Carvalho hinted that the Government may step in to establish a federal fishing fleet and a

UNCLASSIFIED

0074

UNCLASSIFIED

(Classification)

Page five of

Encl. No. --

Disp. No. 18

From Recife, Brazil.

chain of refrigerated deposits. (Jornal do Comercio)

In a July 19 conversation with Recife Mayor Miguel Arraes a SUDENE technician from France accompanied by the French Commercial Attaché and other Embassy officials reported that the tuna sold for Cr\$65 per kilo in Recife could (or should) be sold for Cr\$30. The French then suggested that a French fishing fleet now in Dakar could handle the job, but only with "specific guarantees" which would be necessary because of INERAPE's Government approved operations in the Northeast. The French noted that the inferior black tuna meat markets for more in Recife than the international price of white tuna. (Jornal do Comercio)

The pioneer of the lobster export industry in Brazil, American Morgan Hackman of Ceará, was in danger of having his operations closed down because of a variety of legal and contractual difficulties that have ~~enmeshed~~ enmeshed him in difficulties with Brazilian Naval authorities. In July, the Captain of the Ports of Ceará pressed charges against Hackman before a military tribunal (police military action).

COMMENT: When last interviewed by a consular official (September 1960), Hackman said the future of his Pan American Industries Ltda. was still much in doubt despite the sympathetic interest of Ceará and Federal authorities. Mr. Hackman started exporting lobster to the United States in 1955.

IV. FINANCE

A. Government Deficits Foreseen in Pernambuco

On August 30, Pernambuco Governor Sampaio forwarded his proposed 1961 budget to the State Legislature. His budget called for an income of Cr\$5,007,668,000, and expenditures of Cr\$6,164,231,303, for a deficit of Cr\$1,156,563,303. The Governor said that he had been conservative in his calculations and had not considered such economic assists as increased sugar exports or the increase of the minimum salary.

The Recife city budget was also presented in red ink on August 30 with a predicted deficit of Cr\$261,664,400 (expenditures - Cr\$1,761,644,000 and receipts - Cr\$1,500,000,000). The city pay roll was pegged at Cr\$900,100,000.

V. TRANSPORTATION

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0075

UNCLASSIFIED
(Classification)

Page six of
Enc. No. --
Dep. No. 18
From Recife, Brazil.

V. TRANSPORTATION AND COMMUNICATIONS

A. Recife Port Traffic Jam

The Port of Recife reported a six months (January through June 1960) handling of 1,011,912 tons of cargo. The figures were released in September to counter mounting charges of port stagnation, traffic jams, and inefficiently slow handling of ships and cargoes. Later figures by the federal chief of the harbor district reflected that the tonnage was lower than for the years 1951-1955 and that during this year from 8% to 19% of the ships in international traffic and 27% to 45% of the ships engaged in cabotage had been forced to wait outside the harbor for extended periods before docking facilities became available. Pressure during September was exerted by the dock workers union and others for the Federal Government to nationalize the State administered port. Amaro Peixoto, Minister of Transportation, assured the workers on September 12, that the Federal Government would intervene to solve the serious maintenance and improvement problems that the Port of Recife is now facing. Pernambuco authorities immediately labeled this as purely political maneuvering.

COMMENT: The State assumed the administration of the Port of Recife in 1921 although the National Department of Ports, Rivers, and Canals remained as an inspecting agency. Since 1953, the expenditures for operating the port have been greater than receipts; port maintenance and improvements have subsequently been minimal.

In contrast to Recife, the ports of Natal, Maceio, and Cabedelo were complaining about the lack of traffic. In Ceara, the Federal Department of Ports was blamed for the "complete administrative disorganization of the Port of Mucuripe" in Fortaleza. (*Diario da Noite*, Sept. 13.)

B. Railroad Progress in Rio Grande do Norte

Advertised as the event of the century, Macau, Rio Grande do Norte (Population - 7,861) welcomed, on August 27, the first train to ever chug into the interior metropolis. After only 44 years of off and on construction, the "Rede Ferroviaria do Nordeste" (RFN) finally completed the link between Macau and the rest of its northeastern rail network. (*Diario da Noite*, August 29.)

In other progressive steps, the RFN recently completed negotiations for the purchase of 200 American diesel locomotives (GE and GM) with the aid of a 10-year Export-Import Bank loan. A loan of \$3 million was also obtained in Switzerland for the purchase of spare parts and tools.

UNCLASSIFIED

0076

UNCLASSIFIED

(Classification)

Page Seven of

End. No. --

Dep. No. 18

From Recife, Brazil.

C. Mowse Electricity For Northeast

CHESF (Cia. Hidro-Elétrica do São Francisco) president, Antonio Alves de Souza, related the following information in early June regarding CHESF's present and future operations:

Present potential of Paulo Afonso hydro-electric installations: 180,000 kw.

Present demand: 177,000 kw.

CHESF -

Present distribution -

Pernambuco	- 55.8%
Bahia	- 24.0%
Paraíba	- 11.2%
Sergipe	- 6.0%
Alagoas	- 4.1%

Pernambuco demand -

Textile industries	4.0%
Sugar and alcohol industries	- 1.0%
Cement industry	7.3%
Fertilizer industry	4.2%
Ceramic industry	1.1%
Paper industry	2.0%

Six new turbines of 65,000 kw for a total of 390,000 kw will be in operation by mid-1961.

Later, on August 23, Dr. Souza stated in Rio de Janeiro that 1961 would see the installation of six 100,000 kw turbines to up CHESF's potential to over 1 million kw for supplying the Northeast's demands. (Diário de Pernambuco, June 3 and Correio do Povo, Aug. 25)

Fortaleza -

For the first time, CHESF with SUDENE's backing, has entered the retail electrical business. As an immediate aid to the power-starved city of Fortaleza, SUDENE advanced CHESF \$720,000 for a group of generators with a capacity of 6,000 kw which were scheduled to arrive from the United States in September. The additional 6,000 kw will mean an increase of 50% in Fortaleza's generating capacity. SUDENE is also providing the means for the construction of a 15,000 kw power plant scheduled for operation in 1962. In 1964, Fortaleza, according to present plans, will also be supplied by Paulo Afonso power. (Diário da Noite, July 13.)

UNCLASSIFIED

0077

UNCLASSIFIED
(Classification)

Page eight of
End. No. --
Dep. No. 18
From Recife, Brazil.

D. Paraiba Petitions CHESF

In August, Paraiba officials discussed with SUDENE and CHESF officials the possibilities of a CHESF take-over of the municipally owned electric public utility system in João Pessoa to alleviate their acute power problem.

VI. INDUSTRY

A. Synthetic Rubber Company Organized

COOPERBO - the Pernambuco Synthetic Rubber Company - was brought into legal existence on June 17. ~~It is a company organized by the State of Pernambuco will contribute about Cr\$500,000,000 (25%) of the company's initial capital.~~ Governor Sampaio stated that he had invited members of different classes to be the "founders" of the entity; classes represented were economists, lawyers, industrialists, and merchants. The State will control the voting stock of the firm.

On August 30, it was announced that Firestone and Dunlop factories in São Paulo had already initiated test runs for manufacturing tires with cis-polybutadiene (natural synthetic rubber) which COOPERBO will eventually produce. Still conversing with COOPERBO were officials from such interested firms as Phillips Petroleum, Firestone, Koppers, Goodrich-Gulf, Lunnes Corporation and Blaw Knox Engineering.

B. Match Factory for Pernambuco

The Company Fiat Lux, match manufacturers, announced, on June 18, plans for a future match factory to be installed in São Lourenço, Pernambuco. The factory will reportedly require 400-500 employees, and will produce 36 million boxes of matches per month. (Jornal do Comercio)

C. New Steel Plants

President Kubitschek was on hand September 17 to lay the cornerstone for the new electro-siderurgical steel laminating plant being constructed by COSINOR (Companhia Siderurgica do Nordeste) at Cabo, Pernambuco, on a 216-acre plot near the Jaboatão River. The plant will require an investment of more than Cr\$2.5 billion and when completed, some three years hence, will produce 120,000 tons of finished steel products. President Kubitschek congratulated the company (and his Administration) for helping to achieve one of his national "metas" (self sufficiency in steel production) and assisting in the diversification of the Northeast economy. Later, speaking before the State Assembly, the President reviewed his actions on behalf of the Northeast (CODENO, SUDENE, CHESF-electrification, etc.) and predicted an added investment of Cr\$90 billion

UNCLASSIFIED

0078

UNCLASSIFIED
(Classification)

Page nine of
Encl. No. --
Disp. No. 18
From Recife, Brazil.

in the Northeast. He voiced his conviction that Recife will become the São Paulo of the Northeast.

NOTE: A recent SUDENE study hypothesized that from 23 new industries being constructed or projected for the State of Pernambuco, at least 10,000 new job opportunities would be available. Utilizing a Keynesian multiplier effect, the economists foresaw 15,000 more "service" positions and a total of 75,000 (including dependents) would derive direct financial benefit and livelihood from the industrialization.

Governor Sampaio, in the background at COSINOR, took the spotlight 10 days later at a similar ceremony for the "Açosul" (Cia. Anglo Luso Brasileira de Aço) Steel Company launching in Goiania, Pernambuco. Prior to the customary cocktail, the Governor viewed the skeletal structures of the new plant and inspected the 500 tons of English and German machinery that within three years will be producing 50,000 tons of laminated steel, 18 tons of steel cable and wire, and 8,000 tons of barbed wire per year during its first stage of production.

D. Pernambuco Industrial City

On September 29, Governor Sampaio signed a decree expropriating a 12,000 acre sugar plantation near Cabo, 36 miles from Recife. This land will be the first of several purchases in the area for the future Pernambuco industrial park. The new synthetic rubber factory will be the first factory to be installed in the area. The site is already serviced by paved highway (Recife-Macêdo), railroad, and a navigable river. The president of the state federation of industries classified the realization of this project as the outstanding achievement of Governor Sampaio's administration.

VII. FOREIGN TRADE

A. Trade Missions - U. S. and Czech

The Governor of Pernambuco received visits from two commercial missions in his palace on June 16, 1960. A three man trade team from Czechoslovakia visited Governor Sampaio within minutes after the Governor had bid farewell to the U. S. Trade Mission. The Czech team compressed its work into one working day with little publicity being given to its visit.

As a result of the Czech visit, the Cia. de Tecidos Paulista, one of the largest textile enterprises in Brazil, has purchased from KOVU Ltd. of Prague, 500,000 dollars worth of machinery for the building of automatic looms in Pernambuco for the Brazilian textile industry. The loom factory will produce from 2-3,000 units

UNCLASSIFIED

0079

UNCLASSIFIED

(Classification)

Page 2an of

Encl. No. --

Disp. No. 18

From Recife, Brazil.

per year. Royalties will not be paid for the Kovo type looms that will be sold. Kovo is assuring the financing of the deal for five years and will send a small team of technicians to assist in the installation of the machine tools and the initial operation of the factory. SUDENE, in July, was asked to obtain a special exchange rate for the purchase of the equipment plus exemption from customs and other taxes.

COMMENT: Paulista spokesmen said that there are already about 1,000 Kovo looms operating in Brazil (with the assistance of a few Czech technicians). Because of exchange rate differences a 46" Kovo loom can now be purchased for \$700.00, or about 1/4 of the price of a U. S. imported loom. Qualitatively the U. S. product is considered to be better, but not four times better. The future Paulista produced looms will acquire the developing market for the Kovo loom.

On September 24, the "Diario de Pernambuco" published a news release from Prague that the State of Pernambuco had purchased 600 pumps and 100 Skoda motors for irrigation projects.

VIII. INVESTMENT CLIMATE

A. Foreigners Blamed For High Prices And Inflation

"It's not really the people of São Paulo who are against the Northeast it's just that the foreign capital groups are located more in São Paulo and from there they seek to plunder the people." This was the rationalization of Sr. Jamesson Ferreira Lima, head of the Pernambuco Price Control Commission (COAP) on September 30, as he endorsed the theory that the foreign meat packers are responsible for rising meat prices. (Jornal do Comercio)

Deputy Oswaldo Lima Filho, PTB leader in the Federal Legislature and Pernambuco political power, expounded a similar thesis on September 16 while discussing the candidacy of PSD-PTB candidate Marechal Lott. Deputy Lima considers that the economic development of Brazil is still proceeding under the influence of the trusts and monopolies. These "international oligopolies dominate innumerable activities in our economy; and by the actions of these trusts there is proceeding a violent devaluation of our money the 'metas' of the President should be continued but corrected by a severe discipline of foreign capital in order to avoid the draining of the national wealth to the exterior as is happening today." He added that this "discipline" will "permit Brazil to reach a balanced level of development free from inflation." (Jornal do Comercio)

UNCLASSIFIED

0080

UNCLASSIFIED

(Classification)

Page eleven of

End. No. --

Dep. No. 18

From Recife, Brazil.

IX. SOCIO-ECONOMIC

A. Movement For Mass Culture

The "Movimento de Cultura Popular" (Movement of Mass Culture), sponsored by Recife Mayor Miguel Arraes, continued to gain momentum. By late August, 54 schools to educate the underprivileged classes had been initiated and were functioning; 22 schools were opened in September (8 others were delayed because of "technical" difficulties with property owners); 200 of the MTP schools are scheduled to be added in 1961. MCP officials hope to enroll 4,500 students by the end of this year; figures were not released on the number of "students" attending the night courses for adults that the MTP has also quietly inaugurated.

In increased pre-election activities, State officials also stepped up their program of good works. In September, Governor Sampaio officially inaugurated several (15) public schools in the greater Recife area as well as first aid stations and medical clinics.

X. MISCELLANEOUS

A. Orós Dam Reconstruction

During President Kubitschek's visit in Recife on September 17, he conferred briefly with the engineer in charge of reconstructing the massive earthen dam which had been partially washed away - with disastrous results - last March. The President said he would like to attend the ceremonies honoring the completion of the dam on November 15. The DNOCS (National Anti-Drought Department) engineer, Anastacio Maia, nodded his agreement, for only days before DNOCS had finally received Cr\$100 million plus definite commitments of Cr\$150 million more for the task. Reportedly the Orós reconstruction is now on a 24-hour - 7 day a week schedule. (Jornal do Comercio, Sept. 18)

Prior to the delayed receipt of funds, there had been threats by DNOCS officials that the entire structure - if not completed prior to the rainy season - would be dynamited.

B. SUDENE Activities

Although still awaiting Federal legislative approval of their "Plano Diretor", SUDENE ("Superintendência do Desenvolvimento do Nordeste") economists continued preparations for the launching of the SUDENE 5-year plan.

SUDENE has reportedly been pleased by the response of private enterprise to the "fringe benefits" (tax concession, import licenses, favorable exchange rates, etc.) that are being offered as enticements

UNCLASSIFIED

0081

UNCLASSIFIED

(Classification)

Page Twelve of

Encl. No. --

Disp. No. 18

From Recife, Brazil.

for setting up shop in the Northeast. SUDENE officials (in September conversations) calculated that more than Cr\$10 billion of private investments, routed through SUDENE, are presently programmed for the area - with employment possibilities for 75,000 persons.

SUDENE was no longer enjoying complete immunity from criticism. The Governor of Sergipe, in Recife on September 20, noted that he was "disenchanted" with the organization as he criticized SUDENE handling of a Sergipe request for assistance with a pilot alkali plant. Ceará officials were also critical of SUDENE administrative delays. An important new booster for SUDENE was found, however, in Janio Quadros, who in the final days of the Presidential campaign, promised to maintain the policy of assistance to the Northeast through SUDENE. The President-elect also stated that he would maintain the "technical" type of leadership in SUDENE so that it would not become subservient to political machinations. (Diario de Pernambuco, Sept. 27.)

C. UN-SUDENE Irrigation Project For The São Francisco Valley

In Rio de Janeiro on September 16, the Brazilian Foreign Minister and a UN representative signed an assistance agreement which, in part, provides the legal structure for a five-year irrigation program in the São Francisco valley area. The UN will donate \$975,000 and Brazil will spend \$991,000 on the project that is designed to demonstrate the potentialities of irrigation and the possibilities of new and/or improved agricultural crops in the area. Ten FAO technicians will assist in the project.

Earlier, on August 4, Dr. Celso Furtado had announced that the Ford Foundation had offered 40 scholarships for irrigation specialists. The scholarship program will be tied in with the UN São Francisco Valley project.

D. Economic Indicators

Attached as enclosures are:

- (1) Recife coffee exports 1959/60.
- (2) Recife sugar exports 1959/60.
- (3) Northeast production of cottonseed oil.
- (4) List of comparative prices in Pernambuco for August 1960 - 1959 - 1958.

Ernest S. Guaderrama
Ernest S. Guaderrama
American Consul

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0082

UNCLASSIFIED
(Classification)

Page One of
Encl. No. One
Disp. No. 18
From Recife, Brazil.

COFFEE EXPORTS FROM THE PORT OF RECIFE DURING CROP YEAR JULY 1,
1959, TO JUNE 30, 1960.

<u>Destination</u>	<u>Bags of 15 Kilos</u>
France	47,166
Italy	16,202
United States	6,684
Belgium	5,154
Germany	3,045
England	1,140
Holland	375
South Africa	375
Morocco	<u>125</u>
Total	80,266
Exports during previous crop (1958/59) .	<u>62,532</u>
Increase	17,734

UNCLASSIFIED

0083

UNCLASSIFIED

(Classification)

Page one ofEnd. No. twoDep. No. 18

From Recife, Brazil.

SUGAR EXPORTS FROM THE PORT OF RECIFE DURING CROP YEAR SEPTEMBER
1, 1959, TO AUGUST 31, 1960.

<u>Destination</u>	<u>Bags of 60 Kilos</u>
France	1,489,566
Ceylon	1,503,496
Japan	1,216,132
Uruguay	631,029
Belgium	515,761
Morocco	263,880
Portugal	235,909
Poland	171,026
Tunisia	136,219
Italy	101,331
England	95,536
Jordan	59,559
Holland	55,865
Canary Islands	25,818
Spain	16,749
Tangier	16,749
Total Exports	6,334,625
Domestic Shipments	4,324,809
Grand Total	10,659,434
Exports and Shipments During Previous Crop (1958/59)	7,196,564
Increase	3,462,870

UNCLASSIFIED

0084

UNCLASSIFIED
(Classification)

Page one of
Encl. No. three
Disp. No. 18
From Recife, Pernambuco.

NORTHEAST PRODUCTION OF COTTONSEED OIL
DURING 1958-59.

<u>States</u>	<u>T o n s</u>	<u>Cruzeiros</u>
Maranhão	1,778	32,000,000
Piauí	1,933	35,000,000
Ceará	36,581	783,000,000
Rio Grande do Norte	20,516	400,000,000
Paraíba	35,012	737,000,000
Pernambuco	16,923	356,000,000
Alagoas	1,566	30,000,000

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0085

UNCLASSIFIED
(Classification)

Page 089 of
Encl. No. FOUR
Disp. No. 18
From Recife, Brazil.

LIST OF COMPARATIVE PRICES IN PERNAMBUCO FOR AUGUST, 1950-1959-1958.

COMMODITY	1950	1959	1958	1957	1956
Sugar, crystal, 60 kilos.	1960 : 970:	970:	970:	970:	970
	1959 : 700:	700:	700:	700:	700
	1958 : 570:	570:	570:	570:	570
Sugar, granulated, fine, 60 kilos.	1960 : 1,010:	1,010:	1,010:	1,010:	1,010
	1959 : 750:	750:	750:	750:	750
	1958 : 590:	590:	590:	590:	590
Cotton, Sertão, Type 5, 15 kilos.	1960 : 1,540:	1,560:	1,570:	1,590	
	1959 : 1,090:	1,090:	1,080:	1,130	
	1958 : 860:	900:	925:	940	
Cotton, Sertão, Type 4, 15 kilos.	1960 : 1,550:	1,570:	1,580:	1,600	
	1959 : 1,100:	1,100:	1,100:	1,150	
	1958 : 870:	915:	935:	960	
Cotton, Mata, Type 5, 15 kilos.	1960 : 1,460:	1,490:	1,500:	1,520	
	1959 : 940:	940:	940:	990	
	1958 : 800:	825:	845:	860	
Cotton, Mata, Type 4, 15 kilos.	1960 : 1,470:	1,500:	1,510:	1,530	
	1959 : 950:	950:	950:	990	
	1958 : 810:	835:	855:	860	
Castor beans, 15 kilos.	1960 : 250:	250:	250:	250	
	1959 : 140:	140:	140:	140	
	1958 : 130:	130:	130:	130	
Coffee beans, 15 kilos.	1960 : 250:	250:	250:	250	
	1959 : 250:	250:	250:	250	
	1958 : 438:	418:	400:	400	
Manioc flour, 50 kilos.	1960 : 350:	350:	350:	350	
	1959 : 400:	400:	400:	400	
	1958 : 475:	475:	475:	475:	
Black beans, 60 kilos.	1960 : 1,500:	1,500:	1,400:	1,500	
	1959 : 1,100:	1,100:	1,200:	1,150	
	1958 : 475:	475:	475:	475	
Corn, 60 kilos.	1960 : 300:	350:	310:	310	
	1959 : 350:	385:	390:	360	
	1958 : 455:	418:	365:	350	

Sources: Indicador Comercial, Recife, Pernambuco.

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0086

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FROM : AMCONSUL, Belém, Pará, Brazil

15
DESP. NO.

November 9, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE

REF : CERP Requirement, Section B, Item 2.

55 For Dept. Use Only	ACTION RECT	DEPT. IN OTHER
11/21	COM-12 CER-10 TAR-2 TR-3 ERB-3 XMR-4 AGR-10	REP-1 ENR-7 ARA-4 F-3 ICA-4 EVA-5 100-4 USD-10

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - OCTOBER, 1960

INTRODUCTION

During the month of October 1960 the economic situation of the Amazon Valley was considered fair, the same holding for the financial situation. Domestic trade in this area was active, yet merchants had to face difficulties arising from the new minimum wage, increases in prices of merchandise received from the south and a continued holding back on the part of buyers. Credit was tightened. Now merchants are actively building up their stocks and shops for Christmas. Petrobras has conducted a survey among local asphalt dealers to determine the estimated requirements of that product for the coming year.

Substantial amounts were paid out by SPVEA and Pará State government to official and private companies in the Amazon Valley as well as to small farmers in the State of Pará. Satisfactory levels of tax collections were reported by the State Finance Department and several municipalities of Pará. The Companhia Sul Americana de Investimentos, Crédito e Financiamentos with main office in Rio de Janeiro, has started operations in this area. The cruzeiro weakened a little during October 1960. There was a steady demand for US dollars. US\$7,000 was the quota destined for the Pará Bolsa de Valores to be auctioned to import Christmas articles; this amount is considered insufficient to meet the needs of local importers.

The Belém-Brasília highway is already open to traffic between the States of Maranhão, Goiás and Pará. Petrobras has used this highway to transport 400 tons of equipment to install an oil drilling rig at Imperatriz, Maranhão.

A director of Lufthansa, from Germany, has visited the Amazon Valley believing that his company may be willing to start tour service between Germany and the Amazon Valley very soon.

The newly set minimum wage for this area is causing serious difficulties as in the past not only to employers but to workers too. Around 2,000 layoff cases are now being tried by the local Labor Justice court.

Domestic trade and

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UNCLASSIFIED

(Classification)

Page 2 of

Encl. No. 35 - 11/9/60

Dep. No. 35 - 11/9/60

From Belem, Para, Brazil

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

During October 1960 local merchants were hard pressed to face certain difficulties as a result of continued price increases of products from southern and eastern Brazil, a perceptible holding back on the part of buyers motivated by the weakened cruzeiro, as well as the recently approved minimum wages for this part of the country. At the same time, in Belem, merchants reported a satisfactory volume of sales during that month believed to have been caused by an unusual influx of people coming from the interior of the State to attend the biggest Brazilian religious festivity "Cirio de Nossa Senhora de Nazare", which is held during fifteen days in October.

Credit to business was a little tighter than in the previous month, especially from official sources. Private banks helped ease the situation, although some reductions had to be made.

Local merchants are by now getting prepared for Christmas sales. It is reported that only US\$7,000 in exchange have been permitted to be auctioned by the local office of Bolsa de Valores to import the so-called Christmas articles. This amount was sold immediately and several firms could not buy the necessary exchange to make their importations. The same situation is reported for the State of Amazonas.

Technicians of the commercial office of petroleum and derived products of Petrobras have been in contact with the owners of the asphalt terminal of Belem in order to evaluate the asphalt requirements for this area during the coming year. Both the State of Para and Municipality of Belem Highway Departments, the two largest consumers of this product, indicated the minimum needs for 1960. With this measure it is expected that there will be no shortage of asphalt in this area, with prices being maintained at previous levels.

FINANCE

It is reported that during the month under review the financial situation of the Amazon Valley was fair. SPVEA turned over allocations totaling approximately 150 million cruzeiros to private and government enterprises in the States of Amazonas, Acre and Para for continuation of work required for electric power supply, opening and maintenance of roads, construction of airfields at small towns and building and maintaining different schools in the Valley. The Para State administration, through its Production Department, paid out the sum of 10 million cruzeiros to help small farmers located in the interior to improve their plantations (manioc, rice, corn, cotton, etc.) in an effort to obtain a higher production in the coming months.

Exports of Amazonian products and shipments made to southern points of Brazil have accounted for a high level of tax collection accruing not only to the State but to most of the municipalities of Para. The State Finance Department of Para has reported a total tax collection around 140 million cruzeiros during October 1960.

The Lower Amazon region/

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UNCLASSIFIED

(Classification)

Page 3 of

Encl. No. 15 - 11/9/60

Disp. No. 15 - 11/9/60

From Belém, Para, Brazil

The Lower Amazon region is in a satisfactory financial situation. The municipality of Alenquer is producing large quantities of balata gum which is sent abroad. In Santarém and Monte-Alegre there is large scale production of malva fiber which is shipped to Belém and to Brazilian southern and eastern ports. These two products alone provide substantial tax revenue for these municipalities, thus contributing to a general improvement of the Lower Amazon area financial situation.

The Companhia Sul Americana de Investimentos, Crédito e Financiamento, with headquarters in Rio de Janeiro, has started its financing operations in this State. The agency of the Banco Francês e Brasileiro S. A. in this city is the representative of that company. This has been of considerable help to local business and industry at a time when local financial sources are tightening their financing to the same concerns.

It happens, however, that in spite of the few bright spots just mentioned, during October 1960, the financial situation of the private citizen was adversely affected by inflation of prices of foodstuffs and utilities. The recently decreed minimum wage now in effect, has caused serious hardship to poor and middle classes since the 60% granted over the previous minimum wage, is being more than offset by the soaring prices of basic staples, services, and utilities.

The check buying and selling rate in the exchange free market during October 1960 went as follows: October 1, Cr\$187 for purchase, Cr\$192 for sale; October 31, Cr\$187 for purchase, Cr\$192 for sale, to one US dollar. The exchange fluctuation was: Cr\$185 for purchase and Cr\$190 for sale, the lowest; Cr\$187 for purchase and Cr\$192 for sale, the highest to one US dollar. Demand for US dollars during that period was steady. Domestic and foreign bank collections were reported normal.

Only US\$7,000 were put into auction at the local Bolsa de Valores to import Christmas articles. It was a small amount considering the growing consumer market that is the State of Pará. As a result of this measure, several importers will be not able to place their orders abroad. Some of them are contemplating the possibility of buying some US dollars in that category at the Bolsas de Valores in other States, so that they can manage to receive merchandise in time for Christmas.

COMMUNICATION AND TRANSPORTATION

The highway Belém-Brasília, although not yet fully and entirely open to traffic over its entire length, has been used since June of the current year by large numbers of trucks coming from several points of the States of Maranhão, Goiás and Ceará. Shipments of products from the Tocantins river region, are reaching this city in an average of 12/15 hours of normal traffic, whereas it would take 15 days if brought by river transportation. A fleet of transport trucks belonging to Petrobras, consisting of 17 units carrying 400 tons of material for an oil drilling rig to be installed near Imperatriz in the State

of Maranhão/

UNCLASSIFIED

0089

UNCLASSIFIED

(Classification)

Page 4 of
Encl. No. 15 - 11/9/60
Desp. No.
From Belém, Par a, Brazil

of Maranhão, in the Tocantins river area, travelled on the Belém-Brasília on the 27th of October arriving at its destination after 72 hours of travel.

TOURING

Peter Tiessen, executive director of the German airline Lufthansa visited Belém and Manaus with a view to examining the possibilities of running periodic excursion trips by Lufthansa aircraft between Germany and the Amazon Valley, and thus bring to Brazil tourists greatly interested in knowing the Amazon. Mr. Tiessen stated he was well impressed with the survey he had made and that touring between his country and the Amazon Valley was a promotion that Lufthansa could turn into reality very soon.

LABOR

The minimum wage for the State of Pará at the rate of Cr\$7,680 monthly decreased in October 1960 is being paid to workers with retroactive effect as of August this year. As was expected, the employers have reacted against the increase in their payrolls by laying off as many workers as they could. Those most affected were the workers of Brazil nut crushing plants, rubber washing plants, textile mills and civil construction. More than 2,000 cases are being brought before the Labor Justice court by lawyers representing fired workers. As usual, the minimum wage has not brought any advantage to workers in this area. If on the one hand they receive 60% more than under the previous wage rate, on the other hand they have to pay an equal if not higher percentage of increase in the prices of foodstuffs and other goods.

Jose DeSeabra
A. Jose DeSeabra
American Consul

c.c.: American Embassy, Rio de Janeiro, Guanabara, Brazil.

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832.00/11-1460
NOV 16 1960

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 29
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 14, 1960.
DATE

REF : GERP C-2

C-5 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
	11-22	11-22

SUBJECT: Monthly Economic Summary - October, 1960.

Handwritten notes: *Rep-1 Dia-4 INR-7 E-7 ICA-11*
Cia-10 Agr-8 Tar-2 TR-3 FRB-
XMB-4 DLF-1 Lab-6 INT-7 Army-4 Navy-4
LOC-4 INDEX Air-6 NSA-2 USIA-10

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:

Bank sources report that money seems to be somewhat easier locally, with the State of Bahia between most crops. Buying in the interior is on a greatly reduced scale however. Recent strike threats by Salvador stevedores and Petrobras workers have materialized. (See Labor). Large scale strike by bank employees was averted. The government's new cocoa marketing plan has been announced and a limited number of copies of the plan were received by the Governor. He turned them over to the Cacao Institute of Bahia for distribution among interested parties. The plan is presently under study by the Institute. It is too early to report any conclusions drawn. Until the plan is submitted to the National House of Congress for approval, it is the general opinion that CACEX will continue doing the cocoa trading. Beginning October 13th the Companhia Docas da Bahia, in accordance with an instruction from the Ministry of Transportation and Public Works, will raise their tariffs by 40% in order that salaries of their employees may be raised by an equal percentage. (See September 1960 Economic Report - Labor).

2. Industry and Investments:

- (a) It has been reported that Cia. de Adubos e Materiais Agricolas da Bahia will set up a fertilizer plant at ~~Itapicoba~~ with an initial investment of approximately Cr\$20 million. Work has reportedly already begun and the plant should be in operation by early 1961. Production capacity will be 30,000 tons.

PHMCCARTY:esp
REPORTER

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832.00/11-1460

0091

Page 2 of
Disp. No. 29
From Salvador, Bahia, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

per year.

(b) Messrs. Orlando Brito and Iguaiha Souza, representatives of a firm in the south of Brazil, recently visited Salvador, Ilheus and Itabuna to study the possibilities of installing a large factory for industrialization of cocoa beans. It is reported that, if established, the investment would involve a 500 million cruzeiro business.

Comment:

The Consulate constantly receives reports of the above nature, indicating that large scale businesses are either in the planning stage or about to be inaugurated. However, experience indicates that nothing happens over night in Bahia.

3. Agricultural Development and Policy:

(a) Cocoa. It is widely reported in the cocoa circles that Tosta Filho will be replaced as head of the CACEX (thereby unofficial Czar of Cocoa) in April when Janio Quadros takes over the Presidency.

Local sources now estimate the total Bahia 1960-61 cocoa crop of 2,250,000 bags at 60 kilograms each. Although Tosta Filho has already stated for publication abroad that the crop will be only 2,000,000 bags, it is felt by some observers that this is only a maneuver to firm up prices in the world market. CACEX has recently reported that total sales of Bahia crop for foreign markets and effective internal consumption amounts to 1,821,715 bags and that there is no chance for any deals in new external commitments except eventually 120,000 to 150,000 bags for shipment next year if late arrivals confirm.

Although the weather in the cocoa zone has improved, arrivals into the port of Ilheus remain slow since this is the usual slack period between the mid and main crops.

(b) Castor Seed and Castor Oil: Estimates for the State castor seed crop continues to be a bumper 80,000 metric tons, in contrast to the poor crops in Ceara and Pernambuco. Despite the excellent crop here, local oil processors are feeling virtually no price pressure, as they have already sold their production for many months ahead. The Federal government temporarily lifted the ban on castor seed exports, assigning a quota of 4,000 tons divided equally among eight local exporters, to be shipped before the end of the year. However, since the domestic price for seed is presently higher than the world market, it is unlikely that anything will be shipped under this special quota.

(c) Tobacco Leaf. Local exporters continue to resist price pressure from Europe, refusing to sell at lower prices, thus maintaining about the same unsold stocks as mentioned last month. These stocks may be carried over to next year or dumped starting next month if the new crop looks large and of good quality. Future action will also depend on the fluctuation of the dollar exchange

UNCLASSIFIED

0092

Page 3 of
Dep. No. 29
From Salvador, Bahia, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Dep. No. _____
From _____

rate. A burst of selling will probably take place if the cruzeiro shows signs of devaluating further.

Although the new crop looks good at this point, a much better estimate of its eventual quality and quantity will be possible about the middle of next month. Quantity-wise it appears almost certain that the crop will be larger than last year, but qualitatively there is some fear that too much sun could lead to "heavy" tobacco, an undesirable feature.

(d) The Japanese agricultural experimental station "Nucleo Colonial Presidente Kubitschek" in Mata de São João, Bahia has obtained a loan of nine million cruzeiros through the Bahia State Government, from the Banco Nacional de Crédito Agrícola. The money will be used to increase the vegetable and poultry production. The loan will extend over a period of three years. Six million cruzeiros will be made available immediately and the remainder in two years.

4. Petroleum:

PETROBRAS inaugurated its purchasing office in Salvador on October 6th. (See Economic report of July, 1960). Dr. Pinto Aguiar, Director of PETROBRAS reports that this enterprise will invest approximately 23 billion cruzeiros during the year 1961. Of this amount, he states 6 billion cruzeiros will be used for the exploration of new petroleum wells.

5. Transportation and Communication:

(a) On October 29 the Companhia Docas da Bahia inaugurated the new port area known as "São Joaquim" (See Monthly Economic Report of May, 1960 - Transportation). The Company dredged and cleaned about 10,000 square meters of land and created a new access for the inward and outward movement of small sailing vessels supplying the "Feirantes" (sellers of fruits and vegetables), and expended approximately 36 million cruzeiros. This work was undertaken to free a further portion of the port area for larger sea-going vessels and will eventually lead to the addition of 4 more dock spaces, giving a total of 14 berths.

(b) The construction and paving of the highway connecting Retiro, a suburb of Salvador, with the Port of Salvador (see Monthly Economic Report of August, 1960), should begin sometime in November. The cost is estimated at 283 million cruzeiros and should be completed by May of 1962.

(c) It has been reported that on October 5th, two days after the Presidential elections were held, the Iheus port works were automatically stopped by the Federal government. It has been suggested locally that this is an indication the initial work was being done solely for election propaganda purposes.

(d) The Commander of the Salvador Airbase reports that completion of the new airport runway is being held in abeyance pending allotment of additional

UNCLASSIFIED

0043

Page 4 of
Disp. No. 29
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
End. No. _____
Disp. No. _____
From _____

funds. The new runway is presently 4,500 feet and is being used by the military. However, there is no connecting strip at present to join it with the civilian side of the field. The commander indicated that he recently visited Rio and made a request for additional funds which he believes will be forthcoming early next year. To accommodate commercial jets the field will need at least 6,000 feet. Under the supervision of Col. Neiva, Commander of the Base, the Salvador Airport will receive a complete "face-lifting" and since his arrival a little more than six months ago, substantial advancement has been made along that line.

(e) Five technicians of the new local telephone company TEBASA - Telefones da Bahia, S.A. have departed for Munich, Germany, on scholarships granted by Siemens and Halske, A. G., the suppliers of telephone equipment for TEBASA. They will receive training concerning up-to-date telephone systems, preparatory to the installation of the new equipment in Salvador.

6. Labor:

(a) Commercial employees, according to the local press, have obtained an increase of 35% in their salaries for those earning up to Cr\$10,000 monthly and 30% for those over that amount.

(b) The minimum wage for Salvador was raised from Cr\$4,500 to Cr\$7,200 monthly, beginning October 16, 1960. Local trade associations have held meetings protesting the validity of the government's decision in establishing a minimum wage for this State without hearing interested parties.

(c) Salvador port stevedores went on a 24 hour strike on October 18th as an adhesion to a nation protest against the "Brazilian Coal Limited" of Rio de Janeiro which performed stevedoring services with workers who were not members of the National Stevedoring Federation.

(d) Petrobras workers went on strike on November 1st demanding the same salaries paid to workers of the Cubatão refinery at São Paulo. They have just obtained extra hours payment; a night wage increase and two hours daily for rest period. However, the strike lasted only 48 hours and according to Dr. Jose Joaquim Neto, Director of Finances for Petrobras, both employees and workers will receive salary increases beginning November 1, 1960, ranging from 40 to 60%.

(e) Salvador stevedores, according to an agreement recently signed at the Labor Court, obtained an increase of 35% in their salaries.

(f) Bank employees also have obtained an increase in the salaries on the following basis: Up to Cr\$9,000 - 35%; Cr\$9,000 to Cr\$12,000 - 33%; over Cr\$12,000 - 30%.

(g) The Bahia State Government is studying the possibility of granting a raise to state employees on the following basis: 60% for those earning Cr\$4,500; 50% for those earning between Cr\$4,600 and Cr\$10,000 and 30% for

UNCLASSIFIED

0094

Page 5 of
Disp. No. 29
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

those earning over Cr\$10,000 monthly. In order to meet this increase the government would have to expend approximately 2 billion cruzeiros more than its present budget. The intention is to raise the "Vendas e Consignações" tax from 5% to 8%. According to government calculations, this tax increase would make up the deficit of 2 billion cruzeiros.

7. Finance:

According to the State Internal Revenue Department Cr\$1,307,318,693 were collected during the first ten months of 1960 which constitutes an increase of Cr\$219,237,636 over the same period in 1959.

8. East-West Trade:

Exports to Soviet bloc countries during the month of October were as follows: Yugoslavia, 845 metric tons of sisal fiber and 50 tons of sisal fiber to Hungary.

FOR THE CONSUL:

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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PRIORITY		FOREIGN SERVICE DESPATCH		832.00/11-1860	
FROM :	Amcengen, S%o Paulo		198	November 18, 1960	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DESP. NO.	DATE	
REF :	ORFP C - General Interest			NOV 18 1960	
20 For Dept. Use Only	ACTION REC'D 11-21-60	DEPT. IN OTHER CIR-10 COM-12 AAB-6 TR-3 PRB-3 YMB-4 VISA-10	SUBJECT: Biweekly Economic Review, November 4 - November 17, 1960		
AGR-5 NSAC OSD-5 ARMY-4 NAVY-4 AIR-6					

Index

1. State Legislature Approves S%o Paulo Budget for 1961
A. D. Ventura
R. E. Cahn
R. E. Cahn
2. New Type of Swap
A. D. Ventura
3. Ford Presents Prototype of Tractor to be Produced Soon
A. D. Ventura
4. Paulista Railway Rates Increased
A. D. Ventura
5. Britain's Commerce Minister in S%o Paulo
A. D. Ventura
6. Higher Minimum Wages Cause Price Increase of Food and Household Items
A. D. Ventura
J. F. Shea
7. Wave of Strikes

1. State Legislature Approves S%o Paulo Budget for 1961

The bill covering the 1961 budget of the State of S%o Paulo (see despatch 135 of October 4) was approved by the Legislative Assembly in a special session on November 8. The bill called for a balanced budget, with revenue and expenditures each estimated at Cr\$ 106,365,675,000. However, the assembly also approved amendments which increased expenditures by Cr\$ 600 million. The Government was authorized to cover the deficit through credit operations.

Comments: The increase in expenditures and current deficit of Cr\$ 600 million was occasioned largely by one amendment, which made available Cr\$ 5.5 million to each of 99 deputies for distribution to charitable organizations of his choice. The 1961 state budget will be unbalanced by an additional Cr\$ 12.5 billion if the approximately 30 percent increase in government salaries, now under consideration, goes into effect on January 1. A government spokesman said that funds for the salary readjustment would come out of the Plan of Action, and indicated that some public works would be postponed in order to be able to make the funds available.

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NAME OF OFFICER	TAKEN	ACTION	TO
OFFICE SYMBOL			

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UNCLASSIFIED
(Classification)

Page 2 of
Encl. No.
Desp. No. 196
From Amcongen SMO Paulo

2. New Type of Swap

A new type of swap has been entered into by a SMO Paulo firm with the Bank of Brazil. This is a three-year swap of dollars for cruzeiros at Cr\$ 81.00 per dollar, interest at 3 percent a year, with dollars returned at the end of the three years at the same cruzeiro exchange rate. The firm making the swap has the option, however, of liquidating the swap before the expiration of the three years by receiving in cruzeiros the difference between the Cr\$ 81.00 per dollar and the prevailing free market rate for dollars.

Comment: A so-called dollar swap for liquidation in cruzeiros was instituted about a year ago. The new type of swap is similar to that one, but has the additional advantage of a dollar liquidation commitment on the part of the Brazilian financial authorities if the contract runs the full three years.

3. Ford Presents Prototype of Tractor to be Produced Soon.

The first prototype of a Ford medium-duty tractor was presented to Admiral Lucio Meira and other officers of the Executive Group of the Automotive Industry (GEIA) by Ford do Brasil S. A. on November 6. Production of this 55 motor HP wheel tractor is to start in December, after the remaining manufacturing equipment valued at US\$200 thousand and flown in from the United States is completely installed. Initial production at the rate of 100 tractors monthly will be raised to 200 units in the first quarter of 1961 and eventually to 400 units monthly. Local parts content will start at 60 percent of the vehicle's weight and will gradually be increased until all tractor parts are locally manufactured in about two years. The tractor will sell at Cr\$ 800 thousand (approximately US\$4210 at the present free rate of exchange). The diesel motor for this tractor is being produced by Motores Perkins S. A., a subsidiary of Perkins Motors Ltd. of England.

4. Paulista Railway Rates Increased

The State Governor signed a decree on November 16 approving a 17.45 percent increase in the freight rates and passenger fares of the Paulista Railway (Cia. Paulista de Estradas de Ferro). The increase is for the purpose of meeting increased labor costs due to the new minimum wage, increased social security contributions, and a 10 percent bonus approved last May. This is the second time this year that the Paulista Railway has raised its fares and rates to meet increased wages and fringe benefits (see despatch 330 of March 18 and item 3 of despatch 365 of April 6, 1960).

5. Britain's Commerce Minister in SMO Paulo

Mr. Frederic Errol, Britain's Minister of Commerce, arrived in SMO Paulo from Brasilia on November 10 for a three-day visit. Purpose of the trip was to strengthen Britain's trade relations with Brazil and study existing conditions with a view to the growth of British private investment in this country. At a British Chamber of Commerce luncheon he explained that Great

UNCLASSIFIED

0097

UNCLASSIFIED

(Classification)

Page 3 of
Encl. No.
Desp. No. 198
From: Amoenen SMO Paulo

Britain was not in a position to extend long term loans to Brazil and regretted that British industrialists were losing opportunities to join in Brazil's industrial development. He also called upon Governor Carvalho Pinto and discussed possibilities for expanding Anglo-Brazilian trade. At a press interview, the Minister pointed out that trade between his country and Brazil would increase when Brazil's debt to Great Britain is liquidated. In the meanwhile the balance of trade was in Brazil's favor. The Minister said that trade could be increased in such Brazilian exports as iron ore, lumber and meat.

6. Higher Minimum Wages Cause Price Increase of Food and Household Items.

The press reports that prices of vegetables, fruits and household items rose by an estimated thirty percent at open-air street markets in SMO Paulo this week. Prices of other food items, such as cereals, flour, eggs, and canned goods, also rose considerably. The increase in prices is attributed mainly to the new minimum wages which a fortnight ago caused price increases in many sectors of activities (see item 2 despatch 183 of November 4, 1960).

7. Wave of Strikes.

Labor unrest is sweeping the state of SMO Paulo. During the past two weeks a nationwide strike of maritime, port, and railroad workers tied up the port of Santos and shut down the important Santos-Jundiai railroad for three days. Some 120,000 metalworkers also walked off the job for six days and on November 12 packing house workers went out for 48 hours. Bus drivers, typographical workers, and streetcar workers also got in the act, and all streetcars in the capital city have been halted by a strike which is now in its fifth day. In addition bank clerks, dairy workers, cabinetmakers, chemical workers, and railroad workers on the Sorocabana and Paulista railroads are also threatening to strike.

Worker discontent over the sharp increase in the cost of living combined with considerable left-wing agitation is causing the strikes. (The cost of living in SMO Paulo is estimated to have risen about 4 percent during the month of September alone, 21 percent this year and 71 percent since the beginning of January 1959.)

The maritime, port, and railroad workers struck in support of their demands for a 30 percent wage increase which would bring them in line with salaries of the military which were recently increased. This strike was called off when the national strike committee at Rio announced *inter alia* that the Brazilian Congress would enact legislation increasing the wages. The metalworkers were seeking a 50 percent wage increase and a number of fringe benefits. They called their strike off, however, when the SMO Paulo Regional Labor Court awarded them an increase of 40 percent over existing wages. The packing house workers also accepted a similar 40 percent increase. Typographical workers employed by newspapers won an increase of 31 percent while their fellow workers employed in publishing houses received a 36 percent increase. Bus drivers on privately owned lines returned to work after a 24-hour strike when their wages were

UNCLASSIFIED

0098

UNCLASSIFIED

(Classification)

Page 4 of

Encl. No.

Desp. No. 198

From Amstrong SMO Paulo

increased 40 percent. The streetcar workers employed by the city-owned streetcar line are striking in protest over non-payment of back wages. Agreements granting wage increases of 37 1/2 percent appear to have been reached in the textile and glass industries, thus heading off further labor trouble.

The strikes in the most part have been orderly and no major incidents of violence have been reported. (See Item 3 despatch 183, November 4, 1960.)

William F. Cochran, Jr.
William F. Cochran, Jr.
Consul General

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AIR POUCH PRIORITY		UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE 832.00/117860
FOREIGN SERVICE DESPATCH			
FROM :	American Consulate, Curitiba	DESP. NO.	21
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	DATE	November 18, 1960
REF :	CERP Section G-2		

55 For Dept. REC'D Use Only	ACTION COM-12 11/29	DEPT. IN OTHER CIA-70 TAR-2 TA-3 ERA-3 XMB-4 AGA-4 LOC-4 USIA-70 INT-7 HAB-6 OSD-5 army-6 Navy-4 NSA-2
SUBJECT: ECONOMIC SUMMARY FOR OCTOBER 1960		

I SUMMARY

The only discernible movement in the economic field during October was in prices and wages. Whatever benefits the workers may have gained by the compulsory salary raise were rapidly being lost as the cost of everything skyrocketed.

Coffee and wood exports were low, the port of Paranaguá falling into virtual inactivity during the month (63,371 bags). Credit was somewhat tighter after easing a bit in September. Retail sales were good.

II AGRICULTURE:

1. Coffee: Port workers in Paranaguá had plenty of idle time last month as coffee exports dropped to 63,000 bags and Paraná threatened to sink in a sea of coffee. There were the usual speeches, telegrams, appeals, rumors and promises, everything in fact, except a solution to the state's most difficult problem.

The Paraná Commercial Association has called on Paraná coffee circles to show greater interest in the industrialization of the mere than 3,250,000 bags of expurge coffee in warehouses here. There are a number of coffee by-products, says the Association, which would find a ready market in Brazil.

SOURCES: all papers.

2. Mate: Exports of mate continue relatively slow and attempts to stimulate European consumption have as yet been unavailing. A Swiss bank has a contract with the Brazilian Federation of Mate Cooperatives under which it is supposed to promote consumption in ~~all of Europe~~ Communist countries excluded. Earlier in the year, the Russians accepted a few test samples of mate and generated a great deal of noise about importing some, but nothing has come of it.

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Page 2 of 4

End. No. _____

Disp. No. 21

From AmConsulate, Curitiba

SOURCES: "Estado de Paraná", Oct. 2, 15, 1960.
"O Dia", Oct. 15, 1960.
"Gazeta de Povo", Oct. 13, 1960.
"Tribuna de Paraná", Oct. 27, 28, 29, 1960.

3. Rami: Paraná rami producers are trying to get the Bank of Brazil's agricultural credit department to finance purchases of irrigation and harvesting equipment for the crop. Although this year's crop is a good one (6000 metric tons) it is insufficient to meet Brazil's needs, and therefore exports are out of question. The rami harvest has been increasing yearly and with continued increases the possibility of exporting some of it becomes more likely. Japan is presently said to offer the most attractive market for exports because Communist China has ceased exporting rami to the Japanese market.

SOURCES: "Diário de Paraná", Oct. 29, 1960.
"Ultima Hora", Oct. 11, 1960.

4. Economic Notes:

1. The Paraná cotton crop of this year is expected to increase considerably over last year's (60000 metric tons vs. 40000) and the new state administration is said to be interested in promoting cotton cultivation on an ever larger scale.

SOURCES: "Diário de Paraná", Oct. 21, 25, 1960.
"Ultima Hora", Oct. 19, 1960.

2. At a meeting of wood leaders held in Joinville, Santa Catarina, Paraná pushed for a greater share of the Argentine export market. At present it sells 9%. The move was defeated and present quotas will be maintained. Argentine pine imports have been running between 6 and 8 million square feet per month. Imports during prior years ran between 20 and 30 million square feet per month.

COMMENT: Even if Argentina returns to its former level of imports it would take years to clear the Itajaí warehouses which presently hold 300 million square feet of wood.

SOURCES: "Diário de Paraná", Oct. 14, 18, 1960.
"Estado de Paraná", Oct. 1, 14, 1960.
"Gazeta de Povo", Oct. 7, 11, 1960.

III LABOR:

1. Wage Increases:

Paraná bank workers after demanding a 50% increase, accepted an agreement patterned on that accepted by Rio bank workers. Salaries were upped 30 - 35%

UNCLASSIFIED

UNCLASSIFIED
(Classification)

Page 3 of 4
Encl. No. 21
Disp. No.
From AmConsulate, Curitiba

upped 30 - 35% retroactive to September 1, 1960.

Carpenters have been demanding a 50% increase and have been offered 40%.

Construction workers in Santa Catarina are asking for a 60% raise. They base their claim on an average 3.5% monthly increase in the cost of living since July 1, 1959, the date on which their last contract took effect.

Metallurgical workers in Paraná asked for a 45% wage increase but when employers held rigidly to their offer of a 27.5% raise the unions dropped their demands to 30%. The 30% figure was agreed to after the threat of strike. There was some criticism by leftist circles of Metallurgical Syndicate chief, Miguel Krug. Krug was accused of giving in to the employers too readily. Metallurgical workers in São Paulo were on strike on October 31 but were soon granted a 40% increase.

SOURCES: "Diário do Paraná": 10.1; 10.7; 10.21.
"Estado do Paraná": 10.1; 10.6; 10.13; 10.19; 10.21;
10.26; 10.28; 10.29.
"Tribuna do Paraná": 10.27; 10.28.
"Última Hora": 10.1; 10.12; 10.15; 10.22; 10.31.60

2. Price Increases: Milk in Curitiba increased from 15 to 18 cruzeiros per liter. Bread is expected to rise 20% during November. Movie theatres want a 30% increase in admission prices and taxi drivers are demanding a 50% fare increase. Bus fares rose 38%, the cheapest bus ride in Curitiba now costing 5 cruzeiros. Similar increases were reported in Santa Catarina.

IV MINERALS:

The Governor of Santa Catarina, Heriberto Hulse, in an interview with "Correio da Manhã" (Rio de Janeiro) said that the Santa Catarina coal industry is suffering one of the worst crises in its history. While the states "fine steam coal" (carvão de vapor fino) is consumed entirely by the Companhia Siderurgica Nacional, the heavy steam coal (carvão de vapor grosso) does not have a market because of the dieselization of the railroads and the increased use of fuel oil. With the building of a thermo-electric plant in Capivari, which is expected to consume 250,000 tons per year of this type of coal, the crisis may be solved but, because of a delay in constructing the plant, Governor Hulse could not predict when.

SOURCE: "Gazeta", Florianopolis, Oct. 27, 1960.

V DOMESTIC TRADE & COMMERCIAL POLICY

Television in Curitiba:

Although the

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0102

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(Classification)

Page 4 of 4
Encl. No. 21
Desp. No. 21
From AmConsulate, Curitiba

Although the quality of the programs could hardly be worse, television is becoming popular in Curitiba. Reportedly, 5000 sets have been sold since the beginning of the year. A 21 inch table model costs about 90,000 cruzeiros. São Paulo and Rio channels cannot be picked up in Curitiba, so the city has been forced to rely on films and its own somewhat limited cultural resources. Despite this, the outlook for television sales is bright.

SOURCE: Personal observations.

VI TRANSPORTATION & COMMUNICATIONS

1. International Bridge: The opening of the International Bridge connecting Brazil with Paraguay has been postponed until January 15. The bridge's inauguration will coincide with a Brazilian industrial exhibition in Assunción.

2. Roads: A federal deputy in Santa Catarina is pushing for the asphaltting of the Curitiba-Joinville road (now macadam). The work may begin next year. The Itajaí-Joinville road has been improved and it is believed that it, too, may be asphalted next year.

Paving of the Curitiba-São Paulo road has not yet been completed, but it has been reported that all bridges, viaducts, and other "obras de arte" are ready.

SOURCES: Personal observations and
"Diário do Paraná", Oct. 15, 1960.
"O Dia", Oct. 21, 1960.
"Gazeta do Povo", Oct. 21, 26, 1960.

Edward M. Rowall
Edward M. Rowall
American Consul

cc.: Counselor of Embassy for Consulate Affairs

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The Brazilian Embassy presents its compliments to the Department of State and has the honor to send herewith three copies of the publication "Survey of the Brazilian Economy - 1960".
2. Said publication is issued annually by the Brazilian Embassy and its aim is to acquaint the interested U.S. public with current economic developments in Brazil.

Washington, D.C., November 28th, 1960.

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 2, 1960

REF : CERP Requirements: Section C, Item 2

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	REC'D 12/12		CIA-10	FRB-3	TAR-2	TR-3	XMB-4	YAG-5

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - November

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

SUMMARY:

The weather remained favorable to crop and livestock during November. Minimum wheat price to the producer raised to \$1.100 per 60-kilo bag. IRGA (Rio Grande do Sul Rice Institute) is making an effort to sell rice directly to the Far East, especially Indonesia. Beef exports from this state not favorable because of attractive domestic prices. Retail and wholesale trade sources continue to report satisfactory sales. The free market cruzeiro weakened somewhat. The money market remained tight. A new important soybean oil plant is under construction. Czech plans for establishing tractor plant is running against official opposition. Labor unrest prevailed throughout November.

1. AGRICULTURAL DEVELOPMENTS:

Beef - An official census made two months ago puts the total beef cattle herd of the state at approximately 9,000,000 head. The price of beef on the hoof remains firm at \$40.00 per kilo. With the approach of the 1961 killing season local beef producers under the sponsorship of the Rio Grande do Sul Meat Institute are seeking new markets in this country in view of the unattractive returns, attributed to the steadiness of the free dollar rate, offered by the export market. According to a recent study, the free market quotation of the dollar would have to reach over \$220 to bring returns on exported beef in line with those realized on beef sold locally.

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Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. _____
Disp. No. 25
From Porto Alegre

Rice - Due principally to the withdrawal from the regular market of approximately 3,000,000 bags purchased by IRGA (Rice Institute), local prices on this commodity continue firm at \$1,470 per 60-kilo bag of milled top quality rice. Dealers report that sales in northern domestic markets continue at good levels.

Wheat - Reliable trade sources have indicated that the new crop should be somewhat larger than last year's, but still below initial forecasts. The new minimum price per 60-kilo bag to the producer has been set at \$1,100, against \$840 for last season's crop, and this has been accepted by all parties involved as a reasonable figure.

Wool - Prospects for the current wool clip continue good as regards both quality and quantity, and local prices continue firm at an average of \$3,000 per arroba (15 kilos). The Bank of Brazil is expected to authorize financing of up to \$1,200,000,000, compared with \$700,000,000 last year. The total clip is expected to reach 25,000 metric tons (greasy basis).

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Sales and collections of trade bills continue to be favorable. Comparative figures of state sales for October (latest figure available) and September 1960, and October 1959 are as follows:

(In thousands of cruzeiros)

<u>October 1960</u>	<u>September 1960</u>	<u>October 1959</u>
21,358,351	22,000,582	16,784,582

3. FOREIGN TRADE:

Rice - The local Rice Institute has sent representatives abroad in the interests of expanding export markets, chiefly to Indonesia. An outlet is desired for this year's export surplus of approximately 3,000,000 bags of rice. The Rice Institute is trying to sell its rice directly, instead of through official channels.

Wool - It is estimated that 3,000 metric tons of wool will be available for export. However, it is felt that there is little incentive to export with the free dollar rate continuing as at present. One source is of the opinion that the free market rate of the dollar would have to reach approximately \$230 to make the export price of wool competitive with local prices.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Tractors - State officials discussed with a Czech group the

UNCLASSIFIED

0106

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. _____
Disp. No. 25
From Porto Alegre

proposal for the contemplated tractor (Zetor) factory in Rio Grande do Sul. This group included Otto Hataavack, commercial attache of the Czech Embassy in Rio; Miroslav Podhorski, director of Tecnoexport of Prague; Stig-Iban Pale, director of Zetor do Brasil; and Alberto Tangari, GEIA (Automotive Executive Group) representative. GEIA recommended the formation of a state and private capital company, in which the Czech interests would control 10 percent of the capital and would also participate in the company's management. The State government has declared that there is no possibility of accepting GEIA's recommendations. A leading local tractor distributor is of opinion that this factory is not feasible in Rio Grande do Sul as raw materials are not available and taxes and the cost of power are high. The Consulate will report any further developments.

German Automotive Industry - A project sponsored by local automotive parts manufacturers was submitted to Governor Brizola contemplating the establishment of the first automobile factory in Rio Grande do Sul. The car which it is planned to manufacture here is the German NSU, and a state and private capital company is contemplated. The developing situation will be reported by the Consulate in future reports.

Steel Plant - A plan devised by a group of technicians envisaging the installation of a steel plant in Rio Grande do Sul has been submitted to Governor Brizola. The contemplated plant will be installed at São Jerônimo, a coal area near Porto Alegre. The capital stock will amount to \$2 billion in shares. The state will control at least 51 percent of the capital for this state and privately-owned plant. If all private capital is not subscribed, the state is authorized to hold the absolute majority of shares. The area where the plant is to be installed is said to be plentiful in fine hematite. The Consulate will report further developments.

Soybean Oil Industry - There is under construction at Cruz Alta, in this state, a soybean oil pressing plant by the U.S. firm of Anderson Clayton Co. This firm has been active in Brazil for many years in the coffee and cotton industry. The plant under construction will be equipped with modern machinery and its initial capacity is said to be 200 kilos daily. However, plans have been formulated to eventually increase its capacity to 400 kilos per day. The headquarters of the firm is located in São Paulo.

Industrial Production - Official statistics just released covering the state's 1958 industrial production are available. The Consulate will review these statistics and prepare a separate report.

5. TRANSPORTATION AND COMMUNICATIONS:

To reduce operation costs, it is necessary to change from coal

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0107

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 25
From Porto Alegre

to diesel engines, according to the local administration of the federal railroad system operating in this state. The current annual deficit of the railroad is now estimated at \$2,700 million. Technical problems, including the improvement of railroad tracks, should also be taken into consideration by federal authorities, it has been stated.

6. FINANCE:

Exchange - The cruzeiro showed a weakening tendency toward the end of the month under review, averaging \$191.85 to the U.S. dollar (check buying rate), against \$191.21 in October.

At the import auctions held in November the dollar premiums showed an increase in the special category. The premiums remained at \$210.00 per U.S. dollar in the general category, while in the special category premiums paid averaged \$611.66, against \$577.53 in October. Soviet Block premiums for agreement dollar remained at \$178.00 in the general category.

Money Conditions - The tightened money conditions noted in October continued into November because the easing normally expected at this time of the year, following final income tax payments, has not materialized.

Government Finance - The Rio Grande do Sul state budget for 1961 is under discussion at the State Legislative Assembly. The budget includes a salary increase of 36.6 percent for civil servants. The deficit is now estimated at about \$4 billion. However, this deficit is likely to go up to about \$6 billion if credits not yet contracted for and shown as receipts are not obtained. The Consulate will forward further details when they become available.

Municipal Government Budget - The 1961 budget for the Porto Alegre municipio has been approved, showing a deficit of \$395 million. The receipts were set at \$2,000,012,000, and the expenditure at \$2,395,937,400. It should be noted that about 70 percent of the receipts are used for the payment of civil servants (salaries). The mayor intends to increase certain taxes in 1961 to enable him to continue needed public services. During the current year, municipal employees were paid only after considerable delays. It is not believed that a reduction in number of personnel will be made in view of the resulting political and social effects.

7. LABOR:

Labor unrest prevailed throughout November. Dock and railworkers struck for higher pay; bakers struck for higher bread prices; gas station attendants and local electric power workers threatened to go on strike demanding more pay. Higher taxi fares granted by authorities ended a two-day drivers' strike in Porto Alegre.

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0108

Page _____ of
Desp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. _____
Desp. No. 25
From Porto Alegre

The recent 60 percent increase in the legal minimum wage caused some unemployment for workers in low-wage industries, although no statistics are presently available. It is believed, however, that business will soon adjust to the higher wages and thus this unemployment is considered as temporary.

8. MISCELLANEOUS:

State Electrification Program - An adjustment in light and power rates has been made in this state, according to the Secretary of Energy and Communications. In Porto Alegre the increase amounted to \$0.48 per kilowatt. In the interior of the state the increased rates caused considerable criticism. The Secretary stated that the increase was necessary because of the salary adjustments. He also declared that further rate adjustments would probably be necessary in 1961. At that time, some thermo-electric plants are expected to go into operation at a higher cost than hydro-electric plants.

Percy Warner
Percy Warner
American Consul

cc. Amembassy RIO ✓

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FROM	Amconsul, Belo Horizonte, Brazil		17		
TO	THE DEPARTMENT OF STATE, WASHINGTON.		December 2, 1960		RP
REF					
20 For Dept. Use Only	ACTION REC'D COM-120 12-12-60	DEPT. IN F O CIR-10	* REP IN R 7 E-3 * ARN-4 * ICA-11 * * TRA-2 * TR-3 * FPA-3 * XMB-4 * HAA-6 * AGR-8		
SUBJECT: ECONOMIC SUMMARY - Minas Gerais (September-October 1960) INT-7 NOV-2 ARM-6 NOV-4 AIR-6					

INDEX

1. GENERAL BUSINESS ATMOSPHERE
2. INDUSTRY/
Belgo Mineira Steel Company Inaugurates Teleférico and
Charcoal Storage Facilities
3. COMMUNICATIONS AND TRANSPORT/
Work Initiated on BR-4
Belo Horizonte-São Paulo Highway Inaugurated
4. TRADE/
Possible Agreement Between City of Belo Horizonte and
Polish Authorities
5. FINANCE/
State Budget Submitted to Legislature

1. General Business Atmosphere:
Business activity in Minas Gerais was noticeably slow during the two month period covered by this report. The month of September just prior to the national and state elections was one of expectation and speculation in all sectors of the community and to such an extent among business circles that one local banking official informed the Reporting Officer that it appeared that most businessmen had "closed up shop" for the two or three weeks before the elections. At least this was his explanation for the slowdown in collections which appears to have been a general characteristic of the banking business in the pre-election period. It is difficult, of course, to generalize, but there was an apparent hesitancy on the part of many individuals to make further commitments until the election results were known and the minimum wage controversy was settled.

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Page 2 of
End. No. _____
Dep. No. 17
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During this same pre-election period the political campaign reached its peak. In September the three candidates for the State Governorship made appearances before local business and commercial groups and it has been reported that these meetings swung many votes to José de Magalhães Pinto, the eventual victor, on the basis of his knowledge and understanding of local problems. There is no doubt that Magalhães Pinto began his campaign with strong support from many of the businessmen of the state if for no other reason than a common background in business. However, among many of the Commercial and Industrial Associations, both private and government controlled, and probably among the university economists in the area as well there was also much support for Tancredo de Almeida Neves, the administration candidate. Some of these latter groups and individuals tend to be more nationalistic and consequently were drawn toward Neves who had attempted to assume the mantle of the "nacionalistas". Within this business-government-university group being discussed there was, however, little open antagonism between supporters of either of the two major candidates. Along these lines it is interesting to note that here in Minas there is little apparent distrust by people in the business world toward their counterparts either in government or in the universities, a fact sometimes difficult for Americans to understand. This outlook has resulted in few objections to the entrance of the State government into what must be considered business and industrial fields either when done jointly with private business, i.e., USIMINAS Steel Corporation, or unilaterally as in the case of Centrais Elétricas de Minas Gerais S.A.-CEMIG.

It is not surprising then that when election results were known there was little apparent hard feeling even among supporters of Tancredo Neves. Few felt that a great change would now be made in the state government. On the contrary, there were many who felt that the new government with its business background might further the rapid development of the state. Many, for example, are now hoping that the long delayed, but locally heralded move of Sinca do Brasil from its present quarters in São Paulo to the Cidade Industrial de Santa Luzia, outside Belo Horizonte, would be advanced since it was Magalhães Pinto in the first place who had engineered the project. While the Consulate doubts that such a move will be made in the near future there can be no doubt of Magalhães Pinto's interest in the industrial development of the State as his present trip to the United States and Europe testifies -- nor that he himself is a believer in private enterprise.

Aside from the election, this period was also marked by the establishment of the new minimum wage scales which as in other sections of the country were preceded by the usual jockeying for position by representatives of labor and of industry as they met with their counterparts of the State Government. Agreement was finally reached at a figure of Cr\$8,480 which will go into effect

UNCLASSIFIED

UNCLASSIFIED
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Page 3 of
Encl. No. _____
Disp. No. 17
From Belo Horizonte, Brazil

not only in Belo Horizonte, but in other cities in Minas Gerais, including Juiz de Fora, Uberaba, Uberlândia, Governador Valadares and Santa Luzia. There was apparently little enthusiasm generated by the new wage increase for most people expected the new increase to follow the pattern of previous increases wherein prices immediately skyrocket wiping out any temporary advantage. By the end of October this was already taking place with some prices already 30% above early October levels. At the same time there were several layoffs announced by local firms for fear that the new wage rates would disrupt company finances. This action also follows an earlier pattern and as a rule once the bitter pill of increased costs has been swallowed firms have hired back the workers previously laid off.

2. Industry

In September Companhia Siderúrgica Belgo-Mineira put into operation a fifty-one kilometer teleférico which will be used to transport charcoal from Dionísio, where the company has located its eucalyptus operation, to the main steel plant at Monlevade. At Dionísio Belgo Mineira makes use of both natural stands of timber and the harvest from the Company's growing forestry operation which is reported to include the planting of up to eleven million trees a year to assure a supply of the charcoal which is essential to the firm's steel output. The new teleférico with a capacity of 50 tons per hour carries charcoal to the Centro Regulador de Carvão (Charcoal Regulating Center) located about two kilometers from the steel plant. This center can handle up to 260,000 cubic meters of charcoal under controlled humidity conditions thereby increasing its efficiency in the steel making process. The teleférico is of the twin cable variety with two hundred and twenty towers supporting the main cables between Dionísio and Monlevade. Besides the two stations established at each end of the run, two intermediate stations have been constructed.

Estimated cost of the teleférico and the Storage Center is one billion cruzeiros.

Comment:- This construction is one of a series which is part of the Belgo Mineira expansion scheduled to increase steel output at the plant by 1961 to 550,000 tons from its present estimated 380,000 tons.

3. Communication and Transport

Both in September and October President Kubitshchek visited Minas Gerais in connection with the Highway program being carried out in this state. In mid September he visited Governador Valadares.

UNCLASSIFIED

0112

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Page 4 of
End. No. 17
Disp. No. 17
From Belo Horizonte, Brazil

to give a highly touted speech endorsing the Administration candidates for President and Vice President, however at the same time, in what may now prove to be the more lasting result of his trip, he also formally initiated the work of improving BR-4, the Rio-Bahia highway which crosses Minas Gerais from North to South. Although most of its traffic is still commercial, this stretch of highway has a bad reputation with Brazilian drivers both for its almost impassibility during the rainy season and for its axle-and-spring-destroying roadbed during the dry season. Improvement of the highway by paving, and reconstruction of portions of the roadbed, should not only increase and ease transport between Rio and Bahia but should have a positive effect on the communities along the route. Moreover, with the completion of BR-31 which now has been paved between Belo Horizonte and Monlevade, and will eventually cross BR-4 in the vicinity of Matipo, communications and commerce between northeastern and eastern Minas and the rest of the state should be facilitated.

Of perhaps more immediate importance to Minas Gerais was the inauguration on October 22, again by President Kubitschek, of BR-55, known locally as the Fernão Dias highway. This highway, now completely paved, links Belo Horizonte with São Paulo by a modern and what appears to be an excellent highway, allowing for transit from Belo Horizonte to São Paulo in about nine hours by car. The 563 kilometer stretch, 472 of which are in Minas Gerais, completes the paving of the highway triangle connecting Belo Horizonte-Rio-São Paulo. The new road will service an important part of southern Minas. It is estimated that more than 3.5 million persons live in the 168 municipalities through which the Fernão Dias highway passes.

Comment:- There can be no doubt of the importance of this road which connects Belo Horizonte and São Paulo. It offers a new and much more direct route for the export from Minas of the basic materials which it supplies to the industrial complex in São Paulo. By the same logic it will ease the importation of finished products from São Paulo and the south of Brazil. The only fear raised in the local press over the inauguration of the highway is that the improved communications made available by the opening of the new road will increase further the ties Southern Minas already has with São Paulo. It is a fact that this part of Minas Gerais has for some time been more closely allied with São Paulo than with other parts of this state itself. Although this process originated because of the relative isolation of Southern Minas in relation to the Central and Northern parts of Minas Gerais, it is feared that with this new means of communication open the process may be accelerated. It is of course questionable whether such a relationship with São Paulo would work to the ultimate detriment of Minas Gerais.

UNCLASSIFIED

0113

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Page 5 of
Encl. No. 17
Desp. No. 17
From Belo Horizonte, Brazil

4. Trade

Mayor Amintas de Barros of Belo Horizonte has called on two Polish technicians to assist in solving the city's chronic water shortage. The technicians were given a two-day tour of the city's facilities, and a briefing of its problems in the hope that on the basis of the data gathered they might come up with a proposal for the supply of equipment, i.e., pumps, water treatment facilities and laboratory supplies, and in the words of one city spokesman, "If not too expensive, perhaps some technical assistance."

According to one of the technicians payment for equipment and services, if an agreement were reached, would not necessarily be in dollars but might, he suggested, be in the form of a barter arrangement for coffee assuming that some type of arrangement could be reached between the Brazilian and Polish governments.

Comment: - Belo Horizonte's population has more than doubled in the last ten years and as a result the city has been hard put to supply the public services under its control. There has been almost constant agitation not only against the city administration, but also, as the Department well knows, against the U.S. and Canadian private concessionaires in the fields of electric power and light and telephone service.

While the new equipment which could be supplied by the Poles, and the locally originated suggestion that the city drill a series of artesian wells would be of some help to the city, at best these would be only stop gap measures. The one long range solution to the water problem which seems feasible is the completion of a large water main that could bring water to the city from the nearby Rio das Velhas. Unfortunately this project, already started, has been temporarily suspended for lack of funds.

5. Finance

In mid September Governor Bias Fortes submitted what will be his last budget to the State Legislature for approval. In brief, the new budget calls for expenditures of Cr\$21,509,425,960 while at the same time anticipating revenues of Cr\$16,773,806,000. The resulting deficit of Cr\$2,735,619,960 is substantially larger than that predicted for the current fiscal year, actual figures for which will not be available until some time in early 1961.

Once again the largest single share of the state budget (Cr\$7,331,779,662) has been earmarked for the Department of Finance. One reason for this large amount is reportedly that this department handles, and carries as part of its own budget, the salaries of most state employees.

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0114

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Page 6 of
Encl. No. 17
Desp. No. 17
From Belo Horizonte, Brazil

In second place, in terms of size of Departmental budget, is the Department of Education (Cr\$3,976,099,749), which this year replaces the State department of Highways which previously had held this spot. The Consulate was informed by a State official that at least part of this increase will be used to improve school physical facilities which according to other sources are in desperate need of repair.

Following the Department of Education is the Department of Highways (Cr\$2,603,551,928), which will continue its present expansion program covering both the paving and construction of new roads and the reconstruction of roads now in use but in bad repair.

The fourth largest portion of the budget is being assigned once again to the Department of the Interior (Cr\$2,462,153,520), whose main programs encompass the State Military and Civil Police organizations.

Interestingly enough, despite State's efforts to industrialize and develop its resources, the State Department of Agriculture, Industry, Commerce and Labor, still combined under one secretary, remains well down on the list of benefactors from the public treasury (Cr\$810,670,048).

Edmund A. da Silveira
Edmund A. da Silveira
American Consul

cc AmEmbassy/Rio de Janeiro/Econ Section

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0115

AIR FOUCH

FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C - General Interest

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(Security Classification)

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DEPT. NO. 223

DATE December 2, 1960

ACTION	DEPT.	I	N	F	O	OTHER
55 For Dept. Use Only	ARA-5	ARM-2	REP-1	ENR-10	E-6	ICA-4
	12/5	USTA-10	ASD-2	ARMY-35	NAVY-20	

SUBJECT: Biweekly Economic Review, November 18 - December 1, 1960 DLF-1

AN-25 NSA-4 CIA-16 OCB-2 COM-12 TR-2

TR-3 FAG-3 XMB-4 AGR-8 INT-7 LAB-6

Index

1. São Paulo Municipal Budget for 1961
2. Soviet Trade
3. U. S. Locomotives for Mogiana Railway
4. Sale of Shares of São Paulo Light S. A.
5. Highway Freight Transportation Congress
6. First National Forgings Exhibit in São Paulo
7. Wave of Strikes Grinds to a Halt

DEC 2 1960

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1. São Paulo Municipal Budget for 1961

On November 28 the Municipal Council voted the bill submitted October by the Mayor of São Paulo covering the 1961 Municipal Budget (see item 3, despatch 143 of October 7). However, due to a series of amendments the budget, which originally was balanced and placed revenue and expenditures at Cr\$ 14,538,505,000 each, now shows a deficit of Cr\$ 1,904,645,815. The Council first eliminated an authorization to undertake financing operations totalling Cr\$ 1.8 billion to balance the budget and reduced anticipated revenue by that sum. It then cut out expenditures totaling almost Cr\$ 3 billion (including a reduction in public works funds from Cr\$ 2.9 billion to Cr\$ 1 billion). At the same time various amendments increased other expenditures by a little over Cr\$ 3 billion (including a reserve of Cr\$ 1.2 billion to increase government salaries).

According to the press, the only alternative to a veto would be for the Mayor to eliminate some expenditures because the budget did not provide sufficient funds.

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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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Page 2 of
Encl. No.
Desp. No. 213
From Amcogon SMO Paulo

2. Soviet Trade

Coming from Odessa the USSR vessel "Ugleursk" docked at Santos on November 30 to unload 6,500 tons of Soviet wheat. The freighter is due to depart from Santos on December 5 after loading 63,242 bags (3,795 metric tons) of Brazilian coffee. It will make a stop at Ilheus, in south Bahia, to pick up 1,500 tons of cocoa destined to Leningrad and Moscow.

According to a Santos news despatch the Soviet Union is now considering the possibility of setting up a regular shipping line next year to link Soviet ports with Santos.

3. U. S. Locomotives for Mogiana Railway Company

Two U. S. vessels unloaded at Santos last week a total of 10 diesel-electric locomotives destined to the Mogiana Railway Company. Another 13 locomotives are expected at Santos by December 4. The 950 HP, 57 ton locomotives were manufactured by General Motors, and will be used on the Mogiana's passenger traffic lines. The new locomotives will replace obsolete steam locomotives. The company already has 62 diesel-electric locomotives in operation and it is expected that the expanded use of this equipment will contribute to an appreciable reduction in operating costs.

4. Sale of Shares of SMO Paulo Light S. A.

The SMO Paulo Light announced the outcome of the sale of shares on which sales were closed on September 30 (see item 1 of desp. 116 September 22). Twenty-six percent of the new shares were sold to industrial enterprises, while commercial organizations took only 1.9 percent. Individuals accounted for 64 percent of the shares sold. No indication was given as to whom took the remaining 8 percent of the shares. Sixty-five percent (5,634) of the employees of the SMO Paulo Light are now shareholders, and the total number of shareholders of the Light now comes to 33,794.

5. Highway Freight Transportation Congress in SMO Paulo

The First National Congress on Highway Freight Transportation opened in SMO Paulo on November 28. The Congress, to last until December 5, groups representatives of freight transport associations from SMO Paulo and all other states of Brazil. The delegates will discuss, among other topics, the possibility of forming a national association of highway truckers; problems connected with multiple taxation; standardization of packing and freight operations.

6. First National Forgings Exhibit in SMO Paulo

The First National Forgings Exhibit was inaugurated in SMO Paulo on November 30 by Admiral Lucio Meira, president of the National Economic Development Bank (BNDE) and director of the Executive Group of the Automotive Industry (GEIA). The exhibit, sponsored by the Brazilian Forgings Association, is located in the main lobby of Congonhas airport and will be open to the public until January 15, 1961. Exhibits include locally forged automotive and railway equipment, forged parts for the naval construction industry, agricultural implements, cutlery, and other forged parts used in industry.

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0117

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(Classification)

Page 3 of

Encl. No.

Disp. No. 213

From: Amacogen São Paulo

The present capacity of the Brazilian forging industry is estimated at 100,000 metric tons annually.

7. Wave of Strikes Grinds to a Halt

The wave of strikes which swept the city and state of São Paulo during the past month finally ground to a halt. During the past two weeks agreements were reached which settled a strike of some 600 biscuit workers employed by a British firm which lasted 158 days, and a six-day strike of streetcar workers which completely halted all trolleys in the capital city. Chemical workers in the Santos area called off a strike of four days against four private companies in the industrial complex surrounding the Petrobras Presidente Bernardes Refinery.

The strike of biscuit workers was one of the longest in Brazil's history. It was backed by the Frente Nacional do Trabalho (National Labor Front) which is led by Dom Jorge de Marcos Oliveira, socially-minded Bishop of the nearby municipality of Santo André. The agreement settling the strike called for full payment of wages for 90 days of the strike. However, demands for a collective bargaining agreement spelling out grievance procedures, working conditions, seniority, etc. and a wage increase of 40 percent and other fringes were rejected by the company. As a result, veteran non-Communist São Paulo trade union leaders feel that the Frente Nacional do Trabalho suffered a severe setback.

The streetcar workers who struck over non-payment of back wages returned to work when the CMTU, city-owned streetcar line, agreed to pay the wages in arrears in parcel payments over six consecutive days and to pay wages for days lost while on strike.

The Santos chemical workers' strike was called off when the workers accepted an agreement which provided for an increase in wages of 40 percent.

Agreements granting wage increases ranging from 35 percent to 39 percent were negotiated by bank clerks, dairy workers, cabinet makers, commercial workers, brewery workers, journalists, and leather workers without resort to strike. A threatened major strike of railroad workers on the important Paulista line was headed off when the 15,000 workers agreed to accept a wage increase of 30 percent and a number of fringe benefits including a Christmas bonus. Railroad workers on the Sorocabana, who have set at least three strike deadlines in support of their demands for increased wages, postponed strike action once again giving credence to a possible settlement.

Comment: The labor unrest has been caused by worker discontent over the sharp and unchecked rise in the cost of living combined with considerable activity by left-wing agitators. However, most of the wage agreements which reopen annually have now been renewed with the exception of construction workers who are in the process of negotiating a new contract.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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AIR PRIORITY
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 31

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 7, 1960
DATE

REF : CERP C-2

55 For Dept. Use Only	ACTION * COM-12 REC'D 12/29	DEPT. 1 N F O OTHER	* CNA-7 * ARA-4 E-3 ICA-11 CIA-11 TAR-2 * TA-3 FRB-3 XMB-4 AGAS ENT-7 HAB-6 OSD-5 ARMY-6 NAVY-4 NSA-2 6004 HST-10
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SUBJECT: Monthly Economic Summary - November, 1960.

INDEX

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:

Easier money conditions, improved payment of bills, and an increase in exports describes a seasonal situation not unlike that experienced in former years. Hence to some observers, this signifies a return to a more normal economy after a few years of severely inflationary trends. However, a sobering reminder of difficulties to come is the pessimistic estimate for the region's principal crop, cocoa. The market reports spotty sales. Generally, there has been a let-down after heavy buying in anticipation of price increases during October. Some improvement is reported in the payment of trade bills. Agio purchases reflect increased local interest in the purchase of import exchange. A local newspaper strike interrupted communications for several days. This gave some impetus to Mr. Chateaubriand's new television station (Canal 5 Itapoa) which was inaugurated on November 19th. Occasional wildcat strikes in other lines so far have failed to perturb the general calm of the population. Tosta Filho, Director of the CACEI arrived in Salvador on November 18th. He met with exporters and growers to discuss his new cocoa marketing plan. He stated that any suggestions to be incorporated into his plan should be addressed to the Governor of the State, who in turn sent them to him for consideration.

2. Industry and Investments:

(a) Petrobras Director, Dr. Pinto de Aguiar, announced that PETROBRAS has approved the furnishing of raw material to the Companhia de Carbonos Colocais

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Page 2 of
Disp. No. 31
From Salvador, Bahia, Brazil.

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Page _____ of
End. No. _____
Disp. No. _____
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(See Monthly Economic Summary for March, 1960), a factory which will manufacture carbon black near the Mataripe refinery.

(b) Rudolf Umlauf, an engineer of the East German Economic Mission, recently arrived in Salvador. He approached state government authorities and has offered tractors to the Secretariat of Agriculture and electric generators to the Companhia de Eletricidade da Bahia (COELBA). He has also offered drillers, motor pumps, cranes, compressors, ice making machinery, cigar making machinery, silos and cold storage plants, all in exchange for cocoa beans, fibers, vegetable oils, hides, tobacco leaf, etc. (See Monthly Economic Report of June, 1960).

Comment: There has been a marked increase in German technicians and engineers in this area within the past year and it is felt that they are making inroads towards substantial investment and trade with the northeast.

(c) A local newspaper report indicated that Sr. Paulo de Carvalho Barbosa, a native of Rio de Janeiro, visited Salvador recently for the purpose of establishing the Companhia Bahiana de Lubrificantes (COBALUB) which will have its factory at Madre de Deus Island, (adjacent to Mataripe refinery) and will manufacture automotive and industrial lubricating oils. It is reported that Cr\$100 million will be invested in the plant.

(d) It is reported that a group of industrialists are presently in Salvador to discuss the possibility of installing a petrochemical industry in Bahia. PETROBRAS has already established a commission for this purpose (Comissao Especial de Industria Petroquimica) and any petrochemical development will be under the direct supervision of Petrobras and the Federal government.

3. Agricultural Development and Policy:

(a) The total Bahia 1960-61 cocoa crop is now estimated at between 2,000,000 and 2,300,000 bags at 60 kilograms each, and weather conditions continue favorable in most of the sections.

The cocoa market is quiet, with few CACI sales abroad. Pessimism continues with regard to the size of the main crop. Costa's new marketing plan has been released to some government exchange officials as well as to selected exporters. This publication of 172 pages contains the whole history of Bahia cocoa and presents a complicated marketing plan which may have the effect of continuing the forced exclusion of the exporters. Initial reaction has been negative and there is even some doubt that the new President-Elect will accept the recommendations in their entirety.

(b) Castor Seed and Castor Oil. Estimates for the State castorseed crop continue to be a bumper 80,000 metric tons. Crushers continue buying in large quantities and selling oil production far into the future.

(c) Tobacco Leaf. The last few weeks have seen a pick-up in exports. The "Sertão" type tobacco is now coming in in fair quantities at somewhat

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0120

Page 3 of
- Disp. No. 31
From Salvador, Bahia, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

reduced prices. Estimates for the new crop are becoming more optimistic as to quality. The second planting in August (the first was rained out) seems to have taken well. There is continued evidence of United States interest in the lower grades.

(d) 2,000 chickens arrived recently from Rio de Janeiro for the agricultural experimental station "Nucleo Colonial Presidente Kubitschek" in Mata de São João, Bahia. The Serviço de Produção Animal, a division of the Secretariat of Agriculture of Bahia has purchased a total of 10,000 chickens in São Paulo which will be sent to aviaries in Feira de Santana, Alagoinhas and Santo Antonio de Jesus.

4. Petroleum

(a) Petrobras is bring down the greater portion of their drilling rigs from the north and re-locating them in the Bahia area. It is reliably reported that contracts have been signed with two United States drilling companies for development drilling in Brazil. This will bring the total number of turn-key drilling outfits operating in Brazil up to three. The discovery rate over the past several months has been disappointing according to informants and recent statements made by Walter Link, outgoing American technical adviser for Petrobras, regarding lack of oil potential in Brazil, has set off a series of editorials. It is reported that an investigative body is being set up to look into the matter.

(b) The Conselho Nacional de Petróleo has increased the prices for the following petroleum products: gasoline; diesel oil and kerosene. The present price in Bahia per liter is as follows: Gasoline Cr\$9.84; diesel oil, Cr\$6.70 and kerosene, Cr\$8.77.

5. Transportation and Communication:

(a) Radio-Itapoa, as announced in the Monthly Economic Summary for September, 1960, inaugurated its television station on November 19, 1960. According to local reports the installations cost 80 million cruzeiros, has a transmitter of 6 kilowatts which will permit transmission up to 100 kilometers. The 3000 odd TV sets presently operating in Salvador have a very good and clear reception.

(b) Five new locomotives will arrive at the port of Salvador on December 16th from the United States on board the NORMACER, destined to the Federal railway Viação Férrea Federal Leste Brasileiro.

6. Labor

(a) Salvador graphic art employees went on a 10 day strike on November 13th demanding an increase in their salaries, as reported in the Monthly Economic Summary for September, 1960. According to an agreement recently signed at the Labor Court, they obtained an increase of 35% in their salaries. Newspaper

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0121

Page 4 of
- Desp. No. 31
From Salvador, Bahia, Brasil.

UNCLASSIFIED
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Page _____ of
Encl. No. _____
Desp. No. _____
From _____

service was interrupted for several days during the peak of the strike, although white-collar employees did a commendable job of turning out a token issue daily.

(b) Salvador railway and steamship workers went on strike from November 8-11, 1960 as an adhesion to a national protest for the parity of salaries between civil and military servants. Federal properties were guarded by armed forces and some suspected individuals were kept under arrest for precautionary measures. There were no reports of violence, however.

(c) Employees of the Servico Municipal de Transportes Coletivos (SMTC), a public utility enterprise owned by the Salvador Municipal Government has gone on strike for non-payment of their salaries. This company operates many of the buses, all of the electric buses and the elevator service between the upper and lower cities. It is reported that salaries are in arrears in the amount of 8 million cruzeiros. The Mayor of Salvador has requested the strikers to grant him an extension of time to pay this "debt".

(d) The agreement made last year between Brazilian airline employees and their employers will expire soon. According to their Unions, they have decided to request an increase of 50% in their salaries, effective December 15, 1960. In addition, an annual bonus of Cr\$10,000 for each employee will be requested.

7. Finance:

According to the State Internal Revenue Department Cr\$1,447,946,399 were collected during the first eleven months of 1960 which constitutes an increase Cr\$261,935,282 over the same period in 1959.

8. East West Trade:

Exports to Soviet bloc countries during the month of November were as follows: Yugoslavia, 191 metric tons of cocoa beans and 190 tons of sisal fiber; Poland 200 tons of sisal fiber, 234 tons of tobacco leaf and 4 tons of hardwood and Czechoslovakia, 18 tons of skins.

FOR THE CONSUL:

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

File 500

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0122

In reply refer to
ED

December 22, 1960

Dear Mr. Goodrum:

We have received your letter of December 12, 1960 and the enclosed revision of your "Proposal for Economic Development in Brazil."

As we stated in our letter to you of September 13, 1960, should you develop more detailed projects which you feel might qualify for financing from the Development Loan Fund or the Export-Import Bank, you may wish to submit your proposals to them directly.

Sincerely yours,

JCL
James C. Lobenstein,
Chief
Economic Development Division

RM/E
Anal. <i>JS</i>
Rev.
Det.

Mr. Edward R. Goodrum,
Economic Development Corporation,
1602 Grosbeck Avenue,
Sunnyvale, California.

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DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT S/S 14,385

December 15, 1960

E - Mr. Griffith *Handwritten: L. R. R/M*

Proposal for Economic Development of Brazil

For appropriate handling.

OK
David Korn
for
Donald Sasum
S/S-RO
Ext. 5130 *Handwritten: Done not read per*

Attachment:

Ltr of 12/12 to CDDillon
from E. R. Goodrum re subj.

cc: ARA - Mr. Ortiz (w/att.)

0 124

ECONOMIC DEVELOPMENT CORPORATION

1602 Grosbeak Avenue

Sunnyvale, California

December 12, 1960

Department of State
Washington 25, D.C.

File Ref: ED
RE: Proposal for Economic Development
in Brazil (revised September, 1960)

Attention: Douglas Dillon, Under Secretary of State
James C. Lobenshtine, Chief, Economic Development Division

Gentlemen:

The enclosed proposal is forwarded for your information in accordance with your request. The delay in transmitting this revision of the proposal forwarded to you earlier this year is attributed to the time required to obtain a suitable translation of the revision into Portuguese. Both the Portuguese and English versions are now being released simultaneously.

Since our previous contact with you, we have received our corporate franchise from the State of California, and are in the process of making application for permission to issue 500,000 shares of stock. This initial issue is to provide \$4 to \$5 million dollars working capital for the first phases of the program proposed. Future additional financing is planned as may be required with respect to the investment phases of the program.

Your questions and comments with respect to the proposed program will be most welcome. Any suggestions relative to other areas in the world where similar programs may be feasible are invited.

Very truly yours,

ECONOMIC DEVELOPMENT CORPORATION

E. R. Goodrum
E. R. Goodrum
President

RM/R
Anal. <i>28</i>
Rev. <i>1/15</i>
Det. <i>1/15</i>

ERG:ggg

Enclosure

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28 DEZ 1960

FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Recife, Brazil.

23

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 15, 1960.

DATE

REF : CERP C-2

20 For Dept. Use Only	ACTION	DEPT.
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1-5-61	* CM-12	* REP-1 INR-7 E-3 ARA-4 * ICA-11 2/FW-2
	* 01A-10	* TR-3 * FRO-3 * XMO-4 * AGR-8 INT-7 * LAA-6 * TAC-2
SUBJECT: ECONOMIC SUMMARY FOR OCTOBER - NOVEMBER 1960 451A-10 400-4 450-5 ARMY-8 NAVY-8		

TABLE OF CONTENTS

- I. SUMMARY
- II. AGRICULTURE DEVELOPMENTS
 - A. Onion Crisis (Continued)
 - B. Palma Planting Campaign
- III. MINERAL AND FISHERIES
 - A. Paraiba Whaling Operations
- IV. TRANSPORTATION AND COMMUNICATIONS
 - A. Communication Improvements Foreseen For Pernambuco
- V. LABOR
 - A. Strike Threats
- VI. INDUSTRY
 - A. New Brewery for Pernambuco
 - B. New Sisal Industries
 - C. Industrial Loans
- VII. FINANCE
 - A. Pernambuco Tax Problems
 - B. BS Tax Scandal
 - C. Financial Problems For Paraiba and Rio Grande do Norte
- VIII. FOREIGN TRADE
 - A. East German Trade Talks
- IX. INVESTMENT CLIMATE
 - A. Sampaio Defends Necessity For Foreign Help In Northeast
 - B. United Fruit "Threatens" Northeast
 - C. Pernambuco Tramways - State Administers Part Properties.

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Page two of

End. No. ---

Disp. No. 23

From Recife, Brazil.

- X. SOCIO-ECONOMIC
 - A. University Students Volunteer For The Cause -
Movement For Mass Culture (MCP).
 - B. Pernambuco Census
- XI. MISCELLANEOUS
 - A. SUDENE "Plano Diretor" Stymied
 - B. Economic Indicators

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0127

UNCLASSIFIED

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Page three of

Encl. No. --

Disp. No. 23

From Recife, Brazil.

I. SUMMARY

The regional cotton crop is reported to be of unusually high quality this year; the suppliers' prices have recently dropped so that the local ginners can purchase and gin the cotton with prospects of profitable resale to southern markets. Only the Mata cotton at Cr\$27 (\$0.14) per kilo is cheap enough for exportation. Sugar mills report an increase of 10% to 15% yield of sugar per ton of cane; better weather conditions plus better fertilization methods are termed responsible for the extra yield. The sugar market remained firm with sales being negotiated well above the fixed minimum price of Cr\$991 (\$4.46) per 60 kilo bag. The receipts of cotton and sugar sales have improved somewhat a tight money market; the demand for loan money continues to be strong.

Business conditions are described as normal, but with a certain degree of caution being shown by business elements as they anticipate possible conservative economic policies that might be installed by the new national administration after January 31, 1961. Sales of cotton textiles have slowed. General retail sales are categorized as satisfactory. The inflationary effects of the October hike of the minimum wage are now being felt; some curtailment of labor forces was effected by various companies.

Pernambuco voted new sales taxes as all Northeastern States struggled with ambitious budgets for 1961. Governor Sampaio strongly and publicly defended the need for foreign help and investment in the Northeast at the same time that his state auditors were moving into "administer" part of American and Foreign Power's subsidiary in Pernambuco. SUDENE's "Plano Diretor", the master plan for action starting in 1961, has been effectively pigeonholed in Brasilia. The Recife Movement for Mass Culture, pet project of Mayor Arraes, has enlisted 420 university students to assist in "educating" the illiterate adult population of Recife.

II. AGRICULTURAL DEVELOPMENTSA. Onion Crisis (Continued)

President Kubitschek finally yielded to pressure for federal help and on November 18 ordered that the crop surplus of 3,000 tons be purchased by the Government. Onion imports from Egypt and Spain had sabotaged the Pernambuco onion farmers who could not afford to market their crop for the market price of Cr\$6 (3¢) per kilo. The São Francisco valley in Pernambuco normally produces about 25,000 tons of onions per year; the crop is harvested in August.

One SUDENE agronomist has recommended that the onion growers alternate their crops with "herbaceous" cotton, an extra long fiber Egyptian cotton strain which, with irrigation, could produce 1,250

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0128

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Page four of
Encl. No. --
Disp. No. 23
From Recife, Brazil.

kilos per acre. (Sources: newspaper reports.)

B. Palma Planting Campaign

Palma, a spineless cactus, is looked upon as one of the miracle plants that can be used to overcome deficiencies in soil and moisture. The palma is used as a feed (2% protein) and source of water (90% moisture content) for cattle. The State of Pernambuco has initiated a Cr\$21 million (\$105,000) program for planting 70 million palma on 360,000 acres. The palma plantings are optimistically predicted to reduce by 50% the feed deficit of the Pernambuco livestock industry. In other terms the resulting production from these palma should feed 200,000 head of cattle per year. In 1958 and 1959, 17 and 10 million palma were planted with satisfactory results. Also to be distributed were a million "algaroba" tree sprouts. The "algaroba", particularly in Rio Grande do Norte, has proved successful as a diet supplement for cattle; the seeds are protein rich.

SUDENE is also backing a program to increase and improve the cultivation of palma.

III. MINERAL AND FISHERIES

A. Paraiba Whaling Operations

On October 15, the Japanese-Brazilian whaling company, COPESEBRA, held a special fish fry and whale hunt for Brazilian authorities and press near Cabedelo, Paraiba. For the event, whale number 500 of 1960 (since June 26) was caught and processed. COPESEBRA operates three whaling ships, with crews of 10 Brazilians and 17 Japanese aboard each vessel. COPESEBRA has sold this year 1,200 tons of whale oil plus bone meal and waste products (blood, etc.) for fertilizer. Whales captured in the northeastern Brazilian waters average between 20 and 30 tons. ("Diario de Pernambuco", October 16.)

COMMENT: One local journalist reporting the shipment of 800 tons of whale meat to the United States on October 16, noted - authoritatively - that "all North Americans like whale steak, broiled or fried, whereas the Brazilians are not so appreciative of the meat." The same writer also related that the Brazilian crewmen, few of whom hold key jobs, believe that they are poorly paid (Cr\$15,700 per month compared to a Cabedelo minimum wage of Cr\$4,800). The Brazilian Navy maintains a continual survey of the COPESEBRA operations.

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0129

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Page five of
Encl. No. --
Disp. No. 23
From Recife, Brazil.

IV. TRANSPORTATION AND COMMUNICATION

A. Communication Improvements Foreseen For Pernambuco

"Recife will have, in September of 1962, the most modern telephone service in the world....." So spoke the director of the Cia. Telefonica de Pernambuco on November 25 as he launched a program, approved by State authorities, to raise the capital required for such an ambitious program. (Note: Recife now possesses, if not the worst, one of the worst telephone services in the world.) Telephone rates will be raised (60%), present telephone users and stockholders will purchase additional stocks (on easy but forced terms), and future subscribers, commercial or private, will have to purchase stock shares as well as pay the new installation fee (\$300.00). Required stock purchases will range from \$300.00 to \$400.00.

The federal Department of Mail and Telegraph also promised, on October 6, an improved intra-state and regional telegraph and telephone system. A teletype has now replaced the manual key for telegraphic contact with the interior. Copper wire, because of its theft value does not last long; the steel wires are inferior; so now, as a compromise, aluminum wires will be installed. A new Marconi radio transmitter is also being readied for service, and equipment has been purchased for major interstate telephonic improvements.

V. LABOR

A. Strike Threats

The new minimum salaries decreed in October have served to stimulate labor organizations to threaten strikes in an effort to expedite expected wage increases. Among these organizations were motorists' union, telephone workers' union, the bakers' union, and the railway workers' union.

The national strike (Nov. 8 to 11) of the dock workers which also spread to the railroads produced some excitement but no violence in the Recife area.

VI. INDUSTRY

A. New Brewery For Pernambuco

The Brahma Company, traditional Brazilian brewery enterprise, has announced plans to install a 420,000 bottle per day brewery in Pernambuco's new industrial park. The Brahma operation will also encompass, as by-products, the marketing of carbonic gas, ice, and malt products. The proposed plant will employ 100 people and will represent an investment of Cr\$800 million (\$4 million); 40% of the necessary capital will be raised locally through sales of a new

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Page six of
Enc. No. ---
Dep. No. 23
From Recife, Brazil.

stock issue. The Pernambuco economic planning commission (CODEPE) was instrumental in attracting the brewers to the Northeast. ("Jornal do Comercio", Nov. 13.)

B. New Sisal Industries

Three new industries which will use sisal to manufacture rope, bailer and binder twine will be installed in Paraiba. The three companies - COSIBRA, SIBRASIL, and FIBRASA - will consume about 26,000 tons of Paraiba sisal and will employ 538 persons with their new operations. Plant investment is estimated at Cr\$557 million (\$1,785,000). Following SUDENE's recommendation, President Kubitschek decreed an exemption for the companies from taxes on the importation of new machinery. ("Jornal do Comercio", Nov. 19)

C. Industrial Loans

The "Banco do Nordeste do Brasil" has announced the following loans (8 to 10 years):

1. Cr\$120 million (\$600,000) to Sociedade Industrias Minerva S. A. to up paper (including kraft and vellum types) production from 2,600 tons to 8,300 tons per year. The bank loan will represent 45% of the total investment for this expansion.
2. Cr\$100 million (\$500,000) to Mercantil Tertuliano Fernandes S. A. of Rio Grande do Norte for expansion and modernization of a vegetable oil plant.
3. Cr\$25 million (\$125,000) to Cotonificio Campinense S. A. of Paraiba to expand textile production capacity by 83%.
4. Cr\$30 million (\$150,000) to the Cia. Industrial Mercantil - Casa Fracalanga of Paraiba for plant expansion (baling twine).

VII. FINANCE

A. Pernambuco Tax Problems

Pernambuco Governor Old Sampaio's October request for a 45% tax on the sale of products imported from other parts of Brazil stirred a lively and continuing debate among the State's commercial, business, and political interests. A federal law prohibits any tax on interstate commerce thereby theoretically excluding any taxation by Pernambuco of products manufactured outside of Pernambuco. By far the larger portion of goods retailed in Pernambuco are "imported". Governor Sampaio proposed to skirt the federal ban by labeling the tax levy as a "public security and social assistance tax." Businessmen became schizoid as they attempted to deny the necessity for higher taxes while - at the same time - defending the need to support

UNCLASSIFIED

0131

UNCLASSIFIED

(Classification)

Page Seven of

Encl. No. --

Disp. No. 23

From Recife, Brazil.

the Governor's ambitious program for the State. A series of November conferences by the Governor with State legislators and commercial leaders finally evolved a compromise of an additional 1% for the State sales tax (4-1/2% to 5-1/2%) on Pernambuco products and a new 2% "highway" construction and electrification tax" on the sale of non-Pernambuco products. The state legislature changed the name of the tax so that the utilization of the tax funds can be more closely regulated by the legislature.

COMMENT: While still fighting for the passage of the projected 4.5% tax, Governor Sampaio considered it necessary to defend the tax via a 90 minute radio and television address. (Governor Sampaio stated that the only alternative to the higher taxes would be a basic revision of the state's tax structure.) A large portion of the new revenue will be needed to pay proposed higher salaries (plus 50%) for state employees. The State legislators also voted to up their salaries because of inflationary pressures. There are still those critics of the new 2% tax who question its legality.

B. 32 Tax Scandal

The 0.5% Pernambuco industrialization tax, called Bonus BS ("Borracha Sintética" - synthetic rubber) because of its relevance to the projected synthetic rubber factory and its lottery features, logged its first scandal. On November 26, police authorities announced that ten employees of the "Secretaria da Fazenda", the controlling agency for the Bonus BS, and middle-men had been employing a clever system to both overcharge the merchants for BS stamps purchased and underpay the State for BS stamps sold.

C. Financial Problems for Paraiba and Rio Grande do Norte

Observers are predicting financial headaches for the new administrations which will assume charge in Paraiba and Rio Grande do Norte on January 31, 1961. Both are States that have been forced to use red ink for budgetary estimates. It is predicted that Governors-elect Pedro Gondim and Aluizio Alves will be forced to either raise taxes or cut state programs, both politically hazardous. Both men are pointing accusing fingers at the incumbent administrations for conducting complete robberies of the public tills for personal enrichment. Both incoming Governors also propose ambitious state development plans which will complement the regional SUDENE operations.

Pedro Gondim, in October, listed the main points in his 5-year plan: electrification, industrialization (leaning heavily on "mixed economy" corporations), education, and a highway and port expansion and improvement programs. He plans to spend about Cr\$10 million (\$50,000) of state funds on these projects. He also hopes to develop

UNCLASSIFIED

0132

UNCLASSIFIED

(Classification)

Page eight of

End. No. ---

Dep. No. 23

From Recife, Brazil.

the "caju" (fruit and nut), phosphates, and mining as potential money earners for the state economy. (Source: Personal contacts.)

VIII. FOREIGN TRADE

East German Trade Talks

Representatives of a Brazilian-Argentine company, described as influential in effecting the 1958 Brasil-East Germany trade agreement, held talks with Pernambuco Governor Sampaio, SUDENE, and local businessmen from November 20 to 24. Messrs. Rudolf Umbault, Werner Reinheimer, and Ivan Corrêa were the spokesmen for the firm "Siplo-mata" (reportedly linked to "Chemisches Ustungen" (?) of East Germany). During an interview with the press on November 24, Herr Reinheimer reported that Governor Sampaio had expressed interest in a powdered milk plant and long distances (700 km.) radio-telephonic sets. He also noted that deals tied in with the coffee institute had been completed in the State of Rio de Janeiro (\$2,700,000 for pumps, generators, cranes, air compressors, motor boats, etc.) and Rio Grande do Sul (\$40,000,000 for thermal-electric power units, tractors, and agricultural implements). (Sources: "Correio do Povo", Nov. 22, and "Jornal do Comercio", Nov. 25.)

IX. INVESTMENT CLIMATE

A. Sampaio Defends Necessity For Foreign Help In Northeast

The Estado de São Paulo, on October 25, editorialized about Governor Old Sampaio of Pernambuco as follows:

"..... Baldly, without fear of communist reaction the Governor of Pernambuco declared that we have to look beyond the national problems, and act so that we stop facilitating the undermining activities of the agents of Moscow whom you find enlisted in the nationalist ranks. We need the help of foreign capital to refuse it would be to lead the Northeast to a revolutionary explosion within two or three years for we don't have the financial reserves to permit us, by ourselves, to resolve such a serious problem."

The Estado continued: "Summing up: Mr. Old Sampaio was capable, for the first time in these 15 years of troubled republic life, of telling the truth to the nation and violently unmask the 'leninists-stalinists.' For this reason, his words had a strong repercussion upon public opinion and contributed more to convince the country of really having at its service a worthy and capable man. His excellency, better than anybody else, is in position to estimate what represents the

UNCLASSIFIED

0133

UNCLASSIFIED

(Classification)

Page nine of

Encl. No. --

Desp. No. 23

From Recife, Brazil.

"nationalist danger to our democratic institutions. Pernambuco is, perhaps, the State where this diathesis is most serious. The Recife City Administration is in the hands of an admitted communist around whom are hanging Moscow's best. It is from there (Moscow) that the instructions for the 'Ligas Camponesas's' agitations and manifestations come; these - now isolated and small - could some day become a widespread uprising with catastrophic consequences."

B. United Fruit "Threatens" Northeast

Communist journalist Plinio de Abreu Ramos in the O Semanario of November 1 reported the "sinister" intentions of United Fruit to buy the "Peixe" food processing plants and plantations, in Pesqueira, Pernambuco. The American Ambassador, because of financial interests, was also indicated as an accessory to the plot as was Governor Cid Sampaio, as the Americans were pictured moving in to control the Northeast.

The "Correio da Manhã" of Rio de Janeiro reported, more reliably, that "Peixe" was negotiating with Campbell's Soup Company of the United States, but, later - on December 5, said that the intended merger or purchase had not materialized.

COMMENT: The "Peixe" tomato plantations and canning factory near Pesqueira are highly regarded locally as a regionally important and efficient agro-industrial unit. Company spokesmen denied rumors that Pernambuco operations would be dropped in order to concentrate on more profitable São Paulo operations.

C. Pernambuco Tramways - State Administers Part of Properties

By court order the State of Pernambuco has taken over those properties of the public utility Pernambuco Tramways, subsidiary of American and Foreign Power, that were formerly part of the city streetcar system. (See Consulate Despatch No. 1 of July 14, 1960, for additional details.) On October 16, the State opened a credit of Cr\$5 million (\$30,000) to administer the properties.

COMMENT: There still exists some doubt about how much of the Tramways the State plans to "administer" under the pretext that the property was acquired for the streetcar system.

X. SOCIO-ECONOMIC

A. University Students Volunteer For The Cause - Movement For Mass Culture (MCP)

UNCLASSIFIED

0134

UNCLASSIFIED
(Classification)

Page 101 of
End. No. --
Disp. No. 23
From Recife, Brazil.

At a special meeting of the Union of Pernambuco Students (UEP) held at the University of Recife on November 26, 426 college students volunteered to help the Movement For Mass Culture (MCP) of Recife's Mayor Miguel Arraes in the campaign against illiteracy. The students will be utilized by the MCP for its "adult education classes." More students (200-300) are expected to enlist in the movement shortly.

By amending a municipal tax law, Mayor Arraes hopes to obtain Cr\$50 million (\$300,000) in 1961 for the MCP schools which now number 58 (for its 8,000 students). Plans call for 300 more such schools in 1961 for an additional 30,000 students (plus a non-estimated number of adults). Mayor Arraes estimated, on October 9, that more than 100,000 children in Recife were still being deprived of an education because the lack of facilities. In addition to the proposed revenue from city sources, the MCP has requested Cr\$20 million from the State of Pernambuco which will be used specifically for adult education. Besides the normal books and teaching materials required, the MCP proposes to install a radio station and a newspaper.

COMMENT: The Folha do Povo, recently defunct but often resuscitated communist organ, would be a likely vehicle for the MCP's journalistic ambitions.

B. Pernambuco Census

Before the lack of sufficient funds interrupted the census in Pernambuco, officials calculated that the average population increase per county (excluding Recife) from 1950 to 1960 had been a net 52.97%. The Recife gain will undoubtedly be larger. (Source: "Jornal do Commercio", October 12.)

COMMENT: Considering the large number of emigrants who from Pernambuco during the 1958 drought, the movement to Recife and other metropolitan areas, the high infant mortality rate, etc., this population increase of 53% is an impressively significant figure. The population increase further intensifies the economic and social problems of the state.

XI. MISCELLANEOUS

A. SUDENE "Plano Diretor" Stymied

The final major hurdle for SUDENE's ambitious "Plano Diretor" (Master Plan) is, and has been for several months, legislative approval of the 5 year Cr\$50 billion (\$400 million) of the program. President Kubitschek endorsed it earlier this year. Despite personal entreaties by SUDENE chief Celso Furtado, the federal deputies still have the "Plano Diretor" safely tucked away in their desks. If

UNCLASSIFIED

0135

UNCLASSIFIED
(Classification)

Page eleven of
Encl. No. --
Disp. No. 23
From Recife, Brazil.

legislative action is not obtained soon, it appears that the programs envisaged to commence in 1961 under the "Plano Diretor" cannot be initiated until 1962 - if the new Quadres administration so wishes.

COMMENT: The responsibility for legislative inactivity on the "Plano Diretor" must be borne in a large part by three influential Northeastern Deputies: Abelardo Jurema of Paraiba, the leader of the PSD in the legislature; Osvaldo Lima Filho of Pernambuco, the leader of the PTB deputies; and Joao Agripino of Paraiba, the UDN legislative leader.

B. Economic Indicators

Attached, as Enclosure No. 1, are comparative (1958 - 1959 - 1960) prices for basic commodities in Recife during the month of November.

Ernest S. Guaderrama
For Ernest S. Guaderrama
American Consul

Enclosure: *14* Economic Indicators *all in m*

cc: Consul General, American Embassy, Rio de Janeiro.

UNCLASSIFIED

0136

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Page one ofEncl. No. oneDisp. No. 23From Recife, Brazil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR NOVEMBER, 1960, WITH
COMPARATIVE FIGURES FROM NOVEMBER, 1959 AND 1958.
(All items are cruzeiro prices on the Official Commodity Exchange
during the week indicated.)

C O M M O D I T Y		FIRST : SECOND : THIRD : FOURTH			
		WEEK :	WEEK :	WEEK :	WEEK :
Sugar, Crystal, 60 kilos.	1960	:	970:	970:	970:
	1959	:	700:	700:	700:
	1958	:	570:	570:	570:
		:			
Sugar, Granulated, Fine, 60 ks.	1960	:	1,010:	1,010:	1,010:
	1959	:	730:	730:	730:
	1958	:	590:	590:	590:
		:			
Cotton, <u>Sertão</u> , Type 5, 15 kilos.	1960	:	1,560:	1,560:	1,540:
	1959	:	1,210:	1,220:	1,220:
	1958	:	1,310:	1,360:	1,440:
		:			
Cotton, <u>Sertão</u> , Type 4, 15 kilos.	1960	:	1,570:	1,570:	1,550:
	1959	:	1,230:	1,240:	1,240:
	1958	:	1,320:	1,370:	1,450:
		:			
Cotton, <u>Mata</u> , Type 5, 15 kilos.	1960	:	1,440:	1,440:	1,420:
	1959	:	1,130:	1,140:	1,140:
	1958	:	1,055:	1,140:	1,190:
		:			
Cotton, <u>Mata</u> , Type 4, 15 kilos.	1960	:	1,450:	1,450:	1,430:
	1959	:	1,150:	1,160:	1,160:
	1958	:	1,065:	1,150:	1,200:
		:			
Castor beans, 15 kilos.	1960	:	240:	240:	240:
	1959	:	160:	150:	152.5
	1958	:	112.5:	112.5:	108.2
		:			
Coffee beans, 15 kilos.	1960	:	250:	250:	250:
	1959	:	250:	250:	250:
	1958	:	400:	400:	400:
		:			
Manioc flour, 50 kilos.	1960	:	350:	350:	400:
	1959	:	350:	350:	350:
	1958	:	475:	475:	475:
		:			
Black beans, 60 kilos.	1960	:	1,550:	1,550:	1,550:
	1959	:	2,000:	2,000:	2,000:
	1958	:	800:	825:	825:
		:			
Corn, 60 kilos.	1960	:	355:	355:	362.5
	1959	:	400:	400:	400:
	1958	:	352.5:	375:	442.5:
		:			

Source: Indicador Comercial, Recife, Pernambuco, Brazil.

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0137

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FOREIGN SERVICE DESPATCH

FROM: Amoenon SMO Paulo
TO: THE DEPARTMENT OF STATE, WASHINGTON.
REF: CERP C - General Interest
DESP. NO. 235
DATE December 16, 1960

5'S For Dept. Use Only	ACTION REC'D 12/19	DEPT. IN OTHER O	CM/A-2 REP-1 INR-7 E-6 USIA-10 ASD-2 Army-35 Navy-26 CTA-16 OCB-2 COM-12 THA-2 TA-3 XMB-4 OHP-7 AG-8 INR-7 LAB-6	DEPARTMENT OF STATE INTER-AMERICAN AFFAIRS JAN 25 1961
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SUBJECT: Biweekly Economic Review, December 2 - December 15, 1960

Index

1. Fishermen Want Territorial Water Limits Reduced to 3 Miles R. E. Cahn
2. More Alcohol Exported R. E. Cahn
3. Willys Launches Pick-Up Jeep R. E. Cahn
4. Israel Minister of Commerce Visits SMO Paulo R. E. Cahn
5. French Ambassador Visits SMO Paulo and Campinas R. E. Cahn
6. State Railway Rates Increased 30 Percent R. E. Cahn
7. Ground Crew Personnel Strike J. F. Shea

1. Fishermen Want Territorial Water Limits Reduced to 3 Miles

The Fishermen's Association of Santos telegraphed Governor Carvalho Pinto and asked him to use his influence in having the territorial water limits for fishing reduced from 12 to 3 miles in the existing treaty between Brazil, Uruguay, and Argentina. Fishermen claim that under the 12-mile limit they have to concentrate on deep sea fishing for tuna and hake and cannot resort to the less expensive method of trawler fishing that otherwise would be employed off the coast of Uruguay and Argentina.

2. More Alcohol Exported

A second shipment of 12.5 million liters of alcohol is being made to the United States from the port of Santos. The first was made in August (see Desp. 76 of August 26). According to the press a shipment of 12 million liters of alcohol was also made to Sweden by the Sugar and Alcohol Institute.

The Institute is also shipping sugar to Norway for the first time. A shipment of 8,625 bags of sugar is being loaded at Santos for that destination.

R. E. Cahn/cs

(See index for contributors)

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0138

UNCLASSIFIED
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Page 2 of
Encl. No. 235
Disp. No. 235
From: Amosgen SSo Paulo

3. Willys Launches Pick-Up Jeep

On December 9 Willys Overland do Brasil officially launched the sale of its four-wheel-drive pick-up jeep. This pick-up truck, produced in Brazil with 98 percent domestic parts, has a capacity of 960 kilos (2,110 pounds) and a standard six-cylinder, 90 HP jeep engine. The pick-up is supplied with a metal or wooden body and will sell at a list price of CR\$ 745,000 (about US\$ 3,700).

4. Israel Minister of Commerce Visits SSo Paulo

Mr. Pinchas Sapir, Minister of Commerce of Israel, visited SSo Paulo December 11 and 12. His main purpose, he said, was to increase the trade of Israel with the eleven countries he has visited. He did not, however, mention any commodities in which trade with Brazil could be expanded. During the first six months of 1960 Brazil imported US\$ 193,000 worth of goods from Israel and shipped goods valued at US\$ 62,000 to that country.

5. French Ambassador Visits SSo Paulo and Campinas

The new French Ambassador to Brazil, Mr. Jacques Bayens, visited SSo Paulo on December 8 and 9 and on the tenth went to Campinas, where France has a Vice Consulate. During his visit the Ambassador said France continues to take appreciable quantities of Brazilian coffee. Colonial coffee, he added, do not compete with imports from Brazil. He also said France could import manganese if Brazil expanded production. He further indicated that French firms were interested not only in investing in Brazil, but also in supplying technical assistance.

6. State Railway Rates Increased 30 Percent

The Governor of SSo Paulo signed a decree authorizing a 30 percent increase in rates on the SSo Paulo e Minas Railway, Bragantina Railway, Mogiana Railway, and Campos do Jordao Railway. The increase was authorized to permit the railroads to meet higher payrolls occasioned by salary increases of 30 percent to be granted the railway workers.

7. Ground Crew Personnel Strike

A nationwide strike of ground crew personnel employed by domestic air lines has slowed down domestic flights at SSo Paulo's large Congonhas airport. The strike, which has affected some 5,000 ground crew personnel in SSo Paulo, is estimated to be about 80 percent effective. The ground crew personnel are demanding an across the board wage increase of 50 percent and a Christmas bonus of Cr\$ 10,000 (approximately \$50.00 at current free market rate of exchange). The walkout, which is now in its third day, has been peaceful and no clashes between police and striking ground crew personnel have been reported.

Comment: The airlines, alleging inability to pay, turned down a conciliatory offer of a 37 percent wage increase with a minimum of Cr\$ 4,000 and a maximum

UNCLASSIFIED

0139

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 235
From Amcongen São Paulo

of Cr\$ 12,000 suggested by the president of the São Paulo Regional Labor Court. As a result the Labor Court has scheduled a meeting for December 21. At that meeting it will hand down a decision which will be binding on the airlines if the strike is not yet settled.

William P. Cochran, Jr.

William P. Cochran, Jr.
Minister Consul General

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0140

AIR POUCH

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FOREIGN SERVICE DESPATCH

832.00/12-1660

FROM : AMCONSUL, Belém, Pará, Brazil

18
RESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 16, 1960

REF : CERP Requirement, Section B, Item 2.

25 Use Only	ACTION	DEPT.	Rep-1 Para-4 E-3 *NR-7 *CA-11
	REC'D	OTHER	
12-28	12-28	12-28	12-28
SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - NOVEMBER, 1960			
*Tab-6 LOC-4 OSD-5 Army-4 Navy-3 VSA-10			
INTRODUCTION Tar-2 FAA-5			

No significant changes occurred in the economic situation of the Amazon Valley during November 1960. Merchants are facing possible hardships because of the continued inflation, but at the same time sales volume was rather satisfactory. Imported fruits for Christmas are expected to retail at prices lower than those of last year. There was no ground coffee at all in Belém during November, except at prohibitive prices on the black market. Measures taken by the Pará State administration have alleviated the meat shortage in Belém. The supply of cooking gas to this city is now assured with the inauguration of a bottled gas terminal operated by Companhia de Gas do Pará S. A..

The financial situation is the same as reported in October. Banks are reducing financing operations thus slowing down industrial and commercial activities. The Pará State treasury have collected substantial revenues during November and continued action has been urged by the administration ever to improve tax collection. Exports and imports, as well as interstate shipments have been normal, bringing a sizable income to the State and Municipal revenue offices.

The Companhia Siderurgica da Amazonia S. A. under organization in Manaus, State of Amazonas, is contemplating building a steel plant in Manaus. (A separate detailed report on this subject will be submitted). The Companhia Agricola Industria de Madeiras da Amazonia S. A., of Belém, Pará, has announced its intention to market wooden pre-fabricated houses in January 1961.

The Mayor of Timó-Açu, State of Pará, is seriously interested in linking his municipality to the BR-14 (Belém-Brasília) highway through a 40 mile road. A private airfield has been built at the municipality of Altamira and will be used as an outlet for rubber and balata gum from the upper Iriri river. Viação Aérea São Paulo (VASP) is now providing additional service between Belém-Brasília-Rio de Janeiro, using "Viscount" 4 motor turbo-prop aircraft. River freights rates on the Amazon have been increased 40% on account of stevedore salary raises.

Belém, capital of the State of Pará, had 109,002 inhabitants as of November 15, 1960. The increase in population was more than 30% in little over a year.

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AJDeSeabra/RNFeixeira:rmt

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0141

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. _____
Disp. No. 18
From Belem, Para, Brazil

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

In spite of a continued and almost periodic increases in prices of food-stuffs and utilities in this area, a situation caused by the Brazilian cruzeiro weakness, sales volumes as reported for November 1960, while not entirely satisfactory, were not discouraging. Merchants are making all possible efforts to attract customers through advertising, promotions and easy payment plans. Christmas gifts and ornaments have been in steady demand for sometime. One factor that boosted sales volumes in late November were the many purchases by University and school graduating classes, in preparation for the graduation ceremonies and festivities held in early December.

It has been announced that shipments of fruits for the Christmas season, like Portuguese chestnuts, dried figs, walnuts and raisins, are due soon and will be retailed cheaper than last year.

During November, there was a complete shortage of ground coffee in Belém on the "legal" market. This commodity was brought in from Goiás, Rio de Janeiro and São Paulo and sold on the black market at 140/160 cruzeiros a kilogram. There are no signs that this situation will improve in the coming months.

The Pará State government has taken measures to insure the supply of fresh meat to Belem. As a result of an agreement with cattle dealers and ranchers on Marajo Island and in the Lower Amazon area, fresh meat supply has improved and a slight decrease in price became a fact. This matter is still under consideration, all efforts being made in order to maintain a steady meat supply to this city.

The supply of "Butano" cooking gas was for a long time a serious problem in this city, with frequent shortages of this gas causing great inconvenience to large numbers of gas-using families. However, in November, the Companhia de Gas do Para started operating its gas terminal in Belem, thus bringing more efficiency to the delivery of this product and the assurance that the consumers will not encounter difficulties in the future.

FINANCE

No major change has occurred in the financial picture of the Amazon Valley as compared with the preceeding month. As in previous years, financing sources have contracted their outlays for the last quarter of the year, thus creating difficulties for local industry and commerce.

The Pará State government through its Finance Department continues to make all efforts to maintain a regular flow of revenue into the State treasury. During November it amounted to 145 million cruzeiros, five million over the October revenue. The State administration is contemplating an increase of 2% over the present 5% sales and consignment tax. This will enable the future administration to cover the anticipated deficit of 200 million cruzeiros for the 1961 State budget.

The exchange free/

UNCLASSIFIED

0142

(Classification)

Page 3 of
End. No. 18
Desp. No. 18
From Belém, Para, Brazil

The exchange free market during this period went as follows: November 1st Cr\$187 for purchase, Cr\$192 for sale; November 30th Cr\$189.50 for purchase, Cr\$194.50 for sale, to one US dollar. The exchange fluctuation went as follows: Cr\$185.50 for purchase and Cr\$190.30 for sale, the lowest; Cr\$189.50 for purchase and Cr\$194.50 for sale, the highest, to one US dollar. Local banks reported a steady demand for US dollars during November. Domestic and foreign bank collections were reported normal.

INDUSTRY DEVELOPMENTS

The Companhia Agricola Industria de Madeiras da Amazonia of this capital, is announcing that by early 1961 it will be able to market wooden pre-fabricated houses. This news was received with great satisfaction among the poor people as they consider it a means of obtaining their own houses at a reasonable price and in a very short delivery time.

IMPORTS AND EXPORTS

During November 1960 several shipments were received from Europe, Argentina, and United States, consisting of dried fruits, cod fish, farm and road building machinery and equipment, chemicals, newsprint, powdered milk, and raw wheat. Substantial exports of regional products like black-pepper, Brazil nuts, lumber, timbo roots, gums, rosewood oil, wild animal skins and hides, and vegetable fats, were made through the port of Belém.

TRANSPORTATION AND COMMUNICATION

Tomé-Açu (the largest black-pepper producing center in Brazil) is the most recent municipality created in the State of Pará. Headed by a dynamic administration, it is growing fast and becoming really integrated in the Amazon over-all development plan. Recently, the mayor of Tomé-Açu stated that "is contemplating the construction of a highway connecting Tomé-Açu with the Belém-Brasília highway, running for about 40 miles. This improvement would establish a direct overland route between Tomé-Açu and Brazilian Eastern and Southern markets.

A second airfield has been inaugurated in the Municipality of Altamira, in the State of Pará. This is a private one, constructed by the businessman Anfrísio Nunes, at a place called "Seringal Praia" located on the upper Iriri river, the runway being 2,400 feet long by 120 feet wide. Cessna-type aircraft make the trip Belém-Seringal Praia in two and a half hours, whereas by river it takes 15 days.

Viação Aérea São Paulo (VASP) inaugurated on November 4 flight service Rio de Janeiro-Brasília-Belém, with "Viscount" aircraft making three round trips a week. The operation of "Viscount" aircraft is in addition to the flights that VASP inaugurated in May 1960 with Douglas DC-3 aircraft over the same route but with more stops.

Freight rates in the/

UNCLASSIFIED

0143

UNCLASSIFIED

(Classification)

Page 4 of
End. No. 18
Dep. No. 18
From Belem, Para, Brazil

Freight rates in the Amazon navigation have gone up 40% starting November 1960. Such an increase was allowed in order that ship owners might be able to pay an equal increase to stevedores, in accordance with the authorization received from the Brazilian Merchant Marine Commission.

C E N S U S

The local office of the Instituto Brasileiro de Geografia e Estatística has published the following preliminary statistics on Belém's population as of November 15, 1960: Urban area 117,864; Suburban areas 261,608; Rural areas 21,530, totalling 401,002 inhabitants. Since in August 1959 Belém had 305,113 inhabitants, the estimated increase was more than 30% in a little over one year.

A. José De Seabra
A. José De Seabra
American Consul

c.c. to: American Embassy, Rio de Janeiro, Guanabara, Brazil.

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AIR POUCH

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DO NOT TYPE IN THIS SPACE

FOREIGN SERVICE DESPATCH

FROM : Amembassy, Rio de Janeiro

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP: Section D, Item IV-A-5

30 For Dept. Use Only	ACTION ARA-4 REC'D 12-23-60	DEPT. IN OTHER CIA-10 COM-10 TAR-2 TR-3 FPA-3 XMB-4 USIA-10 AEC-9 LAB-6 AGR-1 INT-7 DAF-3 OSD-5 NSA-2 ARMY-4 NAVY-4 AIR-6 FAA-5 CAB-6
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SUBJECT: Report on Government Goals

On December 9, 1960 the Correio da Manhã, Rio de Janeiro daily newspaper, published a condensation of an article appearing in the monthly magazine Desenvolvimento e Conjuntura relating to an analysis of the "five-years" program of the Brazilian Federal Government. A translation of the article is submitted below:

"In its last issue, the magazine Desenvolvimento e Conjuntura published an analysis of the five-year government goals program for the period of 1956/1960. With due authorization from Desenvolvimento e Conjuntura we are publishing a resume of the total work accomplished and wish to call the reader's attention to the fact that although data for 1960 is estimated, it should not be considered as too inconsistent with the final results of the official figures.

Before beginning with the analysis of the "Goals", the report of Desenvolvimento e Conjuntura stresses that granted the importance of the "Goals" program on the national economic development - in forcing the different investment programs to be considered in their totality - there have been major mistakes. Among these mistakes we may mention the following:

a) the absence of a financial program which is responsible for the failure in accomplishing some of the goals (such as electric power for instance) besides making it impossible to coordinate the miscellaneous projects.

b) the conflict in some of the policies, as in the case of equipping the railroads with Diesel engines which caused a decrease in the demand for coal, and resulted in a reduction rather than an increase in the coal goal.

c) the fact that some priority criteria were not strictly followed, as in the case of highways where unnecessary roads such as those converging on Brasília were built, and where a vital highway as the Rio-Bahia one was forgotten. The paving of same was started only recently.

DDHamerman/BAG/grs

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832.00/12-1660

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(Classification)

Page 2 of
Encl. No. -
Disp. No. 501
From Rio, Brazil

THE EXECUTION OF THE "GOALS"

GOAL	In 1955	Planned	Executed in 1960
1) Electric power	3.1 million KW	5 million KW	Approximately as planned
3) Mineral Coal	2.3 million tons	3 million tons	Approximately 2 million tons
4) Petroleum-production	6.8 thousand bbls/day	100 thousand bbls/day	100 thousand bbls but average production in 1960 was 85/90 thousand
5) Petroleum-refining	130 thousand bbls/day	330 thousand bbls/day	200 thousand bbls. In 1961 the planned production will be reached with the Rio refineries in operation
6) Re-equipm-ent of railroads	Purchase of: 400 Diesel locomotives 9 Electric locomotives 1,100 Passenger coaches 10,900 Cargo Wagons 790,000 tons of rails		90% 75% 60% 70% 85%
7) Railroads - construction	-	3,100 km	1,300 km built and 2,000 under construction. 90% of the planned R/R will be attained
8) Highway - paving	2,350 km	3,000 km; later raised to 5,500 km	3,800 km terminated and 2,000 under construction; a large portion of these will be terminated in 1960
9) Highway - construction	-	13,000 km	14,000 km

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0146

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(Classification)

Page 3 of
Encl. No. -
Disp. No. 504
From Rio, Brazil

GOAL	In 1955	Planned	Executed in 1960
11) Merchant marine - purchase	1,000,000 dwt	1,630,000 dwt	250,000 dwt incorporated up to 1959. 250,000 ordered abroad and part from national shipyards. 80% attained
13) Wheat	1,000,000 tons	2,500,000 tons	400,000 tons
14) Silos and warehouses	5,000,000 tons	5,800,000 tons	500,000 tons up to 1959. Other work under construction
15) Refrigerated warehouses	37,000 tons	82,000 tons	10,000 tons
16) Industrial slaughterhouses	Slaughtering capacity 15 thousand heads	Slaughtering capacity 18.8 thousand heads and freezing chambers with 13 thousand tons	Slaughtering capacity was attained but freezing chambers reached only 1,000 tons
17) Mechanization of agriculture	45,000 agricultural tractors	72,000 agricultural tractors	Imported 25,000 agricultural tractors.
18) Fertilizers	Consumption: 23,000 tons nitrogen, 74,000 tons phosphoric anhydride, 49 thousand tons potassium oxide and 71,000 tons nitrogen and phosphoric anhydride fertilizers	40,000 tons nitrogen, 120,000 tons phosphoric anhydride, 40,000 potassium oxide and 120,000 tons fertilizers	Surpassed 48,000 tons nitrogen, 125,000 tons phosphoric anhydride, 62,000 tons potassium oxide and 270,000 tons fertilizers
19) Iron and steel industry	1,160,000 tons steel ingots	2,300,000 tons	1959: 1,900,000 tons, and in 1960 planned quantity will be surpassed
20) Aluminum	2,000 tons	25,000 tons	20,000 tons

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0147

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(Classification)

Page 4 of
Encl. No. -
Disp. No. 50
From Rio, Brazil

GOAL	In 1955	Planned	Executed in 1960
21) Non-ferrous metals	Lead: 4,000 tons Tin: 1,200 tons Copper: 2,300 tons Nickel: 100 tons Zinc: 100 tons	Not planned - in hands of private enterprise	Lead: 5,000 tons Tin: 2,000 tons Copper: 6,000 tons Nickel: 650 tons Zinc: 5,000 tons
22) Cement	3,600,000 tons	5,000,000 tons	5,000,000 tons
23) Alkalies	35,000 tons	210,000 tons	75%
24) Cellulose and paper	Cellulose 100,000 tons newsprint 40,000 tons	260,000 tons 100,000 tons	Attained 90,000 tons
25) Rubber	22,000 tons	65,000 tons	Will be attained only in 1961 with operation of synthetic rubber plants
26) Iron Ore exports	2,500,000 tons	8,000,000 tons	5,000,000 tons
27) Automotive industry	2,400 units	100 thousand units later raised to 170 thousand units	120 thousand units
28) Naval construction	-	Production capacity 160 thousand dwt	Installed capacity was surpassed
29) Mechanical and electric materials industry	-	Numerous items	Goal attained
NON-QUANTITATIVE GOALS			
2) Nuclear energy	-	Atomic power house with 10,000 kw and expansion of atomic ores metalurgy	Power house under construction and objectives attained, even those not foreseen (obtainment of nuclear pure uranium)

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0148

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Page 5 of
End. No. -
Desp. No. 504
From Rio, Brazil

GOAL	In 1955	Planned	Executed in 1960
12) Air transportation	-	Re-equipment of flight material and infra-structure	Air fleet was expanded and air-field re-equipped although certain deficiencies still exist
30) Training of specialized labor	-	Declaration of purposes	There has undoubtedly been a development in the training of specialized labor although levels are not yet sufficient to meet demand of the development process."

For the Ambassador:

Approved:

William A. Fowler
William A. Fowler
Counselor for Economic Affairs

Edward J. Bash
Edward J. Bash
Commercial Attaché

AK
Enclosure: Clipping

cc: All Consulates

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ENCLOSURE TO DESPATCH 504
Dec. 16, 1960
From Amembassy, Rio, Brazil.

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O BALANÇO DAS METAS

Em seu último número, "Desenvolvimento & Conjuntura" publica uma análise da execução do programa de metas no quinquênio 1955/60. Com a data vinda de "D&C" publicamos, simultaneamente, este trabalho, analisando a situação e a perspectiva — que embora as condições para o ano de 1956 sejam animadoras, os resultados não devem apresentar desperdícios de metas com relação aos dados oficiais.

Antes de entrar na discussão das metas, "Desenvolvimento & Conjuntura" evidencia que não obstante a importância do programa de metas para a evolução da economia nacional — obrigando a fazer os diversos projetos de desenvolvimento considerados numa perspectiva global — houve falhas importantes. Entre estas destacamos:

a) ausência de uma programação adequada, e responsável pelo não atingimento do programa em algumas metas (como a de energia elétrica até o fim do período); b) desconhecimento de algumas prioridades; c) planejamento objetivo contrário, como o caso da classificação das usinas hidrelétricas que desconsidera as possibilidades de carvão e consequentemente o custo, na falta do carvão, uma redução e não um aumento da produção e o critério de prioridade não observado estritamente, como no caso das ferrovias onde se subestima a necessidade de vias desconhecidas, como as que convergem para Brasília, enquanto que uma estrada vital como a Rio-Bahia ficou desatendida e só recentemente planejada e em andamento.

A EXECUÇÃO DAS METAS

Metas	Em 1955	Prevista	Execução até fim
1 - Energia elétrica	3,1 milhões KW	5 milhões KW	Não atingida: 1,9 milhões KW
2 - Carvão mineral	2,2 milhões tons	3 milhões tons	2 milhões tons, aproximadamente
3 - Petróleo-petróleo	8,8 mil barris diários	100 mil barris diários	100 mil barris diários, mas produção média 1955 - 85 mil barris
4 - Petróleo-refino	130 mil barris diários	210 mil barris diários	200 mil barris, em 1955, mas a refinaria de São Paulo está em andamento
5 - Ferrovias-transportamento	Adição: 400 locomotivas diesel, 1.000 locomotivas elétricas, 1.000 carros passageiros, 10.000 vagões de carga, 700.000 mts de trilhos		87% 87% 87% 87%
6 - Ferrovias-transporte		2.100 kms	1.100 kms, com 1.000 kms em andamento, 80% do período, mas não atingido
7 - Rodovias-transporte	1.850 kms	2.000 kms, com 1.000 kms em andamento, 1.000 kms em andamento	2.000 kms, com 1.000 kms em andamento, 1.000 kms em andamento
8 - Rodovias-transporte		10.000 kms	14.000 kms
9 - Marinha-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
10 - Têxtil	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
11 - Alimentos-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
12 - Açúcar-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
13 - Madeira-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
14 - Mineração-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
15 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
16 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
17 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
18 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
19 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
20 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
21 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
22 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
23 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
24 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
25 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
26 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
27 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
28 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
29 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento
30 - Metalurgia-Mer	1.000.000 tons	1.000.000 tons	1.000.000 tons, com 1.000.000 tons em andamento

METAS NÃO QUANTIFICÁVEIS

31 - Energia elétrica	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
32 - Ferrovias-transporte	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
33 - Rodovias-transporte	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
34 - Marinha-Mer	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
35 - Têxtil	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
36 - Alimentos-Mer	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
37 - Açúcar-Mer	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
38 - Madeira-Mer	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
39 - Mineração-Mer	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons
40 - Metalurgia-Mer	Objetivo: 1.000.000 tons	Objetivo: 1.000.000 tons

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(Security Classification)

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO 510

TO : THE DEPARTMENT OF STATE, WASHINGTON. December 19, 1960

REF : CERP C-1

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832.00/12-1960

55 For Dept. Use Only	ACTION REC'D	DEPT. IN F OTHER
12/29	USA-10 OSD-2 COM-35	INT-10 E-6 ICA-4 SIAE-7

SUBJECT: B1-WEEKLY ECONOMIC REVIEW (Period covered December 1960)

75A-4 CEA-16 OCB-2 COM-35 INT-10 E-6 ICA-4 SIAE-7

FAB-2 XMB-4 AGR-8 INT-7 XMB-6 DAF-9

AEC-9 INDEX FAA-5 CAB-6

1. Foreign Exchange Value of the Cruzeiro Weakens
2. Increased Delays on Import Payments
3. Tancredo Neves Becomes Director of National Economic Development Bank
4. Federal Budget for Fiscal Year 1961
5. Supplementary Sales of Dollars
6. Partial Intervention in Rio Telephone Company
7. One Billion Cruzeiros for Nuclear Power Plant
8. Russo-Brazilian Commission Meets
9. Electric Power Plant to be Imported from Czechoslovakia
10. Development of Sisal Production in Northeast
11. Petroleum Investigation
12. Mineral Production
13. Catholic Bishops Support Land Reform
14. Leopoldina Railway's Monthly Strike
15. Activities of Communist Unions
16. Pharmacy Councils Formed
17. Creation of SANI (Service for Assistance to New Investments)
18. Strike of Air Carrier Ground Crews
19. Coffee Exports
20. Currency Issues
21. Proposal for Executive Group for Telecommunications Industry
22. Fatal Crash of Real C-46 in Western Brazil

1. Foreign Exchange Value of the Cruzeiro Weakens Sharply

During the week ending December 10, the cruzeiro/dollar rate of exchange in the free market moved from approximately Cr\$190 per dollar to approximately Cr\$213 per dollar, after having held steadily in the range of Cr\$185-Cr\$195 per dollar during most of 1960. Brazilian

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832.00/12-1960

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0152

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Rio de Janeiro
Page 2

newspapers have devoted considerable attention to the recent depreciation of the cruzeiro, though there has been little agreement as to the cause of that depreciation, other than the general observation that weakening of the cruzeiro was inevitable in view of the considerable increase of paper money in circulation with the resulting price rises. Some newspapers have focused also on the fact that the Brazilian Government decided during the week in question to increase the maturity date of FVCs applicable to petroleum imports to 180 days, as compared with the 120 days previously prevailing. There has also been some belief among foreign exchange dealers that the depreciation of the cruzeiro was induced by a modification of the terms in accordance with which the Bank of Brazil has been willing to sell dollars at its still-quoted selling rate of Cr\$186 per dollar. (UNCLASSIFIED)

Comment: The Embassy understands that the SUMOC Council has been as mystified as everyone else by the sudden depreciation of the cruzeiro. According to the Exchange Director of the Bank of Brazil, there has been no modification in the Bank's policy of selling dollars at Cr\$186 to all clients of the Bank who have any requirements abroad, that is, all clients who can demonstrate that they will in fact transmit the dollars abroad rather than sell those dollars in the free market at "better" rates of exchange than the Cr\$186 rate prevailing at the Bank. The concern over the increased maturity dates of FVCs applicable to petroleum imports should not logically affect the free exchange rate at this time in view of the fact that the Bank of Brazil will continue to honor all outstanding FVCs as they fall due and the effect of the new maturity date will accordingly be felt only in May and June, 1961. The Embassy believes that the sharp depreciation of the rate was induced essentially by psychological factors, in part related to a general misunderstanding as to the significance of the increased maturities of FVCs for petroleum imports. Also, it may be that there is an increased awareness of the very tight foreign exchange position of the Bank of Brazil. More substantively, there has been a sharp decrease since the beginning of November in the rate of earnings derived from exports to the convertible currency area, thereby reducing the amount of dollars available in the free market. Reference Embassy Despatch 481 dated December 12. (CONFIDENTIAL)

2. Increased Delays on Import Payments

The SUMOC Council has extended, from 120 days to 180 days, the maturity dates covering FVCs applicable to importation of petroleum and petroleum derivatives. This fact has received wide publicity as reflecting the Government's poor foreign exchange position. (UNCLASSIFIED)

CONFIDENTIAL

0153

CONFIDENTIAL

Rio de Janeiro
Page 3

Comment: The two-month increase of maturity dates has little direct bearing upon the Government's present foreign exchange position, inasmuch as FVCs heretofore being issued would in any case have called for payments only at the end of four months, now extended to six months. More significant, however, is the fact--not yet known to the public--that the Bank of Brazil is in practice failing to honor the maturity dates on existing FVCs. The Embassy has been informed that the Bank of Brazil is approximately two months in arrears on petroleum FVCs which matured in October. The Embassy also understands that the Bank of Brazil has been very slow in complying with its commitments to provide the foreign exchange to cover some FVCs issued for importation of commodities other than petroleum.

(CONFIDENTIAL)

3. Tancredo Neves Becomes Director of National Economic Development Bank

Tancredo Neves assumed office as a Director of the BNDE on December 6, immediately following his appointment to that post by a Presidential Decree. Accordingly, the principal officers of the BNDE now consist of Lúcio Meira, President, and four Directors: Cleantho de Paiva Leite, Ewaldo Correia Lima, João Batista Pinheiro, and Tancredo de Almeida Neves. Dr. Pedro Paulo Penido, designated by the President as Director-Superintendent of the BNDE, has not yet taken office. Appointments as Director of the BNDE are for four-year terms.

(UNCLASSIFIED)

Comment: Tancredo Neves recently lost the gubernatorial race in Minas Geras, where he was the PSD Candidate. He was Minister of Justice in the Getulio Vargas Government. Among his recent posts, he has been a Federal Deputy, Director of the Rediscount Department of the Bank of Brazil, and Secretary of Finance of the State of Minas Geras. He has also held interim appointments as President of the Bank of Brazil and President of the BNDE.

It is likely that there will soon be a wholesale reconstitution of the membership of the BNDE officers. Lúcio Meira has told an Embassy officer that he will be returning to the Navy (he is an Admiral) on January 31. Considerable opposition has been raised against the assumption by Dr. Penido of the position of Director-Superintendent in view of the fact that he is a dentist who has had no previous experience with economic problems. Cleantho de Paiva Leite is not only a Director of the BNDE, but also the Brazilian

CONFIDENTIAL

0154

CONFIDENTIAL

Rio de Janeiro
Page 4

Executive Director of the Inter-American Development Bank; he has told the Embassy that he will decide by February whether to resign as Director of the BNDE or as Executive Director of the Inter-American Development Bank, inasmuch as the latter post would require full time presence in Washington. It is also understood that Correia Lima has submitted his resignation in order to serve as an advisor to the Inter-American Development Bank. Joao Pinheiro submitted his resignation from the BNDE in 1959, shortly after Roberto Campos left the BNDE; Pinheiro's resignation has never been accepted, however.
(CONFIDENTIAL)

4. Federal Budget for Fiscal Year 1961

The Federal Budget Law for fiscal year 1961 was enacted on December 10. It provides for expenditures amounting to Cr\$302.3 billion, some Cr\$80 billion more than the budget proposed by the Executive when it was submitted to the Congress in May, roughly 50% more than the Federal Budget as approved for the current fiscal year, and 40% more than the expected actual Federal budgetary expenditures this year. The anticipated revenues provided for in the Budget Law are not yet known, this section still being in dispute owing to the veto by President Kubitschek of certain parts of the receipts annex. One of the sections reportedly vetoed was a provision which would have included as receipts some Cr\$30 billion in so-called "agio profits" ("agio profits" are derived from the difference between the cruzeiros exporters pay for foreign exchange and cruzeiro amounts paid to exporters on the basis of foreign exchange earnings). Including such agio receipts as revenues would simply serve the purpose of making the budgetary deficit appear smaller than it actually is since there already exist certain fixed expenditures against agio receipts which do not fall under the budget.

At all events, with the agio receipts excluded from anticipated revenues it is reported that the deficit anticipated in the budget law will amount to some Cr\$55 billion, a deficit comparable in size to the cash deficit anticipated during this current fiscal year.
(UNCLASSIFIED)

Comment: While the budget law anticipates a deficit of Cr\$55 billion, the actual deficit, because of continuing rising costs of government operations, further pay raise bills still pending, etc., would probably be even larger if executed as passed. The situation is confused, however, owing to the fact that with the exception of January, the first month of the fiscal year, the budget will be executed by a new administration which has yet to reveal its fiscal program.
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0 155

CONFIDENTIAL

Rio de Janeiro
Page 5

5. Supplementary Sales of Dollars

Weekly average of extra sales purchased by Brazilian importers under Instruction 193 which was \$1,500,000 until the end of September, zoomed to almost \$3,000,000 after Presidential elections in October and jumped further to \$4,800,000 in November. With the trend continuing upward (in the first half of December \$12,350,000 were sold in Rio and São Paulo), the overwhelmingly largest part of these extra sales (since they only come due 150 days after their purchase), will mature after February and the obligation to deliver the foreign exchange will have to be met by the new administration. Thus far, the foreign exchange which the new Administration will be committed to deliver as a result of these extra sales, amounts to \$57,733,000. ("Extra sales" refer to dollar offerings made at weekly exchange auctions under SUMOC Instruction 193 in amounts three times in excess of regular offerings which are based on average anticipated foreign exchange earnings). (UNCLASSIFIED)

Comment: An explanation reported in the press for the substantial rise in dollar purchases is the fear of Brazilian importers that Instruction 193 may be revoked or that additional restrictions may be placed on the foreign exchange policy. Rumors to the contrary notwithstanding, Bank of Brazil officials inform the Embassy that no change in regulations currently governing the sale of foreign exchange is likely to be made during the remaining weeks of the current Administration which will end January 31, 1961. (OFFICIAL USE ONLY)

6. Partial Intervention in Rio Telephone Company

Carlos Lacerda's first days as Governor of the State of Guanabara have been complicated by the problem, inherited from his predecessor, of state intervention in the Companhia Telefônica Brasileira (CTB), part of the Canadian-owned Light Group, (see Bi-weekly Economic Review, Embdesp 385, November 7, 1960). The current phase of the controversy began in earnest on the evening of December 10 when Lacerda, acting in accordance with a law passed on October 21 by the Council of Aldermen and promulgated on December 6 by the Council President, signed a decree establishing partial intervention in the CTB. In contrast to the law, which called for total intervention in the CTB's operations, including control over income from interstate and international operations originating in the State of Guanabara, and for the direct State operation, by means of a mixed (government-private) company, of telephone service, the decree limited

CONFIDENTIAL

0156

CONFIDENTIAL

Rio de Janeiro
Page 6

itself to establishing a full direct inspection and examination of the Company's operations in the State by means of a committee of interveners; interference in the direction and execution of telephone services was specifically excluded. Within 14 hours of the issuance of the decree--some kind of record for this type of legal maneuver--the CTB had obtained an injunction suspending for 30 days the effects of the decree. Lacerda's response took two forms. First, he held a press conference in which he defended his legal powers to effect the intervention, said that he did not want a war with the Light but was not afraid of one if the Light so desired, and pointed out that the Light itself had much more to lose than the State. Next, he issued a second decree on December 13 intervening the Company in the same manner as provided in the first decree but giving as a legal basis for the action not the law of October 21 but the terms of the existing contract between the Government and the Company. The new decree is designed to neutralize the injunction granted the CTB.

Lacerda's legislative leader in the Constituent Assembly has pointed to the second decree as destroying the opposition's charges that the Lacerda government's efforts to eliminate totally the old Council of Aldermen were really designed to nullify the October 21 intervention law and to protect the interests of the Light in general. That the opposition was not ready to concede this point was indicated by a statement by Sergio Magalhães, PTB Deputy from Guanabara and Lacerda's opponent in the gubernatorial election, who criticized Lacerda for not extending his actions to all the other Light interests.

(UNCLASSIFIED)

Comment: Up to now Lacerda seems to have been reasonably successful in avoiding extreme action against the CTB and, at the same time, countering opposition accusations that he is a tool of the Light. The week's events have led the *Jornal do Brasil* to express the hope, somewhat wistfully, that the intervention might lead to a determination of the true responsibility, as between the CTB on the one hand and the State and Federal Governments on the other, for the undeniably unsatisfactory state of telephone service. Such a result is to be hoped for but not to be expected.

(OFFICIAL USE ONLY)

7. One Billion Cruzeiros for Nuclear Power Plant

President Kubitschek has signed a decree issuing a grant of Cr\$1,530,000,000 for the Electric Power Plant for the Central-Southern region projected by the Superintendency of the National Nuclear Energy Commission. This sum has been transferred from the Federal Electrification Fund to the Cia. Eletro Nuclear Nacional (CELNA), which is at present under organization in the form of a mixed-economy company for the commercial exploration of an Electro-Nuclear Plant.

(UNCLASSIFIED)

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0157

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Rio de Janeiro
Page 7

8. Russo-Brazilian Commission Meets

The Russo-Brazilian Executive Commission has decided to designate three work groups to prepare the agenda for the conference which is to take place in Geneva next month. One of these groups is in charge of imports; another, exports; and the third is to be responsible for the revision of liquidation of exchange. Brazil will offer the Soviet Union coffee, cocoa, hides, furs, oranges and other citrus fruits and, in return will receive raw petroleum, petroleum derivatives, petroleum equipment and other products. (UNCLASSIFIED)

9. Electric Power Plant to be Imported from Czechoslovakia

CACEX (Foreign Trade Department) has authorized the importation of a thermo-electric plant from Czechoslovakia. The 40,000 H.P. plant is destined to improve electric power supplies to Porto Alegre and will be installed on the banks of the River Guaiba. (UNCLASSIFIED)

10. Development of Sisal Production in Northeast

President Kubitschek has signed Decrees Numbers 49,244 and 29,245 of November 16, granting duty exemption for substantial importation of sisal processing machinery by Companhia Sisal do Brasil (COSIBRA) and Sisal do Brasil S. A. (SIBRASIL). (UNCLASSIFIED)

11. Petroleum Investigation

For nearly one month, the ultra nationalists have been attacking Petrobras, presumably for not being nationalistic enough. First, accusing the American geologist Walter Link for being an agent of the "trusts" who had deliberately sabotaged Petrobras' efforts to find oil in Brazil (Link's contract with Petrobras expires December 31 of this year), the nationalists later demanded expropriation of the private enterprise (Brazilian) refineries and "nationalization" of distribution.

A congressional committee has now been created to investigate the Brazilian petroleum policy.

Apart from the disclosure of the fact that Petrobras has no cash on hand, having reinvested its revenues in exploration, there is less economic than political significance to this furor. (UNCLASSIFIED)

CONFIDENTIAL

0158

CONFIDENTIAL

Rio de Janeiro
Page 8

12. Mineral Production

The outstanding problem of establishing a new major project for the exportation of iron ore remains on dead center. No progress can be expected until the new administration in Brazil takes office. At that time, the question of continuing to pay a bonus from the federal treasury to the largest gold producer (underground mine) will also be determined.

It is reliably rumored that the small exploration activity in Brazil by the Kennecott Copper Company will be abandoned at the end of the year.

(UNCLASSIFIED)

13. Catholic Bishops Support Land Reform

On December 5 the Cardinal of São Paulo, joined by the Archbishops and Bishops of São Paulo, issued a declaration in which was announced full support for the proposed Agrarian Reform Law in that state. The declaration also called upon the Federal Government to follow the example of São Paulo and institute agrarian reform on a nationwide scale, in accordance with the individual needs of each region of the country. In addition to the Paulista Church officials, the Auxiliary Bishop of Rio de Janeiro, Dom Helder Camara, and the Archbishop of Vitoria, Espírito Santo, also signed the declaration.

Parish priests throughout the state of São Paulo were instructed in the declaration to seek out, one by one, the landowners of their parishes to try to convince them that land reform is inevitable, the only alternatives being whether it be peaceful and democratic or revolutionary and Communistic.

(UNCLASSIFIED)

Comment: According to O Globo, the declaration was mainly the work of Dom Helder Camara, who attended a Latin American conference of Church officials in Buenos Aires from November 14 to 20 at which the Auxiliary Bishop of Havana urged the clergy in all Latin American countries to push democratic land reform as an alternative to "Castroism". Jornal do Brasil praised the declaration as an "historic document" and stated that in Brazil the Catholic Church is filling a vacuum created by politicians who, until now, have largely dealt with land reform in demagogic terms or with fraud and trickery.

(UNCLASSIFIED)

14. Leopoldina Railway's Monthly Strike

Leopoldina Railway's workers went on strike on December 9 to

CONFIDENTIAL

0159

CONFIDENTIAL

Rio de Janeiro
Page 9

to bring pressure on the management of the Government-owned line to pay wages promptly. The strike lasted a few hours. Thus far this year Leopoldina workers have left their jobs on short strikes some dozen times, always in protest against delays in payment of wages. This time the union issued a public statement to the effect that it is ridiculous that Leopoldina workers have to go out on strike once a month in order to collect their wages. The statement also asserted that the directors of the railroad sometimes encourage the union to call a strike as the best means of stimulating the Minister of Finance to turn over funds for the payroll. (UNCLASSIFIED)

15. Activities of Communist Unions

Six Rio de Janeiro labor unions, all under heavy Communist influence, are presently gaining publicity by means of a campaign to exempt all persons earning less than 48 thousand cruzeiros monthly from income taxes. The unions of airline ground personnel and flight personnel, printing trade workers, carpenters, tailors, and metal, machine, and electrical workers have reportedly all sent petitions and telegrams to the Federal Chamber of Deputies calling for exemption from taxes on incomes up to 48 thousand cruzeiros. As typical members of these unions earn far less than 48 thousand cruzeiros per month (with the possible exception of some of the airline flight personnel), the selection of the 48 thousand figure appears designed to win sympathy and support among persons with middle-class incomes.

The same group of Communist-influenced unions, joined by the textile workers, bank workers, and shoemakers--which are also dominated by Communists--last week perceived another "grave threat" to Petrobras, and announced that they would unite with the National Union of Students and other student organizations to "save" the state petroleum monopoly. (UNCLASSIFIED)

16. Pharmacy Councils Formed

Federal and regional pharmacy councils that will have administrative and financial autonomy and will regulate activities of those engaged in this profession were created by Law Number 3,820, published in the Diário Oficial of November 21. (UNCLASSIFIED)

17. Creation of SANI (Service for Assistance to New Investments)

The first act of the new governor of the State of Guanabara

CONFIDENTIAL

0160

CONFIDENTIAL

Rio de Janeiro
Page 10

(formerly the Federal District) provides for the licensing of any new industry or enterprise within 24 hours. The same decree created SANI (Serviço de Assistência a Novos Investimentos). (UNCLASSIFIED)

18. Strike of Air Carrier Ground Crews

The National Syndicate of Aviation Ground Crews (Sindicato Nacional de Aeroviários) called a nation-wide strike against commercial air carriers effective at midnight December 13/14. The syndicate is seeking a 50% wage increase, with a minimum raise of Cr\$5,000, with no upper limit, a Christmas bonus of Cr\$10,000 and tri-annual increases of Cr\$1,000; the companies' first offer called for a 30% increase, with a maximum raise of Cr\$10,000. A subsequent government proposal of a 37% increase was rejected by the companies. On the domestic side, the strike seems reasonably effective, with Panair do Brasil the heaviest hit and VARIG and Loide Aereo the least affected. The only international carrier whose services have been involved is Panair; and its "Friendship Flights" to Portugal (BWER November 7, 1960, Desp. 385), which began on December 2 continue to operate. The Air Ministry is reported to be considering intervention in the strike in order to assure air service to the public, but the Aeroviários have received declarations from other unions, particularly in the transportation sector, that they will strike in sympathy if intervention is decreed. (UNCLASSIFIED)

Comment: Further wage increases, even though justified by increases in the cost of living during the past year, can only aggravate the already precarious financial condition of the carriers and lead to heightened pressure for prompt action in the Congress on proposals looking to substantial increases in subsidy payments to the airlines. (UNCLASSIFIED)

19. Coffee Exports

Coffee exports during the month of December through the 14th were 637,728 (\$) bags. Exports during the same period last year were slightly lower. Total December 1959 coffee exports were 1,261,685 bags.

(\$) - Preliminary

CONFIDENTIAL

0161

CONFIDENTIAL

Rio de Janeiro
Page 11

20. Currency Issues

Total paper money issued increased from Cr\$181.3 billion at the end of October to Cr\$189.4 billion on November 30, an increase of 4.5%.

For January-November the cumulative increase was Cr\$34.8 billion or 22.5%. For the comparable period of 1959 the corresponding figures were respectively Cr\$23.0 billion and 18.2%. (UNCLASSIFIED)

Comment: Large as the November increase appears, chances are good that even a greater increase in currency issues will be made in December. Past experience indicates in the first place that an increased demand for credit occurs in December to finance heavy Christmas sales. Secondly, government expenditures generally show some increase at the end of the fiscal year (which in Brazil coincides with the calendar year), and are likely to show even more of an increase this year because of the fact that the outgoing administration apparently wishes to complete a number of projects before the end of its term. Finally, tax collections at the end of the year decline thus forcing the Federal Government to seek other sources of funds to finance its operations. (UNCLASSIFIED)

21. Proposal for Executive Group for Telecommunications Industry

The Department of Posts and Telegraphs has announced that Director General Ramos on December 12 delivered to the Minister of Transport a draft decree proposing the creation of an Executive Group for the Electronic and Telecommunication Equipment Industry (GEITEL). The new organization would coordinate the installation of a domestic industry in the fields indicated with a view to ensuring the total re-equipment of the Brazilian telecommunications services. In the justification which accompanied the draft decree and which was written by Major Herve Pedrosa, the Director of Telegraphs, it was stated that the solution to the telecommunications problems of Brazil involved three principal points: (a) the creation of an overall agency capable of unifying and coordinating telecommunications matters (i.e., a Ministry of Communications); (b) a scheme of industrial coordination capable of facilitating the expansion of the country's telecommunication systems and of making the country self-sufficient, insofar as possible, in the production of electronics and telecommunication equipment; and (c) the establishment of a National Telecommunications System by means of a "Priority Plan of Communication

CONFIDENTIAL

0162

CONFIDENTIAL

Rio de Janeiro
Page 12

Circuits" and a "Post and Telegraph Fund". Pedrosa made specific mention of a proposal by a private company for the creation of a consortium, with Brazilian and foreign capital, to produce in Brazil the equipment necessary for the improvement and expansion of the country's telecommunications net. (UNCLASSIFIED)

Comment: It is highly doubtful that any significant action can or will be taken on the DCT proposal for a GETTEL by the outgoing administration, and the attitude of the Quadros administration toward such an organization is uncertain. At present, the Embassy has no information regarding the company which Pedrosa mentioned as having made a proposal for a manufacturing consortium, but a survey of the Brazilian telecommunications system and its needs is being undertaken by a local planning organization for RCA. The report for RCA, the Embassy understands, is in its final stages. With respect to the prospects for a separate Communications Ministry (see BWER 12, October 11), President Kubitschek, according to Transport Minister Amaral Peixoto, signed in mid-November for subsequent delivery to Congress, a message recommending the setting up of the ministry. (OFFICIAL USE ONLY)

22. Fatal Crash of Real C-46 in Western Brazil

On December 7 a mixed cargo-passenger C-46, registry PP-AKF, of Nacional Transportes Aereos (part of the Real group), enroute from Cuiabá, Mato Grosso, to Manaus crashed near the emergency air strip at Cachimbo in southern Pará, very near the border with Mato Grosso, while attempting a forced landing following the loss of an engine. When the wreck was finally located and examined on December 14, it was found that all 10 passengers, including the American wife and daughter of an American missionary, and 5 crew members had died in the crash. (UNCLASSIFIED)

For the Chargé d' Affaires a.i.:

Approved:

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Edward J. Bash
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CONFIDENTIAL

0163

CONFIDENTIAL

Rio de Janeiro
Page 13

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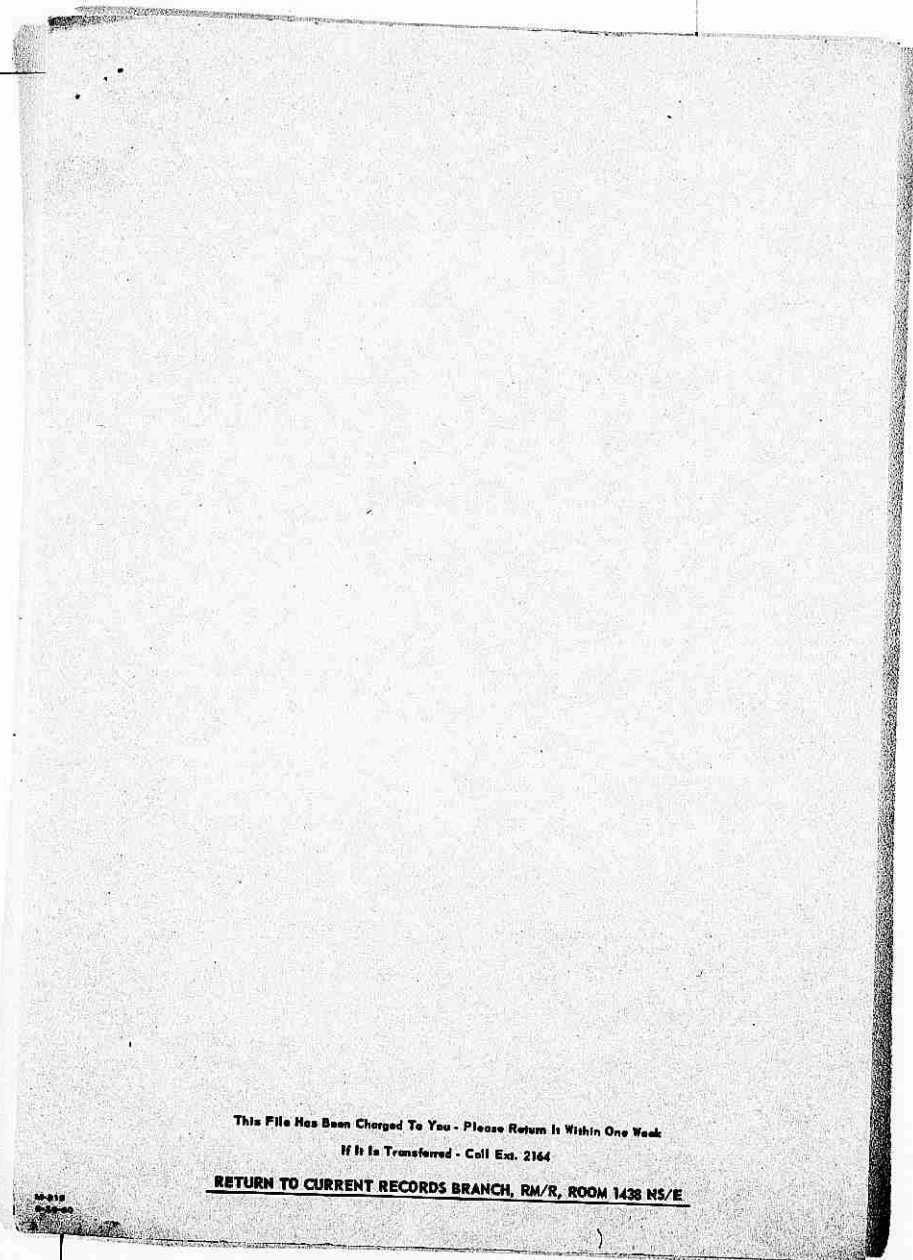
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0164



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TO :	THE DEPARTMENT OF STATE, WASHINGTON.		December 19, 1960		
REF :	CERP C-1	P-3 EVN 5			
SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period covered November 1 through December 4, 1960).		ARMY-35 NAVY-20 AIR-25 OSD-2 OLB-2			

- INDEX**
1. Coffee Sales and Production
 2. Cocoa Legislation Proposed
 3. Restriction upon Foreign Participation in Commercial Airlines
 4. Proposed REAL Air Route to New York
 5. Launching of First Vessel Ordered Under Shipbuilding Program
 6. Results of Meeting of Rio Shipping Conference
 7. Changes in Directorate of Federal Railway System
 8. Construction Work at Ponte Coberta Power Plant Re-Initiated
 9. Japan Supplies Furnas Equipment
 10. PETROBRAS Increases its Capital
 11. Steel Plant Facilities Improvement
 12. Rio Trade Fair
 13. Horse Meat Exports

* * *

01. Coffee Sales and Production:

During the International Coffee Agreement Year (October 1, 1959 - September 30, 1960) Brazil exported 16,806,335 bags to traditional markets, or 624,666-bags short of the quota of 17,431,000 bags. Exports to new markets totaled 111,327 bags.

Coffee exports during the month of November 1960 were 1,315,361 bags compared to 1,757,117 bags exported during November 1959. Total exports for the 1960/61 Marketing Year (July 1, through November 30) were 7,513,562 bags. Total exports for the 1959/60 Marketing Year, during the same period were 8,707,228 bags.

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0166

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Page 2 of
Encl. No.
Disp. No. 508
From Rio de Janeiro

The main coffee producing areas were visited during the period November 3-8 by the Agricultural Attaché and his assistant. Information gained from this travel indicates that the entire 1960/61 crop has been harvested and more than 90% has been sold. It looks now as if the total 1960/61 outturn will not exceed 25 million bags. The quality of the present crop is below that of 1959/60. The first estimates for the 1961/62 coffee crop ran as high as 30 million bags. Apparently the long dry spell during September 1960 reduced the prospects greatly. The 1961/62 crop will probably be somewhere between 34 to 37 million bags. It is the opinion of the Agricultural Attaché that the crop will exceed 35 million bags.

2. Cocoa Legislation Proposed:

CACEX's Director, Sr. Ignacio Tosta Filho, prepared a project of law to create the "Comissão de Comercialização do Cacau e Produtos Derivados" (C.C.C.P.D.)

This Commission would, under the jurisdiction of the newly created Ministry of Trade and Industry, with the following responsibilities:

- 1) Establish the basis for cocoa commercialization;
- 2) Set the cocoa export prices;
- 3) Purchase cocoa surpluses;
- 4) Take part in international agreements;
- 5) Keep statistical records of cocoa production, consumption, exports and stocks;
- 6) Make the necessary surveys for crop estimates;
- 7) Publish information bulletins on the cocoa situation.

3) Restriction upon Foreign Participation in Brazilian Commercial Airlines:

In its session of November 23 the Chamber of Deputies approved a bill amending the Brazilian Air Code to reduce to 20% the maximum participation of foreign capital in Brazilian commercial air carriers. The bill, which is a substitute for a similar proposal made in 1959 by Deputy Sérgio Magalhães, also requires that the management of the carriers be exclusively Brazilian. On the following day Deputy Eloy Dutra, who has made a series of violent attacks in the Chamber on the relationship between Panair do Brasil and Pan American World Airways, which at present owns 30% of the stock of Panair (BWER, August 10, 1960) congratulated the Chamber on its decision, which,

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0167

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Page 2 of
Encl. No.
Disp. No. 508
From Rio de Janeiro

he said, confirmed the correctness of his campaign. He added that although the ideal solution would have been the acceptance of a proposal to prohibit completely foreign holdings in Brazilian carriers, the 80% nationalization called for by the bill would to a certain extent release Brazilian aviation from the "nefarious action of the trusts". The bill now goes to the Senate for consideration in January.

(UNCLASSIFIED)

Comment: If the bill is approved by the Senate--and the Embassy at the present time estimates that the Senate will go along with the Chamber--PAA will be obliged to reduce its present holdings, undoubtedly at a heavy sacrifice, by at least a third in order to come within the 20% ceiling.

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4. Proposed REAL Air Route to New York:

Following reports in the Rio press of December 2 that the Minister of Aeronautics had granted to Real-Aerovias authority to serve New York via Lima, the Embassy learned that the route awarded by the Minister would be Rio-Sao Paulo-Lima-Panama-New York, that the route was considered to come under Brazilian Route 3 of the US-Brazilian bilateral, and that REAL hoped to begin services on the route as soon as it was formally designated and its agencies along the route were established. This service by REAL would provide direct competition to that of Braniff's via Lima to Miami, with an extension to New York by means of an interchange with Eastern Airlines.

(UNCLASSIFIED)

Comment: The Embassy has been informed that this route grant to REAL was a personal decision of the Minister of Aeronautics and was presented as an accomplished fact to the civil aviation policy organs of the Government. VARIG, which serves New York direct and via Port of Spain and Ciudad Trujillo under Brazilian Route 3, has always resisted REAL's continued efforts to obtain entry into New York. The fact that up to the present no strong VARIG reaction has appeared suggests the possibility that VARIG may receive compensation in some other area, possibly Europe, where Rubem Berta, VARIG President, has long been eager to operate. If VARIG or VASP, which has close ties with VARIG and is interested in entering the international field, were to be granted permission to serve Europe in recompense for its acquiescence in the REAL route to New York, Panair do Brasil, which currently flies to Europe, would be caught in the middle, a fate which would be, by all appearances, entirely in keeping with Berta's hopes and plans.

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0168

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Page 4 of
End. No.
Dep. No. 508
From Rio de Janeiro

5. Launching of First Vessel Ordered Under Shipbuilding Program:

On November 7, at the Lahmeyer Yards of the Companhia Comercio e Navegacao, the Ponta d'Areia, the first vessel to be built as part of the Brazilian Government's program to install a shipbuilding industry in Brazil, was launched, two months ahead of the original schedule. The Ponta d'Areia, a small coastal vessel of 1,550 dwt, 240 feet overall, with a speed of twelve knots, is the first of a series of six--three more of the same tonnage and two of 6,175 dwt--to be built by the Lahmeyer Yard, which is located on Guanabara Bay near Niteroi. The yard, which will have an eventual annual capacity of 25,000 dwt, has been the recipient of an investment of nearly 465 million cruzeiros from the Brazilian Economic Development Bank. At the launching ceremony, Transport Minister Amaral Peixoto stated that the Government had already ordered, with the resources of the Merchant Marine Fund, 17 additional vessels worth a total of 9 billion cruzeiros and comprising 76,000 dwt. (UNCLASSIFIED)

Comment: The launching was a significant step forward in the Government's program for the domestic manufacture of vessels for the merchant marine. A second landmark will be the launching in January 1961 of a 5600 dwt freighter by the Ishikawajima yards on the Rio de Janeiro side of the Guanabara Bay. Despite these evidences of progress, concern is being expressed over the ability of the Government and private entities to find the resources to purchase the product of the shipyards to be installed under the Government's program, which is designed to create by 1963 an annual total construction capacity of 150-160,000 dwt. According to present unofficial estimates, the total value of the 1964 output of the shipbuilding industry will be 40 billion cruzeiros. This figure is in contrast with the annual expected receipts of the Merchant Marine Fund over the next few years of 5 billion cruzeiros. (UNCLASSIFIED)

6. Results of Meeting of Rio Shipping Conference:

After what is said to have been very difficult bargaining, a meeting of the principal officers of the shipping lines which are members of the Brazil-US-Canada Freight Conference ended on November 23 in apparent success with the inclusion of the Nopal Line in the northbound coffee pool. The question of the maintenance of the pool--established in May of this year by the Conference but with Nopal and three other smaller lines not participating--was the primary item of business of the Rio meeting. The talks had been preceded by the issuance on October 20 of SUMOC Instruction 202,

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0169

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Page 5 of
Encl. No. _____
Disp. No. 508
From Rio de Janeiro

which restricted the carriage of all Brazilian exports, other than bulk products, to members of the Conference and further stipulated, in effect, that Nopal and other conference lines not adhering to the coffee pool would be refused participation in the coffee trade. The instruction, basically intended to keep "outsiders" from carrying coffee and to enforce the pool, gave rise to some editorial attacks in prominent Brazilian newspapers against the monopoly afforded the conference lines, but the press attacks did not persist.

(OFFICIAL USE ONLY)

Comment: It remains to be seen whether the apparent strengthening of the coffee pool by the inclusion of Nopal will have a permanent effect or whether the practice of rebating, which the pool is designed to combat, will reappear.

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7. Changes in Directorate of Federal Railway System:

On November 14 Euclides Carvalho Rodrigues, a banker, took office as Financial Director of the Federal Railway System (Rede Ferroviária Federal S/A - RFFSA). Carvalho Rodrigues had been elected to the post in a general assembly of the Rede stockholders on November 10. As reported in BWER No. 12, October 11, 1960, Mario Pires had been elected Financial Director in late September, but he refused the designation because of the press of other commitments. On November 28 the Rede called another stockholders' meeting for December 8 to fill the vacancy of Works Director caused by the resignation of Brigadier General Geraldo Lemos do Amaral. Prominently mentioned as Amaral's successor is João Augusto Mario Penido, Director of Public Works in the outgoing government of the State of Guanabara.

(UNCLASSIFIED)

8. Construction Work at Ponte Coberta Power Plant Re-Initiated:

With the issue of an eleven-million dollar loan granted by the International Bank, the construction work of the auxiliary plant of Lajes, at Ponte Coberta, which had been interrupted in December 1959, was reinitiated. The plant will furnish an additional 90,000 kw to the electrical supply of the states of Rio de Janeiro and Guanabara, now receiving 683,624 kw from the Pontes and Nilo Peçanha plants and other minor facilities.

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0170

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Page 6 of
Encl. No. 508
Disp. No.
From Rio de Janeiro

9. Japan Supplies Furnas Equipment:

The Rio press reported that Ishikawajima Heavy Industries Ltda. has signed a contract with the Central Elétrica de Furnas S/A of Brazil, for the supply of part of the equipment to be used in the power project which the Brazilian firm is building in Furnas, state of Minas Gerais. The dam, which is scheduled to start operating in 1963, will have a 1,200,000 kw capacity. (UNCLASSIFIED)

10. PETROBRAS Increases its Capital:

PETROBRAS, on November 9, approved an increase of capital to Cr\$40 billion, through public subscription. When constituted in 1954, PETROBRAS' capital consisted of Cr\$4 billion. During the following years the capital was increased to the following: 1955, 6 billion cruzeiros; 1956, 8 billion; 1957, 12 billion; 1958, 16 billion; 1959, 26 billion; and finally, 1960, 40 billion, or ten times the initial capital. (UNCLASSIFIED)

11. Steel Plant Facilities Improvement:

Cia. Belgo Mineira, an integrated steel industry based on charcoal fuel, has installed a 51 km. (30.6 miles) aerial cableway to transport charcoal from its own eucalyptus forests to the furnaces located at Moalevade, Minas Gerais. Steel output is to be increased to the rate of 500,000 metric tons per year from the present level of 300,000 tons. (UNCLASSIFIED)

12. Rio Trade Fair:

The inauguration of the Rio Trade Fair which has been postponed several times during the last few years (BER No. 7, February 12, 1960) due to lack of funds and faulty roof construction, is finally announced to take place on December 16. It is claimed that, besides national industry, South American, European and several Asian countries will participate in the Fair. (UNCLASSIFIED)

13. Horse Meat Exports:

Frigorífico Avante has been recently established in Araguari, Mato Grosso, with a capital of 25 million cruzeiros to export

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0171

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Page 7 of
Encl. No. 508
Desp. No. 508
From Rio de Janeiro

horse meat to Europe and Asia. An initial shipment of 200 tons has been contracted for delivery to Japan; the price is said to be \$140.00 per metric ton. The directors state that 12,000 tons per year can be processed.
(UNCLASSIFIED)

For the Chargé d'Affaires a.i.

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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FOREIGN SERVICE DESPATCH		27 DESP. NO.	
FROM :	American Consulate, Curitiba		December 20, 1960 DATE
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		
REF :	GERP Section C-2		
20 For Dept. Use Only	ACTION REC'D 12-31-60	DEPT. IN OTHER CIA-10 TR-3 FRB-3 XMB-4 AGA-8 INT-7 ABB-6 TAR-2 NSA-2 ARMY 6 NAVY	
SUBJECT: ECONOMIC SUMMARY FOR NOVEMBER 1960			

I SUMMARY

The local economic picture brightened somewhat with the approach of the holiday season. Retail sales were high, most purchases being made on credit. Sales would have been higher had state civil servants receive their salaries as scheduled. Television sales were up with the announced opening of a new channel in December. Credit tightened a bit.

Coffee exports increased moderately and there were predictions of a large randi crop during the coming year.

The outgoing state and federal administrations continued the rush to finish road construction projects they began.

II AGRICULTURE

1. Coffee - Exports continued at a very low level, 96,500 bags being shipped out of Paranaguá. Coffee planters are again petitioning President Kubitschek to do something about the situation. Some have even requested a reduction in the export price for Paranaguá coffee.

Good weather conditions in the coffee growing zone make the prospects for a large coffee crop excellent. Rains have been plentiful but not excessive. With continued good weather the new crop may equal that of 1959/60.

Some northern Paraná coffee plantations are being attacked by an insect called "eurizocoques brasiliensis". Measures are being taken to combat the insect but a number of coffee planters are complaining about high prices for the insecticide. The state, which is plagued by an empty purse, is accused of being unhelpful. Damage to the coffee to date has apparently not been extensive.

SOURCES: All papers.

2. Randi: An early estimate of the randi crop for 1960-61 was reported by

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0173

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Page 2 of 3
Encl. No. _____
Desp. No. 27
From AmConsulate, Curitiba

reported by "Diário do Paraná" (11.9.60). The estimate is 9000 tons. Allowing 6000 tons for internal consumption the exportable surplus would be about 3000 tons. As reported in last month's despatch the current crop is about 6000 tons, allowing no margin for exports. The federal government has come under heavy attack for its neglect of ranch culture especially as far as technical assistance is concerned. SOURCE: "Diário do Paraná" Nov. 9, 1960.

III - LABOR

1. Wages: Despite the fact that the new official minimum wage took effect on October 18, labor and management in many industries have yet to reach a wage accord, principally because of management's tendency to pay the minimum and nothing more. Construction workers, movie theatre employees and bus drivers are among those asking for an above-minimum salary.

State civil servants in Paraná have not been paid for the past three months. With the state's finances in chaos and the defeated state government appointing as many friends as possible to government posts there is little money in the state coffers, even for salary payments.

Airlines, chemical and leather workers and primary and secondary school teachers are all asking for increases ranging from 35 to 50%. Santa Catarina public school teachers will receive a 20% salary increase beginning next year.

SOURCE: All newspapers.

2. Prices: Bakers were allowed a 15% increase in bread prices after demanding a 45% rise. The 20% increase in milk prices took effect November 1. The retail price for coffee went up 10 cruzeiros per kilo, from Cr\$ 46 to 56, and the 2 cruzeiro cafexinho became history with a 1 cruzeiro rise.

A decrease in meat consumption averaging between 50 and 80% is reported as the result of large scale price increases. Fish and fowl are becoming more popular.

COMMENT: The reporting officer has heard that there is increased activity in smuggling cattle across the Paraguayan border. In Paraguay cattle prices are lower.

IV - TRANSPORTATION AND COMMUNICATIONS

1. Highways - The state government has ordered the concentration of all available highway construction equipment on the Curitiba-Ponta Grossa road. Governor Lupien is attempting to complete it before he leaves office. The Curitiba-Ponta Grossa stretch comprises about one-third of the "Governor Lupien Highway" connecting

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0174

UNCLASSIFIED
(Classification)

Page 3 of 3
Encl. No. _____
Disp. No. 27
From AmConsulate, Curitiba

Highway " connecting Paranaguá with Apucarana (northern Paraná).

The São Paulo-Curitiba highway may be completed before President Kubitschek leaves office. This is the prediction which the road's ever-optimistic engineers are making. Others consider an April opening more likely.

2. International Bridge - Although the bridge connecting Brazil with Paraguay has had innumerable "opening dates" and is now scheduled for inauguration during January a reputable source has informed us that it cannot possibly be finished for several months. The mid-section of the structure has not yet been put in place.

SOURCES: Personal conversations and "Diário de Paraná"
Nov. 5, 1960.
"Estado de Paraná", Nov. 11, 17, 1960
"O Dia", Nov. 5, 6, 1960.

3. Railways:

The director-superintendent and the board of directors of the Paraná-Santa Catarina railway (Rede Viação Paraná-Santa Catarina) resigned, giving rise to speculation as to the reason why.

Director Angelo Lopes claims he quit in order to devote more time to his private affairs, but some of the local newspapers would have it that the Federal Government hoped to "replace him with a lawyer", that his relations with the President of the railway were bad, and that the company is bankrupt and Lopes has not improved its financial situation. In any case, a former ICA grantee who spent 3 months in the United States studying American railway installations has succeeded Lopes. The administrative director is also a former ICA grantee.

SOURCES: "Diário de Paraná" Nov. 17, 1960
"Estado de Paraná" Nov. 11, 1960
"O Dia" Nov. 11, 17, 1960
"Gazeta do Povo" Nov. 11, 12, 17, 1960

V INVESTMENT:

Shrimp and Lobster - As reported in a previous despatch French investors are said to be interested in the development of the shrimp and lobster industry in Paranaguá, Paraná. Without naming the interested parties the director of the Rural Division of the Bank of the State of Paraná said the total investment would amount to about 700,000,000 cruzeiros, 80% of which the French would furnish, the remainder being provided by Paraná circles. Reportedly the chief purpose of the investment would be the intensification of exports, especially to the U.S. market.

SOURCES: "Diário de Paraná", 11.22.60; "O Dia" 11.22.60,
"Gazeta do Povo" 11. 22.60; "Tribuna de Paraná 11.22.60

Edward M. Rowell
Edward M. Rowell
American Consul

cc: Counselor of Embassy for Consular Affairs
Ambassy, Rio de Janeiro

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AIR PRIORITY

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(Security Classification)

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832.00/12-2360

FOREIGN SERVICE DESPATCH

FROM : Embassy RIO DE JANEIRO

521

DESP. NO.

December 23, 1960

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE

REF : CERP C-2

20 For Dept. Use Only	ACTION COM-121 REC'D 1-5-61	DEPT. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000
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SUBJECT: MONTHLY ECONOMIC SUMMARY - OCTOBER 1960

USIA-10 LOC-4 OSD-5 NS

ARMY-6 NAVY-4

Summary:

General business conditions in October continued the pattern of recent months, showing moderate progress in industrial production and expansion, and in merchandizing. The election of a new national administration at the beginning of the month was generally well received by the business community. Underlying confidence prevailed generally, even though there was uncertainty as to measures that might be taken to curb inflation and to stimulate economic development. The cost of living again rose significantly, as did the amount of paper money in circulation. The average check buying rate increased to Cr\$189.09 per US\$1.00, as compared with Cr\$187.47 in the previous month. Minimum salaries were raised by 60 percent at mid-month, generating some labor unrest and demands for increased by specialized and industrial workers. Coffee exports declined slightly from the October 1959 level. Trade circles considered the wheat supply situation as critical with need evident for early imports. The Brazilian Government issued an order restricting coffee shipments to Conference shipping lines. A new airport was opened near Sao Paulo to service international jet operations. New units were delivered for the Brazilian merchant marine, including its tanker fleet.

Finance:

During the exchange auctions held in October \$25,600,000 of regular offerings and \$11,551,000 of supplementary offerings under the provisions of SUMOC Instruction 193 were purchased by Brazilian importers. The corresponding figures for September were \$25,540,000 for the regular offerings and \$14,659,000 for the supplementary offerings. Supplementary sales of U.S. dollars purchased under Instruction 193, since March amounted to \$61,766,000 at the end of October 1960.

EDash/jw - with contributions
by FMMiam, JRGrimmins, DPMenn
WBromeyer, [unclear]

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OCT 19 1960

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Page 2 of
End. No. 521
Desp. No.
From Rio de Janeiro

Throughout the month in the regular auctions, in Brazil as a whole, in the general category, the rate fluctuated between a low of Cr\$208.00 and a high of Cr\$210.00, there being no change in relation to the previous month. In the special category, the rate fluctuated widely between Cr\$553.00 and Cr\$608.00, both in terms of time and region, but with no discernible trend.

With respect to the regular auctioning of exchanges in Rio and São Paulo, the agio paid for dollars in the general category kept stable throughout the month at Cr\$210.00 and moved between Cr\$576.50 and Cr\$608.00 in the special category. Fertilizers varied between Cr\$86.20 and Cr\$90.50, and for insecticides the high and low were respectively Cr\$87.08 and Cr\$81.08.

Other bilateral accounts denominated in dollars were sold in reasonable amounts at the uniform rate of Cr\$178.00 throughout the month.

During October the paper money issued increased by Cr\$4,388 million and 2.5% in relation to the previous month. For January-October, there was a cumulative increase of Cr\$26.7 billion or 17%. For the comparable period of 1959, the corresponding figures were respectively Cr\$18.2 billion and 15.2%.

The average check buying rate in the free market for October was Cr\$189.09 which compares with Cr\$172.59 for the corresponding month of 1959, and Cr\$187.47 in September 1960.

The cost of living index compiled by the Getulio Vargas Foundation indicated an increase of 3.88% in October for a cumulative increase of +17.0% for January-October 1960. For the comparable period of 1959 the corresponding figure was + 42.7%.

Trade and Industry:

Merchandising sales and industrial production levels generally were described in business circles as similar to the preceding month. A continued tight money market was cited by these sources as a serious deterrent to expansion. There also was substantial concern over the higher labor costs resulting from the 60 percent increase in minimum wage standards and the necessity to adjust upward the salaries of many other workers.

Consumption of petroleum products increased somewhat above the normal rate of recent months. Production of agricultural and industrial equipment and machinery, and in the automobile industry,

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0177

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Page 3 of
Encl. No. 521
Disp. No.
From Rio de Janeiro

similarly were reported ahead of preceding periods. Production of most consumer foods was described as generally at but not above recent levels.

Labor:

On October 15, President Kubitschek signed a decree raising legal minimum wages by 60%. In spite of the objections of employer associations in Rio de Janeiro, Guanabara's new minimum of Cr\$9,600 per month will continue to be the highest minimum wage in the nation. The new minima for other cities include: São Paulo, Cr\$9,440; Belo Horizonte, Cr\$8,000; Recife, Salvador, and Curitiba, Cr\$7,200; Natal, Cr\$5,760; and Teresina, Piauí, Cr\$4,000, lowest in Brazil.

Stevedores gained their long objective of paid vacations and wage increases after a one-day strike on October 18, which halted normal activity in Brazil's principal ports.

Agriculture:

1. Wheat:

The wheat supply situation was very critical in October. It was estimated there was not more than a 10 to 15 day supply of wheat within the country. During October, the Brazilian Government contracted for the following wheat supplies:

- (a) - Edital 18/60: 20,000 metric tons of U.S. against Brazilian diamonds. (this wheat has been delivered);
- (b) - Edital 20/60: 70,000 metric tons of Argentine wheat (this is now being shipped);
- (c) - Edital 20/60: 20,000 metric tons from U.S. against Brazilian pig iron (this is now being loaded);
- (d) - Edital 20/60: 60,000 metric tons of U.S. soft wheat from West Coast ports under a CCC credit arrangement. (This wheat has not been supplied and there is some doubt as to whether final negotiations will be completed).

2. Tobacco:

A comparison is given of Brazil's leaf tobacco production for 1958/59 and 1959/60: (in metric tons)

UNCLASSIFIED

0178

UNCLASSIFIED

(Classification)

Page 4 of

Encl. No. 521

Desp. No. Rio de Janeiro

From

Type	1958/1959	1959/1960
Amarillo Flue Cured	38,452	47,000
Virginia Flue Cured	2,800	3,500
Native Air Cured	8,963	12,400
Barley	1,800	1,600
Bahia Cigar	22,000	26,500
Other cigar	7,000	7,500
Twist	45,000	48,500
T o t a l	126,015	147,000

Source: Trade and Attaché's Forecast

3. Coffee:

Exports in October 1960 totaled 1,134,658 60-kilo bags. This compares with a total of 1,189,878 60-kilo bags of coffee exported in October 1959.

Transportations and Communications:

In the aviation sector, the most significant developments were concentrated in the latter half of the month. On October 19, during Brazilian aviation week, the new airport at Viracopos, near Campinas, for handling international jet operations for the São Paulo area was formally inaugurated. A Varig Boeing 707, on a special flight, made the first landing at the new field, and a Pan American DC-8 made the first scheduled commercial landing on October 20. Considerable work remains to be done on the facilities, particularly the passenger terminal, of the new airport, which is nearly 65 miles from the city of São Paulo.

On October 27, Panair do Brasil and Transportes Aereos Portugueses signed an agreement, under negotiation for a year, creating a reduced-rate air service, popularly called Friendship Flights, between Brazil and Portugal. According to the agreement and to the implementing regulations issued by the Brazilian Air Ministry (a) the service, which is regional in nature, will operate only between the two countries with intermediate traffic stops only in territories of those countries; (b) tickets will be sold only in Brazil and Portugal and only to Brazilian and Portuguese citizens or to foreigners resident in the two countries; (c) only piston-aircraft in a compact configuration may be used; (d) service on

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0179

(Classification)

board will be more modest than that in present tourist class flights, and (e) Panair and TAP will operate the service in pool. The fare for the service has been set at \$215 (roughly the equivalent of a third-class passage by ship); Panair DC-7C's will be used, with a prospect of eventual employment of TAP Super Constellations in 1961, and twice-weekly flights will commence in December. The Air Ministry, in its regulations concerning the service, stated that third-flag carriers could carry between Brazil and Portugal only a fixed number of passengers, this figure to be based, in general, on the traffic carried in 1958 and 1959, increased annually by ten percent.

From Panair's point of view the new service offers the prospect of effective utilization of its DC-7C's following the entry into service of its two DC-8's, partial financing of which by the Exim-Bank was announced on October 13. The sharp reductions in fares involved in the Friendship Flights may very well have unsettling effects on the already unstable IATA rate structure in the South Atlantic.

A large Brazilian delegation headed by the Director General of DAC, Brigadeiro João Mendes, and including Ruben Berta, President of VARIG, travelled to Montevideo to participate in the October 24-30 sessions of the Second Regional Civil Aviation Conference, which was attended by representatives of several Latin American countries and the United States. The statements of the delegation leaders before their departure appeared to be cautiously optimistic about the prospects of success of the Montevideo conference.

Maritime developments during October were highlighted by attempts by the Brazilian Government to regularize coffee shipping, by the delivery of new units for the merchant marine, including the tanker fleet, and by the signing of an important contract for domestic construction of other merchant vessels. Under the terms of SUMOC Instruction 202, which was effective October 21, (a) the carriage of all Brazilian exports, except bulk products, is restricted to lines which are members of the Brazil-US-Canada Freight Conference; and (b) exports which are the subject of specific agreements which are made by members of the conference and which are not disapproved by the Brazilian Government will be carried only by lines which are signatories of such agreements. The instruction as a whole was intended to eliminate from the coffee trade non-Conference members—"outsiders"—who were undermining the coffee pool established by the Conference in New York in May

UNCLASSIFIED

0180

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(Classification)

Page 6 of
Encl. No. 521
Desp. No. Rio de Janeiro
From

by offering freight rates substantially below the pool rate. The provision described under (b) above had the immediate purpose of making Conference lines which had not adhered to the coffee pool choose between joining the pool or withdrawing from the coffee trade. Immediately after publication of the Instruction several important newspapers published editorials attacking the measure as monopolistic and harmful to the interests of Brazil. In addition considerable publicity was obtained by the protests against 202 by the Norwegian line, NOPAL, which was the principal Conference line not a member of the coffee pool. NOPAL serves the Gulf ports of the United States. Instruction 202 and its consequences will undoubtedly be the major item on the agenda of the meeting of the principal officers of the Conference lines scheduled to be held in Rio in mid-November.

The Brazilian dry-cargo fleet was increased by three units, two Polish-built and one Finnish-built, delivered during the month of October: the Icarai, a 5000 DWT vessel, the sixth of ten belonging to the Polish-constructed "Brazilian Beach" class; the Cabo de Santa Marta, the last of four ships of the "Brazilian Cape" class, with 5500/6000 DWT, also of Polish origin; and the Todoe Os Santos, the second of four vessels of the Finnish-built "Brazilian Bay" class, the units of which vary from 6100 to 7800 DWT. The first of the three new vessels was taken over by the Costeira, the government-owned coastal shipping line, and the remaining two by Lloyd Brasileiro, also government-owned, which operates both coastal and international, long-haul services. The delivery of the three units signifies the completion of two-thirds of the program, commenced in 1958, for the acquisition of 18 vessels (14 Polish and 4 Finnish) in exchange, principally, for coffee. The remaining six ships should be delivered during 1961. With respect to tankers, the delivery on October 3--the seventh anniversary of the law creating Petrobras--in Copenhagen to FRONAPE (National Tanker Fleet) of the Itaparica, the third of six 10,000 DWT coastal tankers being built for the Fleet in Denmark, placed total FRONAPE deadweight tonnage over 500,000. According to FRONAPE information, the Fleet in October 1953 consisted of 22 ships totalling 224,234 DWT. Including the Itaparica, the 1960 figures are 38 vessels of 506,000 DWT. Most of the new tonnage has been added in the last two years.

On the domestic production side, the Chairman of the Merchant Marine Commission signed, on October 31, a contract with the Japanese-controlled Ishikawajima de Brasil shipyard for the construction of two more vessels of 5600 DWT of the "Brasilia" class for the coastal trade. The yard already has under construction, under a contract signed in March 1960, three ships of

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0181

UNCLASSIFIED
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Page 7 of
Encl. No.
Disp. No. 521
From Rio de Janeiro

this class, the first of which is to be launched in January 1961. According to Ishikawajima, the first ships constructed in its yards, which are located on the Rio de Janeiro side of Guanabara Bay, will be 70 percent "national" in value; this index is to reach 95 percent in three years.

Earlier in the month, on October 6, the Transport Minister had presided over ceremonies marking the re-initiation of excavation of the large Costeira drydock on Vianna Island in Guanabara Bay, work on which has been suspended for many years. The dock, when completed, will be 590 feet long and 90 feet wide, with a draft of about 30 feet. The cost of the work, estimated at Cr\$200,000,000, is being financed through the Merchant Marine Fund; it is the first investment by the Fund in government shipyards. The current schedule calls for completion of the work in 18 months.

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

W
Enclosure: *etc. M. M.*
Economic Indicators

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Page 1 of

Encl. No. 1

Disp. No. 521

From Rio de Janeiro

Economic Indicators:Cost of Living in Rio de Janeiro (1948=100)

	<u>Food</u>	<u>Cloth- ing</u>	<u>Rent</u>	<u>Furni- ture</u>	<u>Hygi- ene</u>	<u>Pers. Serv.</u>	<u>Pub. Serv.</u>	<u>Index</u>	<u>% Change</u>
1959									
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	1.9
July	630	419	546	421	518	522	719	573	2.9
Aug.	760	430	554	432	536	575	727	603	5.2
Sept.	701	431	562	432	544	605	758	622	3.2
Oct.	745	439	570	445	544	605	757	644	3.5
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
Aug.	833	543	657	588	723	699	843	745	.7
Sept.	859	554	664	590	732	734	961	772	3.6
Oct.	900	580	674	606	744	766	996	802	3.9

Source: Getulio Vargas Foundation.

Brazil's Foreign Trade (in US\$1,000,000)

<u>Imports</u>	<u>July</u>	<u>Aug.</u>	<u>Jan-Aug.</u>	<u>July</u>	<u>Aug.</u>	<u>Jan-Aug.</u>
Total	137.2	116.1	926.4	100%	100%	100%
USA	47.4	36.	278.8	35	31	30
C.B. *)	5.5	7.	44.1	4	6	5
Exports						
Total	128.6	101.1	835.3	100%	100%	100%
USA	58.2	45.	385.6	45	45	46
C.B. *)	12.9	7.7	49.4	10	8	6

*)-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 : Amembassy RIO DE JANEIRO

550

JAN 9 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 30, 1960

REF : CERP C-2

5-5 For Dept. Use Only	ACTION REC'D 1/12	DEPT. REC'D 1/12	OTHER 1/12
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SUBJECT: MONTHLY ECONOMIC SUMMARY - NOVEMBER 1960
OSD-5 Army-6 Navy-4 Air-6 NSA-2 FAA-5
DOC-4 USIA-10

Summary:

Economic conditions generally showed little change in November, as compared with preceding months. Industrial expansion was evidenced by new plant openings and announcement of construction plans for others, particularly in the chemical and automotive industries. Merchandising in virtually all lines was reported as good, but affected significantly by rising labor costs and continuance of a relatively tight money situation in terms of consumer purchasing power and commercial credit availabilities. The cost of living rose again by nearly 3% for a cumulative total of over 20% since the beginning of the year 1960. The check buying rate in the free market for November averaged Cr\$190.51 per US\$1.00, compared with Cr\$189.40 in October. A three-day strike of maritime, railway and port workers paralyzed the port of Rio de Janeiro and seriously affected transport operations in many parts of the country. A wheat supply shortage continued to develop, with a crisis expected by year's end.

Finance:

During the exchange auctions held in November, \$21,756,000 of regular offerings and \$19,173,000 of supplementary under the provisions of SUNOC Instruction 193 were purchased by Brazilian importers. The corresponding figures for October were \$25,600,000 for the regular offerings and \$11,551,000 for the supplementary offerings. Total supplementary sales of U.S. dollars purchased under Instruction 193, since its inception, amounted to \$80,939,000 at the end of November 1960, more than half of these in the last three months.

Throughout the month in the regular auctions, considering Brazil as a whole, in the general category, the rate fluctuated

by EJBash/jw - with contributions
by FMMilam, EIBrown, JHCrimmins
DE Mann, WBlomeyer, SThillig, JWiegand
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JAN 24 1961

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Page 2 of
End. No.
Disp. No. 550
From Rio de Janeiro

between a low of Cr\$208.00 and a high of Cr\$210.00, there being no change in relation to the previous month. In the special category the rate fluctuated widely between Cr\$533.00 and Cr\$626.00 with rates generally over Cr\$600.00 at the end of the month.

With respect to the regular auctioning of exchange in Rio and São Paulo the agio paid for dollars in the general category kept stable throughout the month at Cr\$210.00 and moved between Cr\$602.00 and Cr\$622.00 in the special category. Fertilizers varied between Cr\$88.20 and Cr\$90.59 and for insecticides the high and low were respectively Cr\$81.50 and Cr\$81.08. Other bilateral accounts denominated in dollars were sold in substantial amounts at the uniform rate of Cr\$178.00 throughout the month.

During November paper money issued increased by Cr\$8,089 million or 4.4% over the previous month. For January-November, there was a cumulative increase of Cr\$34.8 billion or 22.5%. For the comparable period of 1959, the corresponding figures were respectively Cr\$23.0 billion and 18.2%.

The cost of living index computed by the Getulio Vargas Foundation indicated a 2.9% rise in November as compared with 3.88% during October, for a cumulative increase of + 20.4% for January-November 1960. For the comparable period of 1959 the corresponding figure was + 50.1%.

The average check buying rate in the free market for November was Cr\$190.51 which compares with Cr\$189.40 for the corresponding month of 1959.

Trade and Industry:

Business conditions generally were described as good in November, with evidence of continued industrial expansion and reasonably satisfactory merchandising experience. The sharp increase in labor costs and continued tight money situation in terms of bank credit, however, were causes of concern for the immediate future.

A plant was inaugurated in the state of Rio de Janeiro, with initial capacity to produce 130,000 metric tons carbonate of soda per year, along with other chemical products. It is claimed that the plant will save some fifteen million dollars a year in foreign exchange. A sulphuric acid plant, imported from Germany and being installed in Florianopolis, State of Santa Catarina, is scheduled to open in early 1961. Plans have also been announced for the

UNCLASSIFIED

0185

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 550
From Rio de Janeiro

installation of a columbium concentrate factory, with operations scheduled to start in approximately one year. A new factory is being installed in São Paulo for the manufacture of equipment for fluorescent lighting, the demand for which is increasing at the rate of 20% each year.

Other industrial projects to be located in various cities of the country, which were announced during November included: an automobile "safety glass" plant with manufacture scheduled to begin in 1963; expanded facilities for soap production; a vegetable oil refinery; a plant for manufacture of carbon brushes for electric motors; additional production of parts for the automobile industry; processing facilities for coal coke and an electronic equipment plant. According to state government officials, serious negotiations also are underway for an automobile plant in the state of Rio Grande do Sul and a tractor plant in Minas Gerais.

On November 26, the first all Brazilian motor-show was inaugurated in São Paulo, with 24 different types of automobiles manufactured in the country. The long-awaited Rio de Janeiro International Industry and Trade Fair has been firmly scheduled to open on December 16. Footwear manufacturers, desirous of increasing exports, are planning an exhibition in New York to advertise their products.

Minerals:

There were no outstanding developments in mineral production during the period under review. New projects are waiting for the establishment of the new administration in Brazil and an appraisal of its policies and attitudes toward the mining industry, especially with reference to foreign participation in mining.

The committee which was appointed by President Kubitschek to prepare a program for the establishment of the new Ministry of Mines and Power in February has submitted its first report. The Committee has been unable to complete a final draft of the organization as the civil service rank of individuals in the proposed staff is not clear under the recent reclassification of civil service employees.

UNCLASSIFIED

0186

UNCLASSIFIED
(Classification)

Page 4 of
End. No. _____
Disp. No. 550
From Rio de Janeiro

Agriculture:

The Brazilian Coffee Institute indicated in late November 1960 that the 1960-61 coffee crop would be at least 25 million bags. Trade sources currently are estimating a 1961-62 coffee crop of over 35 million bags.

Wheat supplies continue to be short. National wheat production for commerce is not expected to exceed 300,000 metric tons. It is rumored that the average producer price for the 1960-61 crop will be Cr\$1,100 per 60 kilo bags, as compared to Cr\$840 for the 1959-60 crop. It is being proposed that the flour mills pay the full price for the local wheat during 1961. During 1960 the mills only paid Cr\$500 per 60 kilo bag, the remaining Cr\$340 being covered by a general increase in the average price of imported wheat. If the mills pay the full price for the 1960-61 crop, there is a good possibility that the price of bread, flour and livestock feed will increase.

The Wheat Commission accepted CCC credit for purchase of 60,000 metric tons of U.S. wheat, from Pacific ports, under Edital 20/60. Bids for 40,000 metric tons of U.S. HW-2 from Gulf ports were accepted, against barter of Brazilian pig iron or wooden manufactured items at an FOB price of \$69.47 per ton. Toward the end of November, this 40,000 ton bid acceptance was cancelled because the contracting firm could not meet the rigid terms imposed by the contract.

(OFFICIAL USE ONLY)

Transportation and Communications:

In aviation, the most significant development of November was undoubtedly the passage by the Chamber of Deputies on November 23 of a bill amending the Brazilian Air Code to reduce to 20% the maximum participation of foreign capital in Brazilian commercial air carriers. The bill, which is a substitute for a similar proposal made in 1959, also requires that the management of the carriers be exclusively Brazilian. On the following day, Deputy Eloy Dutra, who has made a series of violent attacks in the Chamber on the relationship between Panair do Brazil and Pan American World Airways, which at present owns 30% of the stock of Panair, congratulated the Chamber on its decision, which, he said, confirmed the correctness of his campaign. He added that although the ideal solution would have been the acceptance of a proposal to prohibit completely foreign holdings in Brazilian carriers, the 80% nationalization called for by the bill would to a certain extent release Brazilian aviation from the "nefarious action of the

UNCLASSIFIED

0187

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 550
From Rio de Janeiro

trusts". The bill now goes to the Senate for consideration in January. If the bill is approved by the Senate, PAA will be obliged to reduce its present holdings by at least a third in order to come within the 20% ceiling. The passage of the bill represents a victory for nationalist sentiment, of which PAA has been a target for some years, and for some of Panair's Brazilian commercial competitors. This combination of nationalism and the drive for immediate commercial gain has been present in other efforts to restrict the operations of foreign enterprise in Brazil.

In early November members of the Brazilian delegation to the October Second Regional Civil Aviation Conference returned from Montevideo. To judge by their statements, the delegates appeared reasonably pleased with the results of the meeting. No comments on the US role at the Conference have appeared.

In the maritime sector, an important event occurred on November 7 when, at the Lahmeyer Yards of the Companhia Comércio Navegação, the *Ponta d'Areia*, the first vessel to be built as part of the Brazilian Government's program to install a shipbuilding industry in Brazil, was launched, two months ahead of the original schedule. The *Ponta d'Areia*, a small coastal vessel of 1,550 DWT, 240 feet overall, with a speed of twelve knots, is the first of a series of six--three more of the same tonnage and two of 6,175 DWT--to be built by the Lahmeyer Yard, which is located on Guanabara Bay near Niteroi. The yard, which will have an eventual annual capacity of 25,000 DWT, has been the recipient of an investment of nearly 465 million cruzeiros from the Brazilian Economic Development Bank. At the launching ceremony, Transport Minister Amaral Peixoto stated that the Government had already ordered, with the resources of the Merchant Marine Fund, 17 additional vessels worth a total of nine billion cruzeiros and comprising 76,000 DWT. The launching was a significant step forward in the Government's program for the domestic manufacture of vessels for the merchant marine. Despite this progress, concern is being expressed in maritime circles over the ability of the Government and private entities to find the resources to purchase the products of the shipyards to be installed under the Government's program, which is designed to create by 1963 an annual total construction capacity of 150-160,000 DWT. According to present unofficial estimates, which presuppose an annual increase of 20 percent in construction costs over the next four years, the total value of the 1964 output of the shipbuilding industry will be close to 40 billion cruzeiros. This figure is in contrast with the annual expected receipts of the Merchant Marine Fund over the next few years of five billion cruzeiros.

On November 2, a 60 percent increase in charges in the ports of

UNCLASSIFIED

0188

UNCLASSIFIED
(Classification)

Page 6 of
End. No. 550
Desp. No.
From Rio de Janeiro

the state of Rio Grande do Sul (Porto Alegre, Pelotas and Rio Grande) became effective. The raise in rates, approved by the Federal Ministry of Transport at the request of the state Department of Ports, Rivers and Canals, was reported to be the equivalent of 13 centavos per kilogram of merchandise handled in the port. The Director of the Ports Department stated to the press that the increase would not resolve the financial difficulties faced by his Department, which is expected to have a 1960 deficit of Cr\$300,000,000. Like late October increases in port charges in Santos and Salvador (15 and 40 percent, respectively, with certain charges unchanged), the Rio Grande do Sul rise is intended to cover increased costs resulting from higher wages obtained by port workers in order to meet higher living costs--the entire process illustrating the operation of the inflationary spiral.

During November, the railroad scene was marked by increasing financial difficulties of the Rede Ferroviária Federal (The Federal Railway System) and by strikes and threats of strikes. The Rede, faced with a shortfall of nearly five billion cruzeiros between its 1960 receipts and expenses, was frantically arranging its accounts to meet its payrolls and to pay its most pressing suppliers, but time seemed to be running out. The Rede officially estimated that its 1960 expenditures would be Cr\$33.5 billion (Cr\$20.3 billion of this would be for personnel) and its receipts, Cr\$15 billion, leaving an operating deficit of Cr\$18.5 billion (as compared to operating deficits of Cr\$13 billion in 1959 and Cr\$9.1 billion in 1958). Of this deficit, Cr\$13.6 billion would be absorbed by subsidies provided by law, but Cr\$4.9 billion would be totally uncovered. Despite efforts during November by the Rede and by the newly established Brazilian Railroad Association, many of whose industrial members are major creditors of the Rede, to speed up Congressional consideration of the Kubitschek Administration's late October request for a special credit of Cr\$5.78 billion to cover the crucial gap and to provide a minimum amount of investment capital, there was no appreciable movement in the legislative process. Emergency releases and advances of funds to the Rede by executive action during the latter part of the month were designed to meet payrolls, and at the end of the month the Rede continued to operate strictly on a hand-to-mouth and robbing-Peter-to-pay-Paul basis. Unless very prompt action on the Cr\$5.78 billion credit were taken by Congress, there was every prospect that the situation would deteriorate even further.

As indicated under Labor, the three-day "parity" strike early in the month affected Rede roads in varying degrees. The Leopoldina, which serves parts of the states of Rio de Janeiro, Minas and

UNCLASSIFIED

0189

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No. _____
Disp. No. 550
From Rio de Janeiro

Bepirito Santo and which is a focus of labor conflict, was the hardest hit. In fact the federal intervention of the Leopoldina continued until November 21, thirteen days after the termination of the strike, in order to protect the relatively few workers who did not strike from reprisals by those who did. In São Paulo a strike on the Paulista, the principal privately owned--and by far and away the best--railroad in Brazil was averted as the result of a November 26 agreement which called for a 30 percent monthly bonus (the union asked for 60 percent), a Christmas gratuity equivalent to 100 hours of work, and an increase from Cr\$25 to Cr\$40 in the daily food allowance for train crews. These increases are conditioned on the company's receiving authorization to raise its rates to cover the costs. Only ten days before the settlement that prevented the strike, the Governor of São Paulo had authorized a 17.45 percent increase in rates for the Paulista, effective December 1, in order to cover the costs (estimated at Cr\$307 million) of the rise in the minimum wage level.

With respect to the railroad rolling stock and equipment industry, Finance Minister Paes de Almeida announced on November 16 on his return to Brazil from Argentina that, during the Argentine-Brazilian talks on means of restoring equilibrium to the trade between the two nations, he had proposed a plan for the furnishing by Brazilian manufacturers of \$100 million worth of railroad material over a period of three years. Although official sources participating in the Buenos Aires discussions did not make specific comments, it appeared that, in the face of reported price and financing difficulties and opposition from Argentine domestic industry and traditional suppliers, the conclusion of a large-scale Argentine purchase for Brazilian rolling stock and equipment was not yet in sight. The excess capacity of Brazilian industry in this sector, particularly with respect to freight car manufacture where annual capacity is reckoned at about 7000 cars per year with a domestic Brazilian demand averaging perhaps 2500, suggests, however, that Brazil will continue to pursue the proposal as a means of redressing the serious imbalance in its trade with Argentina.

In the field of telecommunications, the month saw some progress on the proposal for the creation of a new Communications Ministry to be formed out of the present huge and unwieldy Ministry of Transportation, Communications and Public Works. Early in the month it was announced that Transport Minister Amaral Peixoto had sent to President Kubitschek a draft law, accompanied by an explanation and justification, calling for a new ministry which would be composed initially of the present Department of Posts and Telegraphs and the Technical Commission for Radio. The funds and personnel

UNCLASSIFIED

0190

UNCLASSIFIED

(Classification)

Page 8 of
Encl. No.
Disp. No. 550
From Rio de Janeiro

of the two entities mentioned would be transferred to the new ministry, whose creation would not entail--according to the justification--any increase in expenditures. On November 19 Amaral Peixoto announced that President Kubitschek had signed a message to Congress transmitting and endorsing the draft law. It is unlikely that any important legislative action can be taken on the proposal before the advent of the Quadros government. There is general agreement that the establishment of a separate Communications Ministry would be a step forward in rationalizing the governmental structure, but its mere creation--especially without provisions for major new investments in the telecommunications and postal systems, and no concrete plans have yet been developed in this respect--would by no means solve the fundamental difficulties which make Brazilian communications so inadequate.

There was considerable activity connected with tourism during the first half of November. Considerable attention was given in the first days of the month (and the closing week of October) to the statements made on their arrival in Brazil of various delegates en route to the Buenos Aires meeting of the International Union of Official Tourism Organizations. These statements, many of which emphasized the importance of tourism as a source of foreign exchange earnings, in turn provoked declarations by the leaders of official Brazilian tourism entities in favor of greater governmental attention to and support of efforts to develop Brazil's very substantial tourism potential. The president of COMERATUR (Comissao Brasileira de Turismo) announced that Brazil intended to join the International Union of Official Tourism Organizations and that his agency wholeheartedly supported the efforts of the Tourism Department of the State of Guanabara to obtain for Rio de Janeiro the 1963 convention of the American Society Travel Agents (ASTA). To the latter end a group of Brazilian tourism authorities left on November 11 for Honolulu (where ASTA's annual convention was being held) to present Rio's case to the ASTA's officials. The Embassy understands that no firm reply had been given by ASTA by the end of the month. For Rio to receive ASTA in 1963 the first-class hotel capacity of the city would have to be substantially increased, but so far the critical question of financing by Brazilian government financial organs of hotel construction has not yet been resolved. The shortage of Brazilian hotels adequate for tourists was also pointed to as a serious obstacle to the growth of tourism in Brazil by the French Commissioner General of Tourism, Jean Sainteny, during his passage through the country en route to Argentina.

The stimulation of tourism in a different direction was the object of a late November-early December visit to Rio de Janeiro, Brasilia and Sao Paulo of a group of three representatives of

UNCLASSIFIED

0191

UNCLASSIFIED
(Classification)

Page 9 of
End. No. ---
Disp. No. 550
From Rio de Janeiro

Intourist, the Soviet tourism agency. The Soviet representatives, who visited the Foreign Ministry, the Guanabara Tourism Department and private travel agencies, minimized the difficulties of arranging visits to the USSR, stating that all formalities could be arranged between travel agencies in Brazil and others in countries which maintained diplomatic relations with the Soviet Union.

Labor:

A three-day strike of maritime, railway, and port workers from November 8-10 paralyzed the port of Rio, reduced train movements to and from the city, and affected transport operations in other parts of the country in varying degrees. The strike was called by the National Federation of Railway Workers, the National Federation of Maritime Workers, and the National Association of Port Workers for the stated objective of forcing urgent congressional approval of a bill to bring the wages of the striking workers up to "parity" with the salaries of military personnel who have recently received a substantial wage increase. As most of Brazil's railroads, shipping lines, and ports are owned by the Federal Government, the workers in these sectors are mainly employees of the Government. Privately owned or operated railroads, ports and shipping lines were not involved in the strike.

After an initial display of willingness to meet the workers' demands, the Government moved energetically against the workers' strikers when its conciliatory gestures were ignored. The strike ended when the Government agreed to release some sixty-odd labor leaders who had been placed under arrest and not to impose any penalties on strikers who had disregarded an order to return to work or lose their jobs. After the strike ended, the Minister of Labor stated that it had been inspired by Communists.

On November 12, the Chamber of Deputies, and on November 21 the Senate passed the parity bill, and it was signed into law by the President on November 22. He vetoed several items, of which the most important was the provision that the wage increases should be retroactive to July 1, 1960.

Brazil and Japan signed an agreement regulating Japanese immigration into Brazil. Under the agreement, which requires legislative approval in both countries prior to becoming effective, the Japanese Government will select immigrants with occupational skills needed for Brazil's economic development and provide some pre-departure instruction in Portuguese, while

UNCLASSIFIED

0192

UNCLASSIFIED

(Classification)

Page 10 of
Encl. No. _____
Disp. No. 550
From Rio de Janeiro

the Brazilian Government will aid the immigrants to become established after their arrival. The volume of annual immigration will fluctuate according to job placement opportunities, but it is contemplated that the overall effect of the agreement will be a generally larger volume of immigrants. During the present century, approximately 230,000 Japanese immigrants have entered Brazil, according to the Annual Statistical Yearbook of the Conselho Nacional de Estatistica.

For the Ambassador,

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Enclosure: *att*
Economic Indicators.

N.B.

Add following paragraph under Finance:

Substantial interest surrounded the November visit of officials of the U.S. Export Import Bank. The Brazilian Finance Minister and the Director of the Bank of Brazil Exchange Department subsequently went to the United States to complete the arrangements whereby Brazil received a six-month extension for the payment of certain maturities coming due during the next six months.

UNCLASSIFIED

0 193

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Desp. No. 550
From Rio de Janeiro

Economic Indicators:

Cost of Living In Rio de Janeiro (1948=100)

	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
1959									
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	1.9
July	630	419	546	421	518	522	719	573	2.9
Aug.	760	430	554	432	536	575	727	603	5.2
Sept.	701	431	562	432	544	605	758	622	3.2
Oct.	745	439	570	445	544	605	757	644	3.5
Nov.	806	454	581	462	603	611	757	677	5.1
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
Aug.	833	543	657	588	723	699	843	745	.7
Sept.	859	554	664	590	732	734	961	772	3.6
Oct.	900	580	674	606	744	765	996	802	3.9
Nov.	922	594	685	623	776	852	1007	825	2.9

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (in US\$1,000,000)

Imports	July	Aug.	Jan-Aug.	July	Aug.	Jan-Aug.
Total	137.2	116.1	925.4	100%	100%	100%
USA	47.4	36.	278.8	35	31	30
C.B.*)	5.5	7.	44.1	4	6	5
Exports						
Total	128.6	101.1	835.3	100%	100%	100%
USA	58.2	45.	385.6	45	45	46
C.B.*)	12.9	7.7	49.4	10	8	6

*)-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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0 194

PRIORITY

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(Security Classification)

FOREIGN SERVICE DESPATCH

DO NOT TYPE IN THIS SPACE

832.00/12-3060

FROM : Amcogen São Paulo

250
DESB. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

December 30, 1960

REF : CERP C - General Interest

DEC 30 1960

25 For Dept. Can Only	ACTION	DEPT.	
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	ana-5	Pd-1 RMR-2 INR-10 CA-11 V/MSC-1 E	
	1-L	NAM-17 USIA-10 OSD-2	

SUBJECT: Biweekly Economic Review, December 16 - December 29, 1960 INTER-AMERICAN AFFAIRS

NAVY-20 AIR-26- CIA-10 OCB-2 NSA-4
Index Lab-7 INT-7 TR-3 FRA-3

1. Agrarian Reform Bill Passed
2. Possible Shortage of Wheat in São Paulo
3. AMF Subsidiary Inaugurates Plant in São Paulo
4. Japanese Company Manufactures Small Diesel Motors
5. Farm Tractors in São Paulo
6. Caterpillar Starts Production of Road Graders
7. Abnormal Rainfall in São Paulo

H. H. Cahn
A. D. Ventura
A. D. Ventura
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A. D. Ventura

1. Agrarian Reform Bill Passed

The agricultural reform bill (see despatch 233 of December 15, 1960) finally was passed by the state legislature on December 27 and can now become law by the end of 1960 and go into effect in 1961. A few amendments that do not materially alter the basic bill were also approved. One of the amendments requires the government to issue within 15 days the regulations covering the Agricultural Expansion Fund called for in the Government Plan of Action.

Comment: A vigorous campaign against the bill, mainly by the agricultural association FARESP, failed in its efforts to prevent passage this year and the bill passed by a vote of 61 to 11. The Agricultural Expansion Fund is one of the three revolving funds to provide cheap credit that have not yet been set up, although the regulations governing them should have been issued 30 days after the Plan of Action went into effect in November 1959 (see page 2, despatch 147, October 10, 1960).

2. Possible Shortage of Wheat in São Paulo

According to a local press report a shortage of bread is imminent unless 150,000 metric tons of wheat are imported soon. Stocks of wheat are reported to be extremely low, and some mills are said to have slowed down milling operations.

09/RECalm/cs

(See index for contributors)

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832.00/12-3060 HBS

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Page 2 of
End. No. 250
Desp. No. 250
From. Amcoeng SMO Paulo

The news despatch adds that the Wheat Industry Association of the State of SMO Paulo has alerted the federal government to this situation, which is imputed to the fact that only 800,000 metric tons of wheat were received in 1960 against an estimated requirement of 1.2 million tons.

3. AMF Subsidiary Inaugurates Plant in SMO Paulo

AMF do Brasil S. A., a subsidiary of the American Machine and Foundry Company of New York, New York, inaugurated its expanded installations in SMO Paulo on December 18. The company invested US\$ 1 million to manufacture cigarette making, packaging, and wrapping equipment for the cigarette industry. The company also plans to manufacture other industrial machinery in the future.

4. Japanese Company Manufactures Small Diesel Motors

The diesel motor manufacturing plant of Yanmar Diesel Motores do Brasil S.A. at Indaetuba, SMO Paulo, was inaugurated on December 20 in the presence of the Japanese Ambassador to Brazil. The company will start producing small diesel motors of 2.5 to 8 HP at the rate of 300 a month in January 1961. Production will be doubled before the end of 1961 when machinery and equipment imported from the local firm's parent company, Yanmar Diesel Engine Company of Osaka, Japan, is installed. Yanmar employs 100 workers and 12 Japanese technicians at its plant.

5. Farm Tractors in SMO Paulo

Two makes of locally manufactured tractors were launched on the local market.

The first tractor manufactured by Valmet do Brasil S. A., at Mogi das Cruzes, SMO Paulo, was exhibited on December 27. The tractor is a wheel model, equipped with a 40.5 motor HP diesel engine. Production is scheduled at 235 units monthly. Approximately 70 percent of the tractor parts, by weight, are locally manufactured. Before the middle of 1961, the local part content will be raised to 82 percent. Valmet do Brasil S. A. is a subsidiary of Valmet Oy of Finland.

Companhia Brasileira de Tratores of SMO Carlos, SMO Paulo, started manufacturing "Oliver" tractors on December 28. The "Oliver" tractor is a wheel model, equipped with a 78 motor HP diesel engine. Initial production capacity is 300 tractors monthly.

Companhia Brasileira de Tratores was recently formed through the association of The Oliver Corporation of Chicago, Illinois, with Industrias Pereira Lopes S.A. of SMO Carlos and Mashla S. A. of SMO Paulo.

6. Caterpillar Starts Production of Road Graders

Caterpillar Brasil S. A. Maquinas e Pegas, a subsidiary of Caterpillar Tractor Company of Peoria, Illinois, produced the first road graders at its plant in SMO Paulo (see item 2, despatch 272 of February 5, 1960). About 55 percent of the grader parts, by weight, are of local origin, while the balance are imported from the United States. The company plans to manufacture about 100 graders in 1961. The road graders are sold at Cr\$ 5,857,000 (approximately US\$ 23,810 at the present free market rate of exchange).

UNCLASSIFIED

0196

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(Classification)

Page 3 of
Encl. No.
Disp. No. 250
From Amsongen São Paulo

7. Abnormal Rainfall in São Paulo

Exceptionally heavy rains in São Paulo (the heaviest on record) which lasted for nearly a week, were responsible for property damage which has not yet been fully evaluated. The city districts bordering the Tietê and Tamanduatê rivers, which overflowed, were particularly affected. Rainfall was also heavy in the interior of the State of São Paulo, but so far there have been no reports of damage to farm crops.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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832.00/1-261

0198

Air Pouch
HANDLING INDICATOR

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

41
NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 2, 1961

REF : CERP, C-4

JAN 5 - 1962

10 For Dept. Use Only	AC T I O N	10-12 1-13	DE PT O F S T A T E	RM/R 1	AF 3	ARA 3	EUR 1	FE 1	CU 1	INR 5	E 3	P 1	TO 1
				AGR 10	COM 3	FEB 7	IRY 6	LAS 1	YAR 2	XMB 1			
				AIR 6	ARMY 11	CIA 3	NAVY 3	OSD 3	OCB 3	USIA 3			

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - December 1961

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

SUMMARY:

Due to heavy rains recently, rice plantings are reported one month behind schedule. Current wool production is reported favorable. A drop in yield of grapes is reported due to excessive rains. Current wheat crop down 50 percent from previous crop. Good retail sales reported for Christmas season. Local business community expresses concern over proposed agrarian reform and tax revisions. Rice exports continued on a moderate scale. Wheat shipments arrived from Argentina to supply local demands. Steel plant to be constructed near Porto Alegre. Polish investment proposed in the form of barter shipments. The free market foreign exchange value of the cruzeiro remained weak during the month. The local money market eased somewhat. The inauguration of additional power plants is expected to relieve frequent power rationings. President Goulart has laid cornerstone for new oil refinery to be constructed here. Telephone and electricity employees demand salary adjustments.

1. AGRICULTURAL DEVELOPMENTS:

AJKirchhof/HEloom/zms

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FORM
5-61 F5-439

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U.S. GOVERNMENT PRINTING OFFICE: 1960 - 812210(12)

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FOREIGN SERVICE DESPATCH

832.00/1-261

FROM : Amconsulate PORTO ALEGRE

41
NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 2, 1961
DATE

REF : CERP, C-4

JAN 5-1962

19 For Dept. Use Only	AC T I O N	IN FO R M	RM/R	REP	AF	ARA	EUR	FE	16A	CU	INR	E	P	TO	1961
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			6	11	3										

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - December 1961

1. Agricultural Developments
2. Domestic Trade and Commercial Activity
3. Foreign Trade
4. Industry and Investment Developments
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1. AGRICULTURAL DEVELOPMENTS:

AJKirchhof/HBloom/zms

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FORM FS-439	REPORTER	For Department Use Only-To be Filled in on Yellow Original ONLY
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NAME OF OFFICER'S OFFICE SYMBOL	DATE OF ACTION	DIRECTIONS TO RM/R

U.S. GOVERNMENT PRINTING OFFICE: 1960 O-542121-17

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(Classification)

Page 2 of
Encl. No. 41
Dep. No. 41
From PORTO ALEGRE

a. Rice - The general outlook for local rice is reported favorable. Plantings, though one month behind schedule because of excessive rains in October/November, are now proceeding under excellent weather conditions. In domestic markets, IRGA (Rio Grande do Sul Rice Institute) has been selling in limited quantities due to its insistence on cash sales, while dealers have been finding ready buyers at 60-day terms.

b. Wool - For this year's wool clip, which may exceed 26,000 metric tons, the Bank of Brazil has granted \$2,500 million in financing. The wool quality has proven to be good, and sales are reportedly proceeding well, with buyers paying as much as \$7,000.00 per arroba (15 kilos).

c. Grapes - A 20 percent drop in yield, attributed to a fungus that was fostered by excessive rains, is forecast for the coming grape harvest. Quality, however, should be good, and prices firm, possibly as high as \$10.00 per kilo.

d. Wheat - Official estimates now place the current wheat crop at 130,000 metric tons, almost 50 percent less than last year's. It is reported in the press that the local Banco do Estado do Rio Grande do Sul will discontinue financing operations until new and disease-resisting seeds will be available to planters.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Retailers report good sales for the Christmas season and favorable collection experience, while collection experience on the part of manufacturers continues to deteriorate.

Comparative figures of total sales for November 1961 (latest figure available) and October 1961, and November 1960, are as follows:

(In thousands of cruzeiros)

<u>November 1961</u>	<u>October 1961</u>	<u>November 1960</u>
35,860,530	34,221,890	26,114,070

Source: Budget Bureau, State Treasury

Protest of trade bills for November 1961 (latest figure available) amounted to \$20,398,852, as compared with \$34,612,850 for October 1961, and \$11,316,033 for November 1960.

At a general meeting recently held by the various chambers of commerce in Rio Grande do Sul, the business community voiced its apprehension about the forthcoming agrarian reform and tax revision proposed by the Federal Government. A recommendation was also made for the approval of the "Alliance for Progress" plan with more

UNCLASSIFIED

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(Classification)

Page 3 of

Encl. No.

Desp. No. 41

From PORTO ALEGRE

information about it to be divulged to the people. The local commercial leaders appear to be, in principle, in favor of a plan to control profit remittances on foreign investments, but any changes proposed by the Federal government should not serve to stop the inflow of foreign investments into Brazil, they stated.

3. FOREIGN TRADE:

a. Rice - Early in December the Polish-flag freighter "Juscefa Conrada" arrived in Porto Alegre to load 4,600 metric tons of milled rice sold recently by IRGA to Poland.

Bids from international markets have been promising, largely as a result of poor rice harvests in the Far East. However, owing to strong domestic demand, the lower rate of exchange for export dollars, and the lack of port facilities which limit the shipping of local rice to 20/30,000 metric tons per month, exports of this commodity have been on a moderate basis.

b. Wheat - Local millers expect the arrival of an additional shipment of 35,000 metric tons of wheat from Argentina to supply local demands.

c. Export to Uruguay - It is reported that, for the first time, two busses made by a local manufacturer of vehicle bodies (Carrocerias Nicola of Caxias do Sul) were shipped to Montevideo, Uruguay. It is hoped that this initial shipment may lead to additional business in the Uruguayan market.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

a. Steel Plant - (See Consulate's despatch No. 34, December 5, 1961, item 4a). Considerable publicity has been given to the recently formed Acos Finsa Piratini S.A., whose capital of \$2 billion was taken up mainly by the Federal Economic Development Bank, with the Banco do Estado do Rio Grande do Sul, and private banks and individuals participating to a lesser extent. The plant is to be installed near the new power plant of Charqueadas, some 2 hours from Porto Alegre, and is expected to be in full production within 3 years. Annual sales are estimated at \$6 billion.

b. Polish Investments - In a recent visit to Rio Grande do Sul, the Polish Consul (located in Curitiba, Parana) called on the local superintendent of the Fronteira do Sudoeste. On this occasion, the Consul stated that his country is interested in shipping agricultural machinery and implements in exchange for Rio Grande do Sul products, particularly soybeans, and that paper and cement mills would be constructed in the areas to be developed under the Fronteira Sudoeste program. The Consulate will report further developments.

5. TRANSPORTATION AND COMMUNICATIONS:

UNCLASSIFIED

0202

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Page 4 of
Encl. No.
Disp. No. 41
From PORTO ALEGRE

a. State Railroad - It is reported that the Federal Government has appropriated the sum of \$6 billion for 1962 to carry on work on important railroad connections still unfinished in the agricultural areas of Rio Grande do Sul.

6. FINANCE:

a. Exchange - A steady downward trend was noticed in the cruzeiro quotations until December 14 when the exchange strengthened somewhat with the exception of the Bank of Brazil rate which was remained at around \$300.00 per dollar buying and \$307.00 per dollar selling. The depreciation of the cruzeiro commenced after the passage by the Federal Chamber of Deputies of the foreign investment remittance bill of November 29, 1961. The free market foreign exchange value of the cruzeiro fluctuated from a high of \$368.00 per dollar to a low of \$395.00 per dollar, compared to \$335.00 and \$365.00 respectively, in November 1961.

Special category dollars sold at auctions during the month amounted to \$1,000.00, from a total offered of \$6,000.00, leaving an unsold amount of \$5,000.00. The agio paid reached \$662.60 per dollar. No Iron Bloc agreement dollars were offered for sale.

b. Money Conditions - A reliable local source reports that the money market has seen some easing since last month, and banks have been able to handle most of the short-term self-liquidating requirements of regular borrowing clients. However, loanable funds of long tenors are reported to continue available.

1962 State Budget - The State's 1962 Budget, already approved by the legislature and passed on to Governor Brizola, calls for expenditures over \$40 billion and shows a deficit of more than \$4,500 million. The Government expects to eliminate this deficit by credit operations to be authorized by legislature.

New Bank - On December 22, 1961 a Regional Economic Development Bank for the states of Rio Grande do Sul, Santa Catarina and Parana was inaugurated in Porto Alegre by President Goulart and the Governors of these states. This bank, and a Regional Development Council which was inaugurated at the same time, originated from the Florianopolis meeting in April 1961 with ex-President Quadros.

7. LABOR:

Management-labor relations were relatively quiet during December. However, telephone and electricity employees threatened to go on strike, if their demands for an adjustment in salary were not met. Telephone workers asked for a 45 percent increase which, if granted, will be added to telephone bills. Although, at the end of the period it appeared that there would be strike and a satisfactory solution reached.

UNCLASSIFIED

0203

UNCLASSIFIED

(Classification)

Page 3 of

Encl. No.

Desp. No. 41

From PORTO ALEGRE

8. MISCELLANEOUS:

a. Important Visit - Early in December President Haedje of Uruguay arrived in Porto Alegre for a brief visit and to discuss mutual problems concerning Rio Grande do Sul and Uruguay, he stated. The discussions included the construction of a bridge over Quarai River to connect the Uruguayan city of Astigas with Quarai on the Rio Grande do Sul side; improvement of navigation in the shallow parts of the Lagoa Mirim; a combined effort to eradicate cattle diseases; improvement of trade and tourist relations.

b. Bolio - In a recent drive by the State Health Department to prevent a Polio outbreak, 125,000 children were innoculated in the districts of Porto Alegre, Canoas and Viamão. The "Sabin" vaccine was used in this inoculation campaign.

c. State Electrification Program - Short power cuts were continued by CEEE (State Electric Power Company) during the month, apparently for technical reasons (overload).

On December 22, 1961 President Goulart inaugurated the thermo-electric plant Candiota in the Bage district, with an initial output of 20,000 Kw. The total output will be 40,000 Kw. Inauguration of the first stage (18,000 Kw) of Charqueadas plant, near Porto Alegre, has been postponed for a few days apparently for technical reasons. It is expected that the frequent power rationings in the Porto Alegre area will cease when the Charqueadas plant is in full operation. Its total capacity will be 72,000 Kw.

d. Oil Refinery - President Goulart in his recent visit to Rio Grande do Sul also laid the cornerstone for the Petrobras oil refinery to be constructed near Porto Alegre. It is reported that its initial capacity will be 25,000 barrels/day, based on consumption needs in the areas serviced by Porto Alegre. A pipeline of 120 kilometers will bring the oil from the sea terminal of Tramandai.

e. Light and Power Syndicate Ltda. - It is reported in the local press that the Conselho Nacional de Aguas e Energia (Federal Water and Power Council) is now considering the petition submitted by Governor Brizola for expropriation of the Light and Power Syndicate Ltda., of Pelotas, a subsidiary of the American Foreign Power Company. It was stated that a decision would be reached soon. The Consulate will report further details.

f. Water Shortage - Due to breakdown in coverage equipment of the main local pumping station, Porto Alegre was hit by a serious water shortage late in December. The Porto Alegre Mayor hopes to improve the situation with Federal funds recently obtained, and a loan to be granted by the Inter American Development Bank for this purpose.

cc.: Amembassy RIO

Myman Bloom
American Consul

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FOREIGN SERVICE DESPATCH

832.00/1-361

FROM : Amcogen, São Paulo

252

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 3, 1961

REF : GERP C - General Interest

JAN 4 1961

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
1-10-61	*CMM-121 *CUB-10 *TR-3 *FRG-3 *XMA-4 *TAR-2 *AGA-8 *INT-7	*INR-7 *E-3 *ICR-11 *ARA-4

SUBJECT: São Paulo Quarterly Review - Fourth Quarter 1960

*LAB-6
*NSA-10
*NSA-2
*NAVY-4

SUMMARY

Business was good on all levels, as a 60 percent rise in minimum wages largely made up for continuous price rises. The cost of living at the end of November was 30.1 percent above the January 1 level. The 1961 state budget was passed with a slight deficit, but will be unbalanced by an additional Cr\$ 12.5 billion needed to raise government salaries by about 30 percent. The São Paulo municipal budget was voted with an appreciable deficit. Substantial hard currency exchange purchases for imports reflected both a heavy import demand and feeling that exchange offerings for imports might be reduced soon. Some wheat arrived from and coffee was shipped to Russia. The Latin American Free Trade Zone was discussed in São Paulo. Campinas (formerly Viracopos) international airport was inaugurated to accommodate jet planes. A bill was passed to allow for tenders to operate the city of São Paulo telephone concession. The Agrarian Reform Bill became law at the end of December. Coffee movement was stabilized by officially sponsored purchases, while cotton plantings were discouraged by delays in setting minimum prices and were lower than expected. Sugar producers were interested in increasing exports to the U. S. Meat prices soared but receded somewhat in December when pastures proved. A wave of strikes for higher wages halted various activities for a few days each, but all were settled peacefully.

BUSINESS ACTIVITY

Business was brisk during the last quarter of 1960. A 60 percent increase in the minimum wage level decreased on October 15 largely made up for the continuous rise in the cost of living, and retail sales for the holiday trade were very good and would even have been better had not a week of rain just before Christmas dampened buying. Wholesale trade picked up after the slow period preceding the presidential election on October 3, and also benefitted from the good retail sales. Manufacturing activity continued strong, but was slowed down a little by a seven-day strike of metal workers in November.

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

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

0205

UNCLASSIFIED
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Page 2 of
Encl. No. 252
Disp. No. 252
From Amcongen SMO Paulo

Ad valorem sales tax revenue rose in October to Cr\$ 6.65 billion, from Cr\$ 6.5 billion in September, and again in November to Cr\$ 6.7 billion. In November a substantial increase in collections in the city of SMO Paulo outweighed a drop in revenue in the interior, and reflected the active retail trade and the slight slowdown in manufacturing due to strikes. The cost of living rose by an additional 3.4 percent in October and 6 percent in November over the January 1, 1960 level, bringing the total increase in SMO Paulo during the current year through November to 30.1 percent.

FINANCE

The SMO Paulo state legislature voted the 1961 state budget with a deficit of Cr\$ 600 million in total expenditures of just under Cr\$ 107 billion. The 1961 state budget will presumably be unbalanced by an additional Cr\$ 12.5 billion needed to pay the approximately 30 percent increase in government salaries proposed by the administration to go into effect on January 1, 1961. A government spokesman said that funds for the salary readjustment would come out of the Plan of Action, and indicated that some public works would be postponed in order to be able to make the funds available.

The SMO Paulo municipal budget was voted with a deficit of Cr\$ 1,904,645,815.00. Expenditures were placed at Cr\$ 14,643,150,815.00 and revenue was estimated at Cr\$ 12,738,505,000.00. The Mayor signed the budget as voted, but immediately froze expenditures in the amount of the anticipated deficit.

Sale of the shares of the S. A. Industrias Reunidas F. Matarazzo was officially closed on November 30, at which time a little over 60 percent of the Cr\$ 1.6 billion worth of shares originally put up for sale had been disposed of.

The First National Convention of Income Tax Officials was held in SMO Paulo from December 23 to December 28. Some of the suggestions approved by the Convention were: 1) allow payment of income tax through banks; 2) speed up payment of refunds due tax payers; 3) give more attractive discounts for tax payments made in advance; 4) biennial income declarations for physical and juridical persons; 5) automatic readjustment of deductions for families in relation to the cost of living; 6) deduction of school educational expenses from gross income.

FOREIGN TRADE

During the fourth quarter US\$ 36 million in hard currency was sold in SMO Paulo for imports, over and above the usual amounts offered at the foreign exchange auctions. This compares with extra purchases of US\$ 23 and US\$ 15 million in the third and second quarters of 1960. While these extra purchases denote a heavy demand for imports from hard currency countries, they also reflect a growing feeling that foreign exchange offerings for imports might be reduced soon and the cost might go up.

During the quarter 6,500 metric tons of wheat arrived at Santos from Russia and 63,242 bags of coffee were shipped from that port to the USSR.

The Latin American Free Trade Zone was discussed in SMO Paulo in November by Federal officials, who distributed questionnaires to be filled out by those interested

UNCLASSIFIED

0206

UNCLASSIFIED
(Classification)

Page 3 of
End. No.
Desp. No. 252
From. Amongen São Paulo

in developing or expanding trade in the zone. The initial reaction in São Paulo was one of concern over the possibility of competition with domestic producers developing in Brazil from suppliers in other countries in the zone. Some skepticism in developing exports was expressed because of the instability of prices in Brazil and the deficiencies in export financing.

NEW INVESTMENTS

The following new investments were made or announced during the fourth quarter of 1960:

Companhia Produtora de Vidro-Providro S. A. is investing US\$ 964,000 to set up a plant to manufacture safety glass for motor vehicles. Construction of the plant at Caçapava was started in December, and is expected to be completed by the end of 1961. Machinery and equipment will be imported from France, Belgium, Germany, and Canada. Major shareholders in Providro S. A. are the Dreyfus Group and Glages de Boussais of Paris, France; Union des Verreries Mécaniques Belges S. A., of Charleroi, Belgium; and Deutsche Libby-Owens Gesellschaft of Gelsenkirchen, Germany.

Volkswagen do Brasil - Indústria e Comércio de Automóveis S. A. will receive a total of US\$ 7.6 million in machinery and equipment from Volkswagenwerke G.m.b.H. to expand its manufacturing facilities at São Bernardo do Campo (S.P.). The equipment will be used mainly in the passenger car assembly line.

Produtos Químicos Elétricos S. A., a São Paulo firm associated with Union Chimique Belge of Brussels, Belgium, and one of the major producers of phthalic anhydride, will receive machinery and equipment valued at US\$ 161,000 from its associated company to expand production.

Companhia Brasileira Rhodiageta Fábrika de Raion of São Paulo will import machinery and equipment worth US\$ 162,000 from France to expand its production of nylon and viscose yarn. The equipment will be supplied by Société des Usines Chimiques Rhône-Poulenc and Société Rhodiageta, both of Paris, France, who have already invested a total of nearly US\$ 2 million in the local company.

Ibrapa-Indústria Brasileira de Produtos Eletrônicos e Elétricos, a subsidiary of N. V. Philips Gloeilampenfabrieken of Eindhoven, Netherlands, will receive from its parent company machinery and equipment valued at US\$ 90,000 to manufacture radio transistors. Ibrapa already manufactures radio and TV valves, condensers, loud-speakers and sockets.

Robert Bosch do Brasil S. A. Indústria e Comércio de Acessórios of Campinas, already one of the largest auto parts manufacturers in Brazil, will expand its manufacturing facilities to produce injection and hydraulic equipment for the tractor industry and will import the necessary machinery, valued at US\$ 3.4 millions, from its principals, Robert Bosch G.m.b.H., of Stuttgart, Germany.

Indústrias Químicas Eletro-Cloro S.A., a large manufacturer of chemical products controlled by Solvay et Cie. of Brussels, Belgium, will import US\$ 96,000

UNCLASSIFIED

0207

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 252
Desp. No. 252
From: Amcogan São Paulo

worth of machinery and equipment from Belgium to expand its production of polyvinyl chloride.

The French Jacques Leroy group, major shareholders in the department stores Le Printemps, Magasins, Frizonic, and Les Grands Magasins, of Paris have, in association with Jean Lamberger of Paris and the Dutch American Mercantile Corporation of New York acquired 51 percent of the shares of Três Ledsa - Cia. de Comercio, Industrias e Representações of São Paulo. Três Ledsa, a Cr\$ 500 million corporation, owns and operates two department stores in São Paulo, and another in Rio de Janeiro. The company will be reorganized under the presidency of Mr. Jacques Leroy.

TRANSPORTATION AND COMMUNICATION

The Campinas (formerly Viracopos) international airport near Campinas was officially opened to regular operation on October 19, 1960, and is now used by international jet planes coming to São Paulo. The trip from Campinas to the city of São Paulo is made by bus and takes about two hours. During the first full month of operation, a total of 261 take-offs and landings were recorded at Campinas and 4,424 passengers embarked and disembarked.

Congonhas airport in the heart of the city of São Paulo continued to be used by domestic and international small jet and propeller-driven aircraft. During the first eight months of the current year 30,488 planes landed and 30,595 took off from Congonhas. Passengers embarking totaled 527,025 during that period, and 535,918 disembarked, while 103,574 passengers were carried in transit.

Shipping at the port of Santos has been heavy. During the first nine months of the current year 3,074 vessels entered and docked at Santos. These unloaded 7,405,205 metric tons of cargo and loaded 1,719,256 tons, including 6,332,947 bags of coffee of 132 pounds each.

Early in November the port of Santos was becoming congested because of several days of heavy rain that hampered cargo handling, and a strike of coffee baggers and handlers. Several vessels scheduled to load coffee by-passed Santos or left after a few hours in the harbor. The congestion, however, was cleared up after the strike ended on November 4.

In the closing days of December the Municipal Council passed a bill authorizing the Mayor to call for bids to provide telephone service for the city of São Paulo. The company now operating the service is doing so under an expired contract. It is proposed to publish the call for bids both in Brazil and abroad and to give a lead time of three months. The Mayor still has to sign the bill.

AGRICULTURE

The most important event in agriculture during the quarter was passage of the São Paulo Agrarian Reform Bill during the last days of December, in the face of a strong campaign against passage sparked by the Federation of São Paulo Rural Associations (FARSEP). The opposition of land owners was primarily against the increase in the land tax on uncultivated land rising on a sliding scale to 6

UNCLASSIFIED

0208

UNCLASSIFIED

(Classification)

Page 5 of

Encl. No.

Disp. No. 252

From: Amcogen SMO Paulo

percent on the largest tracts. The law just passed is aimed at increasing agricultural production by greater participation of the small farmer. While it contains a clause permitting expropriation of large uncultivated tracts of land, it gives the owner a year's notice to make it productive before expropriation takes place.

The end of the quarter found agriculture moderately prosperous, with encouraging prospects for the coming year. During the quarter the marketing of the vital coffee crop proceeded normally, stabilized by officially sponsored purchases, in contrast to the disorganized and stagnant market before official intervention became effective in late September. The trade estimates this year's harvest (1960 - 1961) in SMO Paulo about 7,200,000 bags of beneficiated coffee (132 pounds each) compared with 15,609,000 for the previous year. The next crop is expected to be 11,000,000 bags or less.

Unofficial December estimates were that SMO Paulo cotton plantings were smaller than originally expected, partly because plantings were discouraged by the Federal Government's delay in setting a minimum price for cotton. The coming harvest was expected to be little if any above 200,000 metric tons of lint cotton, compared with the 1959 crop of about 185,000 tons. Even allowing for increased production in nearby Paraná, to be marketed through SMO Paulo, the amount of cotton available from the coming crop for export from the SMO Paulo market was expected to be less than 100,000 metric tons of lint cotton.

SMO Paulo sugar producers continued keenly interested in the possibilities of increased exports of sugar to the United States. It was stated that, without such exports, large quantities of cane would remain uncut—enough to produce about one million 132-pound bags of sugar.

During the quarter the price of beef cattle soared to 1,450 cruzeiros per arroba of 33 pounds, delivered at the slaughterhouse—nearly double the price of a year before. Retail prices reached 300 cruzeiros a kilo for the best cuts in October, for which there was no price control. Price controls on the cheaper cuts were abolished November 28, but this made little difference, as these controls had been flouted anyway. However, the coming of the rainy season improved pastures so that increased supplies of fattened cattle led to moderate price reductions in December.

LABOR

SMO Paulo was swept by a wave of strikes during October and November, caused by worker discontent with sharp rises in the cost of living combined with left-wing agitation. In October and November, maritime and railroad workers, portworkers, metalworkers, typographical workers, packinghouse workers, streetcar operators and workers, and longshoremen all struck in support of demands for higher wages. Further trouble was headed off when textile workers, glass workers, dairy workers, cabinetmakers, bank clerks, chemical and pharmaceutical workers, and railroad workers on the Sorocabana and Paulista lines reached agreements granting wage increases without resort to strike. In December airline ground crew personnel joined in a nationwide nine-day strike, which was finally settled when the Supreme Labor Court awarded them a sizeable increase in wages.

UNCLASSIFIED

0209

UNCLASSIFIED
(Classification)

Page 6 of
End. No.
Disp. No. 252
From Amcogen SMO Paulo

The first of the major strikes occurred on October 25 when 25,000 shoe-workers struck for four days and returned to work when the Regional Labor Court awarded them an increase of 25 percent. On October 27, 2,500 longshoremen handling coffee in Santos struck and brought coffee shipping to a halt. This walkout lasted five days, and was settled when the longshoremen accepted a wage increase of 38 1/2 percent.

The strike wave gained real momentum on October 31 when an estimated 120,000 metalworkers walked off the job and halted production in metal, machine, and electrical appliance plants in the capital city. The strike was settled on November 7 when the Regional Labor Court handed down a wage award of 40 percent which was accepted by the metalworkers.

The metalworkers' strike was accompanied by a companion strike of some 20,000 typographical workers which lasted two days and was settled by an agreement which provided a wage increase of 31 percent for printers employed by newspapers and an increase of 36 percent for printers working in publishing houses.

On November 8 the strike wave reached its peak when a nationwide strike of maritime and railroad workers tied up the port of Santos, and shut down the important Santos-Jundiai railroad for three days. The workers employed by government-owned enterprises struck in support of their demands for a 30 percent wage increase which would bring them in line with salaries of the military which had been recently increased. The strike was called off on November 10 when the national strike committee at Rio announced that the Brazilian Congress would inter alia enact the wage increase.

On November 12 packing house workers struck for 48 hours and won wage increases of 40 percent. Streetcar workers employed by the city-owned streetcar lines struck for six days in protest over non-payment of back wages. Bus drivers walked off the job and won a 40 percent increase.

The wave somewhat abated after the packing house workers returned to work. Agreements granting wage increases of 37 1/2 percent were reached in the textile and glass industries, and bank clerks, dairy workers and cabinetmakers accepted similar increases. The wave continued to slacken when an agreement was reached on November 19 which settled a strike of some 600 biscuit workers employed by a British firm which had lasted 158 days. During the same week a strike was headed off on the Paulista railroad when the workers agreed to accept increased wages of 30 percent. The Santos area also returned to normalcy when chemical workers called off a strike of four days and accepted a 40 percent wage increase.

The strike wave finally ground to a halt during the last week of November when agreements granting wage increases ranging from 35 to 40 percent were negotiated by brewery workers, leather workers, journalists, and commercial workers without resort to strike.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

(See next page for contributors)

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Page 7 of
Encl. No. 252
Desp. No. 252
From Amazonian São Paulo

Contributors:

RECahn : Business Activity, Finance, Foreign Trade
JEPerkey : Transportation and Communication
SCLyon : Agriculture
ADVentura : New Investments
JFShea : Labor

Enclosure: *all N/M*

Statistical Annex

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STATISTICAL APPENDIX

	Third Quarter	October	November	Cumulative Total 11 months (Jan.-Nov.)
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros) ^{1/}				
1960	19,072	6,647	6,695	52,946
1959	13,014	4,583	4,639	44,674
Total State Revenue from taxes (billions of cruzeiros) ^{2/}				
1960	21,593	7,905	7,516	72,538
1959	14,770	5,479	5,254	51,786
Electric Power Consumption of Industry in State of São Paulo (millions of kWh) ^{3/}				
1960	1,040	344	346	3,538
1959	849	277	299	3,054
Motor Vehicle Production in State of São Paulo (in units)				
1960	36,077	13,789	12,392	117,378
1959	23,247	8,969	8,828	85,253
Petitions in Bankruptcy in City of São Paulo (in numbers) ^{4/}				
1960	185	71	59	699
1959	205	76	67	742
Petitions for Creditors' Agreements in City of São Paulo (in numbers) ^{5/}				
1960	18	10	8	71
1959	37	5	9	163
Notes Protested in City of São Paulo (in numbers) ^{6/}				
1960	14,683	4,953	4,967	52,227
1959	14,219	4,695	4,975	56,976
Notes Protested in City of São Paulo (millions of cruzeiros) ^{7/}				
1960	323	110	101	1,159
1959	359	86	85	1,200
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average; Base 1951 = 100) ^{8/}	Sept. 682	701	735	Percent increase since January 1 30.1
1960	514	535	553	39.6
1959				

Page 1 of 2
Stat. No. 252
City of São Paulo
From: Associação São Paulo

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Page 2 of
Encl. No. 1
Disp. No. 252
From: Amongan SMO Paulo

Notes

- 1/ Revenue figures are based on a sales and consignment tax rate of 4.2 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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02 13

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832.00/1-461

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

559

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 4, 1961

REF : CERP C-1

JAN 6 1961

ACTION	DEPT.
55 For Dept. Use Only	1 N F OTHER
REC'D	PM/R-2 REP-1 ENR-10 E-6 IGA-11 ENR-5
1/10	US ENR-2 OSD-2 DMM-3.5 TNG-2.0 DOD-2.5
SUBJECT: BT WEEKLY ECONOMIC REVIEW (Period Covered December 19-30, 1960)	
NSA-4 CIA-16 OCB-2 COM-12 TAR-2 TR-3	
FRB-3 XMB-4 AGR-8 INT-7 LAB-6 DUE-7	
INDEX	
FAR-5 CAB-6	

1. Coffee Exports
2. President Instructs Ministry of Finance to Accept Responsibility for Maintenance of Value Provisions Under Second Public Law 480 Agreement
3. U.S.-Brazil Wheat Agreement Extended to Meet Emergency
4. Bank of Brazil Modifies its Own Free Market Quotations
5. National Export Bank
6. Automotive Developments
7. Call for Tenders on Rio-Niteroi Tunnel
8. Increasing Financial Difficulties of Federal Railway System
9. Keel Laid for Largest Vessel in Shipbuilding Program
10. Hardwood Export to be Prohibited
11. New Oil Producer in Reconcao Bahian Region
12. PETROBRAS to Employ French Geologists
13. REAL Route to New York Attacked
14. Guanabara Government Administers Rio Trolley System
15. Aviation Strike Ends but Unrest Continues.

1. Coffee Exports:

Coffee exports during the month of December through the 28th were 1,123,105 bags (preliminary). Exports during the same period last year were 1,103,524 bags.

Total exports for the current marketing year, July 1-December 28, 1960 were 9,636,667 bags, compared to 9,810,752 bags during the same period of the 1959/60 marketing year.

BAGoldstein/jw
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02 14

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Page 2 of
Encl. No. _____
Disp. No. 559
From Rio de Janeiro

2. President Instructs Ministry of Finance to Accept Responsibility for Maintenance of Value Provisions Under Second Public Law 480 Agreement:

On December 23, President Kubitschek signed a Decree providing that the Ministry of Finance will accept responsibility for any cruzeiro "losses" deriving from the maintenance of value provisions of the Public Law 480 Agreement of December 31, 1956 as amended. The potential cruzeiro "losses" derive from the fact that wheat sold to Brazil under that Agreement produces cruzeiros which are loaned to the National Economic Development Bank at Cr\$100 per dollar, but must be repaid, over a 40-year period, at the same dollar equivalent, wherever variation may take place in the pertinent rate of exchange. With the present free rate of Cr\$205 per dollar, for example, roughly twice as many cruzeiros would have to be repaid by the borrowing institution than were borrowed. By reason of the new Decree the National Treasury will be responsible for the supplementary cruzeiro payments, thereby relieving the National Economic Development Bank of that responsibility. (UNCLASSIFIED)

Comment: The major significance of the new Decree is that it was designed to eliminate one of the principal barriers to the provision of additional wheat supplies to Brazil under the Second PL 480 Agreement. The National Economic Development Bank has long refused to borrow PL 480 cruzeiros under the Second Agreement because of its reluctance to accept financial responsibility for the cruzeiro "losses" under the maintenance of value provision. Three days after the issuance of the Decree, the National Economic Development Bank formally requested USOM to transfer approximately Cr\$7.3 billion to the BNDE on loan, thereby clearing the way for additional wheat sales. (OFFICIAL USE ONLY)

3. U.S.-Brazil Wheat Agreement Extended to Meet Emergency

As a result of an exchange of diplomatic notes between Brazilian and United States Government representatives in Washington on December 29, 1960, an additional 500,000 tons of wheat was made available to Brazil during the first six months of 1961. Because of the imminent shortage of wheat in Brazil, the United States Government waived certain criteria which must normally be required pursuant to Public Law 480, rather than see the old agreement expire December 31, leaving Brazil with a grave shortage. (UNCLASSIFIED)

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02 15

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Page 3 of
Encl. No. 559
Disp. No. 559
From Rio de Janeiro

4. Bank of Brazil Modifies its Own Free Market Quotations:

The Bank of Brazil has announced that it will hereafter purchase free market dollars at Cr\$190 per dollar and sell them at Cr\$195 per dollar. Since the Bank's quotations had, for several months, been Cr\$182 (buying) and Cr\$186 (selling) per dollar, the change in the Bank's rates provoked wide-spread publicity, leading some newspaper analysts to the conclusion that the change of quotations somehow represented a significant policy decision. (UNCLASSIFIED)

Comment: In fact, the change of quotations has little significance. The Bank normally purchases free market dollars only from foreign correspondents who have no more convenient method of acquiring cruzeiros, even though the present free market rate in Brazilian exchange houses is in the neighborhood of Cr\$200 per dollar. The selling rate in exchange houses is in the neighborhood of Cr\$205 per dollar. The Bank of Brazil sells dollars only to its regular clients who can show that they have a contractual requirement abroad, and such sales have averaged only about \$4 million monthly over the past several months. A Bank of Brazil official has confirmed to the Embassy that the change of quotations has no practical significance and is only designed to reflect a bit more realism. (OFFICIAL USE ONLY)

5. National Export Bank:

A technical study creating a National Export Bank and prepared by the Finance Ministry was approved by the SUMOC Council and will be sent to the Federal Congress.

The purpose of the bank is the financing of sales of Brazilian products abroad. The bank's resources shall be made up of (1) a tax falling on the exchange surtaxes paid for imported goods; (2) the interest accrued to the balance of the Exchange Profit Account (Agio Account) and (3) the bank's net operating profits. The bank shall be a state-operated agency and its Board of Directors freely appointed by the President of the Republic. To fulfill its purpose the bank shall provide medium and long-term financing or refinancing of capital and consumer export goods and shall purchase local export products for warehousing and subsequent sale abroad whenever decided convenient. (UNCLASSIFIED)

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02 16

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Page 4 of
Encl. No. 559
Disp. No. 559
From Rio de Janeiro

6. Automotive Developments:

Tractor Launchings:

Two Brazilian-made tractors were launched in December: the first Ford Motor do Brasil S/A tractor made in Brazil has 54 HP and was built with 70% of its parts made in Brazil. Late in December the Cia. Brasileira de Tratores in São Paulo officially introduced its first Oliver 950 tractor. The Oliver 950 was 78.7% nationally produced and with 65 HP is the most powerful of all tractors planned for manufacture in Brazil according to government specifications.

New Willys to be Introduced:

Willys Overland do Brasil has announced plans to introduce a new line of light trucks with four-wheel drive, for city or country driving. The company has also revealed plans to introduce a new car, the "Sacy". (UNCLASSIFIED)

7. Call for Tenders on Rio-Niteroi Tunnel:

The Diario Oficial for December 22 published the long-awaited and long-delayed invitation for bids for the construction of the proposed vehicular tunnel under Guanabara Bay between Rio de Janeiro and Niteroi (the capital of the State of Rio de Janeiro). According to the call, bids are to be submitted not later than June 1, 1961 to the Ministry of Transportation in Rio de Janeiro. Construction must be financed by the interested firm, and costs of construction are to be reimbursed to the firm by toll collections during a period of 50 years and by sales of lands reclaimed from the bay on the Niteroi side of the tunnel. The publication of the call for tenders was preceded by a sharp public exchange between the Transportation Minister, who stated, in an obvious reference to the private Committee For the Construction of the Rio-Niteroi Tunnel, that the Ministry was the only agency authorized to provide information on the call and that the interference of third parties had only confused the situation, and the chairman of the Committee, who accused the Minister of having been Enemy No. 1 of the tunnel and of having delayed approval of the call until the former owner of the expropriated Niteroi-Rio ferry company had been indemnified. Several foreign firms, among them Japanese, German and French companies and the U.S. Perini group, are said to be interested in the job. (UNCLASSIFIED)

Comment: The call for bids is of course a major step towards the eventual construction of the tunnel. Local transportation

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0217

OFFICIAL USE ONLY
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Page 5 of
Encl. No. _____
Disp. No. 559
From Rio de Janeiro

circles, however, remain rather skeptical about the actual realization of the project.
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8. Increasing Financial Difficulties of Federal Railway System:

Evidences of the financial difficulties besetting the R de Ferrovi ria Federal increased in the past two weeks. The R de is faced with an estimated gap of nearly Cr\$5 billion between its expected gross receipts of Cr\$28.6 billion (Cr\$15 billion in operating receipts plus Cr\$13.6 billion in subsidies) and its estimated expenditures of Cr\$33.5 billion, and in consequence it has been operating on a strictly hand-to-mouth basis, without enough receipts to meet obligations. The results have been delays in meeting pay-rolls, thus leading to strikes and threats of strikes, and defaults in payments to suppliers, who have threatened to suspend deliveries. Only a December 15 order issued in the "interest of national security" by the National Petroleum Council to the foreign oil countries to continue to supply the Central do Brasil averted a threatened stoppage by Shell of the delivery of petroleum products to the road, the most important in Brazil. In further evidence of the tight situation, the federal authorities decided to pay the suppliers in Treasury Letters, which can be discounted immediately but of course at a loss to the suppliers. On December 24, Central do Brasil workers struck for two hours in protest against delays in pre-Christmas wage payments, which the Central explained were caused by failure to receive funds due the railroad by the R de. This work stoppage followed by three days a one-day walkout for essentially the same reasons on the Leopoldina, and there were strikes in other parts of the country. Some newspaper commentators suggested that the administrators of the railroads were encouraging the strikes in order to exert pressure on the R de to release funds. In its turn, the R de, supported by the Brazilian Railroad Association (composed principally of railroad suppliers and contractors) and the important Engineering Club, is seeking emergency funds from the President and is trying to obtain Congressional approval of a late October request by executive branch for a special credit of Cr\$5.78 billion to meet the shortfall of Cr\$4.9 billion and to provide some badly needed investment capital. This bill is still in committee.
(UNCLASSIFIED)

Comment: The minimum funds necessary to the continued operation of the R de and its component roads will almost certainly be made available in one form or another. This, however, will mean only the overcoming of an immediate crisis, and the extremely difficult problem of placing the operation of the government railroads on a

OFFICIAL USE ONLY

02 18

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(Classification)

Page 6 of
Encl. No. _____
Disp. No. 559
From Rio de Janeiro

rational basis remains and grows more urgent. To attempt a solution will be one of the greatest tasks of the new administration.

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9. Keel Laid for Largest Vessel in Shipbuilding Program:

In a December 16 ceremony at the Verolme shipyard under construction at Jacuacanga near Angra dos Reis in the state of Rio de Janeiro, the keel of the Henrique Lage, the largest (10,500 DWT) ship yet to be built in Brazil, was laid. The cargo vessel, which is intended for the international routes of Lloyd Brasileiro, is scheduled to be launched in June and delivered probably in December 1961. In statements made prior to and at the keel-laying ceremony, Cornelius Verolme, president of the shipbuilding company, stated that in the very near future the Jacuacanga yard would be able to construct four vessels the size of the Henrique Lage simultaneously, that the yard was technically equipped to construct another building way capable of handling vessels of up to 80-85,000 DWT, and that within a year the yard would be able to repair ships of the size of the aircraft carrier Minas Gerais, which the Verolme yards in the Netherlands refitted and modernized.

(UNCLASSIFIED)

Comment: The Verolme yard, built in a remote and unpopular area, has not progressed so rapidly as the Ishikawajima yard in Rio de Janeiro, its principal competitor in the infant Brazilian shipbuilding industry, which will launch its first ship of 5600 DWT this month and has a total of three under construction.

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10. Hardwood Exports to be Prohibited:

The National Pine Institute has opened investigations to find out which of the Brazilian hardwoods should no longer be exported in the form of lumber owing to their rarity, their industrial value and the possibilities for their industrialization in Brazil. Up to now only Brazilian pine and "imbuia" have been protected by such regulations, and such woods as Brazil-wood, "Sebastiao Arruda" and Bahian Jacaranda are still exported as lumber, although these would be more valuable as exports after having been made into veneers, plywood or boards. This matter, as well as the case of mahogany and other Amazonian woods, was discussed recently by representatives of the timber trade. Another meeting will be called as soon as replies are received to a questionnaire which was sent to the Governors of the interested states.

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02 19

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Page 7 of
Encl. No.
Disp. No. 559
From Rio de Janeiro

11. New Oil Producer in Bahian Region:

PETROBRAS reports a new oil producer in the Bahia graben between the Buracica and Cassarongo fields which were discovered in 1959. The new well is estimated to be able to produce 1,000 barrels per day and is located north of the town of Brejinho.
(UNCLASSIFIED)

12. PETROBRAS to Employ French Geologists:

It is reported that a director of PETROBRAS has said that French geologists will be employed to check the geologic opinion of Walter Link, the American who has concluded his employment contract as chief of PETROBRAS' Exploration Department.
(UNCLASSIFIED)

13. REAL Route to New York Attacked:

Ultima Hora, Rio leftist, nationalist daily, in its December 30 afternoon edition carried a front-page story datelined Brasilia describing "one of the greatest scandals in Brazilian civil aviation" the authorization granted by Air Minister Mello to Real-Aerovias to operate to New York via Lima (BWER, Emdes 508, Dec. 19). According to the story, the December 27 signing of the contract for the New York service in the Directorate of Civil Aeronautics had been carried out against the express orders of President Kubitschek and had ignored the opinion against the granting of the route to REAL issued by CERNAL (the Committee for Studies on International Air Navigation, the Air Minister's policy advisory body on international aviation matters). The story further alleged that a basic condition for the concession of the route was the purchase of control of REAL by the Grace Line and that Jorge Carnicero, owner of the Argentine airline Transcontinental, was the intermediary in the deal.

The next day O Jornal (of the Chateaubriand group) carried a statement by Lineu Gomes, REAL President, in which he (a) denied the participation of foreign airlines in his company or in the contract for the New York route; (b) characterized the report to the opposite effect in Ultima Hora as deliberately false; (c) stated that the operation of the route by REAL in no way ran counter to existing regulations; (d) claimed that two other Air Ministers prior to Mello had recognized the legitimacy of the arrangement, which had not been executed because certain legal requirements had not been fulfilled; and (e) declared that President Kubitschek had not given

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0220

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Page 8 of
Encl. No. _____
Disp. No. 559
From Rio de Janeiro

express orders that the agreement not be signed. (UNCLASSIFIED)

Comment: At this writing the Embassy has no firm information on the behind-the-scenes maneuverings which gave rise to the exchange summarized above. It should be noted, however, that Ultima Hora has been used frequently in the past as a transmission belt for the views of Rubem Berta, President of VARIG, which, as the Embassy noted in BWER, Emdes 508, has always opposed REAL's entry into New York. As the Embassy also stated in that BWER, there has been up to this time no overt opposition by Berta to the REAL grant; the Ultima Hora blast may reflect a campaign by him to prevent Gomes from realizing his goal of operation to New York. As for the details of the exchange: (a) it is true that CERNAL was not consulted by Mello on the award to REAL and that CERNAL as a matter of policy is opposed to having two Brazilian carriers operate the same or parallel routes when foreign carriers are also serving the routes; (b) it would appear most unlikely that Grace interests would want to "purchase control" of REAL because of--to mention only domestic Brazilian reasons--the strong trend toward limiting foreign participation in Brazilian air carriers (BWER Emdes 508) and REAL's very shaky financial position; and (c) Jorge Carniceiro is supposed to have financed REAL's purchase of Super Constellations, and REAL and Transcontinental had an operating agreement for a relatively short time in 1958-1959.

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14. Guanabara Government Administers Rio Trolley System:

Guanabara Governor Lacerda on December 27 signed a decree establishing a Provisional Administrative Board to operate the trolley cars (bondes to the Carioca) of the South Zone of the city of Rio de Janeiro after December 31, the day the concession of the present operators, a component of the Canadian "Light Group" expired. The decree carefully specified that the administration of the trolleys did not signify that the state government was accepting the property of the former concessionaire, which is the subject of a legal action brought against the Light by the state. In general the government claims that some properties being returned by the Light (which had willingly relinquished the 70-year old concession on the grounds that it was not profitable) are not in good condition and that other properties which are said to be worth Cr\$5 billion and which should have been returned have been sold over the years to private interests. The legal situation seems to be very complicated and the issues will probably not be settled for some time. According to a statement to the press by a labor official who had been present at a final meeting between

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0221

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(Classification)

Page 9 of

End. No.

Dep. No. 559

From Rio de Janeiro

Lacerda and Light officials before the signing of the decree, Lacerda advised the Light representative, in a menacing tone, to conduct themselves fairly with the state in the case of the trolley cars since it was not only the trolleys that were running wrong in Rio but also the electricity, gas and telephone services, all forming part of the Light group. The telephone company is already under partial intervention (BWER, Emdes 508, Dec. 19).

The 200 trolleys serving the South Zone were supposed to be replaced by 175 Italian trolley buses but there has been no decision made concerning the legal form of the company (private, or mixed government-private) to be set up to operate the new equipment. Furthermore, only a handful of buses have arrived and the necessary power and overhead installations are by no means complete.

(UNCLASSIFIED)

Comment: The chances are good that the South Zone will continue to have the bondes for some time and that they will be operated by the government--quite probably worse than they were being run by the concessionaire. The Light, however, is suffering reverses from a public relations standpoint which could become serious for its broader operations in the power field.

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15. Aviation Strike Ends But Unrest Continues:

After a strike of eight days (BWER, Emdes 508, Dec. 19), aviation ground crews and air carriers accepted on December 21 the opinion of the Supreme Labor Court which suggested a 35 percent increase, with a maximum raise of Cr\$10,000 and no minimum, and a 10 percent increase for workers receiving the minimum wage. In spite of this agreement the situation continues unsettled because most of the companies affected by the strike, claiming that the strike had been declared illegal, refused to permit the return of a substantial number--the most frequent estimate seemed to be 1000--of workers. A special union committee in defense of the aviation workers and "in defense of the right to strike" has been set up, and an appeal for support has been made to labor federations and confederations throughout the country. Sergio Magalhães, PTB Deputy from Guanabara, has promised, in retaliation against the attitude of the air carriers, to block any proposal for subsidy to the companies involved and to form a Congressional bloc to assume the same attitude and to fight for the taking over by the government of the companies (i.e., the creation of an "Aerobras".) According to the most recent press reports, about 30 percent of the workers originally refused permission to return have been rehired.

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0222

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Page 10 of
End. No. _____
Desp. No. 559
From Rio de Janeiro

For the Ambassador,

Bernice A. Goldstein
Bernice A. Goldstein,
Commercial Officer

Approved:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

Item 1 - FMM/LYallouz
Items 2,4 - HKMay
Items 3,10 - BAGoldstein
Item 5 - WElomeyer
Item 6 - BAGoldstein/JWiegerinck
Items 7,8,9,13,14,15 - JHCrimmins
Items 11,12 - EIBrown

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FOREIGN SERVICE DESPATCH

FROM Amconsulate PORTO ALEGRE

34
DESP. NO.

TO THE DEPARTMENT OF STATE, WASHINGTON.

January 10, 1961

REF CERP Requirements: Section C, Item 2

JAN 13 1961

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O
1/19	CIA-10 TRA-2 TR-3 FRR-3 XMA-4 DAE-7	REC'D

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - December 1960

AGR-8 INT-7 LAB-6 OSD-5 army-6 navy-6
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
8. Miscellaneous

SUMMARY:

The weather reportedly remained favorable to crops and livestock during the month under review. Another poor wheat crop has been harvested. Unfavorable weather at planting time will reduce soybean yield. Hailstorms during growing season in grape area expected to lower production. Quantity and quality of current wool production are reportedly good. IRGA (Rio Grande do Sul Rice Institute) efforts to sell rice directly to Far East areas apparently did not come up to expectations. Christmas season retail store sales reportedly held up well. The free market cruzeiro weakened considerably. The money market continued tight because of strong demand for credits. Now appears that Czech tractors will not be manufactured locally. State Government turning to German manufacturer of light tractors. Increased interest in this state has been indicated by West German official. A government and private capital steel plant and telephone company will be formed here. Labor unrest was not as apparent as last month. State government is inclined to take over local gas plant.

1. AGRICULTURAL DEVELOPMENTS:

Beef - On-the-hoof price of beef is expected to fall shortly from \$1.40 per kilo to \$1.35 per kilo, which is considered normal because of the approach of the killing season. Local beef prices are also

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0224

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Page 2 of
Encl. No. 21
Disp. No. 21
From PORTO ALEGRE

being influenced by a drop in beef prices in neighboring Uruguay. Scheduled to begin in February 1961, the slaughtering in this State is expected to take 14 percent of a beef herd population estimated between 8,500,000 and 9,000,000 head.

Rice - The current sales of this commodity in both local and northern domestic markets reportedly continue at good levels. Dealers appear optimistic that the Government will take measures to improve the attractiveness of the export market and that official price controls will be lifted.

Wheat - Due to poor weather conditions during the growing season and the poor quality of seed, Brazil's current wheat harvest is expected to yield a low 300,000 metric tons, about the same as last year's disappointing crop. Eighty percent of the present crop will be produced in Rio Grande do Sul. To satisfy national consumption needs, more than 2,000,000 metric tons of wheat will have to be imported. Two Italian genetic technicians visited this state recently to discuss with authorities the wheat problem and observe local methods. Recommendations made by these technicians will be incorporated in a report to the authorities aiming at improving local crop methods. The Italians' visit is the result of Governor Brizola's discussions with Italian authorities when he visited Italy several months ago.

Soybeans - It is reported by trade sources that dry weather conditions during planting time have had an adverse effect on the soybean crop. Dealers are not too optimistic as to the current harvest of this commodity.

Wool - The quantity and quality of the present wool clip remain good, with prices firm. The Bank of Brazil has granted financing of over \$1,100 million for this wool season. Present production is estimated at 25,000 metric tons of raw wool (against 22,000 metric tons in 1959), worth about \$5 billion.

Grapes - Due to hailstorms which occurred early in the growing season, the coming grape harvest is expected to yield 10 to 15 percent less than the previous harvest. However, market prospects for this commodity are favorable, with prices expected to range between \$5.00 and \$5.50 per kilo.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Christmas season store sales have shown up well, and a higher volume in cruzeiro value is expected over the same period last year. Trade bills collections, particularly in the interior, are reported to have slowed down. Comparative figures of total state sales for November (latest figure available) and October 1960, and November 1959, are as follows:

UNCLASSIFIED

0225

UNCLASSIFIED

(Classification)

Page 3 of

Encl. No.

Desp. No. 34

From PORTO ALEGRE

(In thousands of cruzeiros)

November 1960

26,114,070

October 1960

21,358,351

November 1959

16,379,415

3. FOREIGN TRADE:

Rice - It appears that the Rice Institute (IRCA) has not succeeded in its attempts to sell rice directly to overseas markets. It is reported now that the exportable surplus (168,000 metric tons of milled rice) will be purchased by the federal government for sale in foreign markets.

Footwear - Novo Hamburgo footwear companies are seriously attempting to establish export markets in the United States. A group of shoe manufacturers, who recently returned from New York, indicated their satisfaction and optimism regarding the prospects of finding a market there. It appears that the trip will prove useful from a business standpoint as local manufacturers are now trying to modernize their equipment and probably will import American machinery. (See Consulate's despatch no 25 dated November 29, 1960, concerning the visit of this group to the U.S.).

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Tractors - According to recent statements made by the State Secretary of Economy, it appears that plans formulated for the establishment of a Czech tractor factory here will not materialize. Czech authorities apparently did not agree with the Brazilian requirements that the motors for the tractors must be of domestic manufacture. Attempts are now being made to replace the proposed Czech tractor with the West German light tractor "Fendt". The Consulate will report any further developments.

German Investment - The West German commercial attaché in Rio recently visited the local authorities regarding an economic cooperation program in the state of Rio Grande do Sul which will be developed by a joint Brazilian-German commission. A study of the local economic situation is to be made by the commission. The contemplated program, it is stated, will cooperate primarily with small and medium industries which mostly require assistance. Incidentally, German vice consul in Porto Alegre stated in a recent press interview that in order to attract European investment this state should improve its transportation and power facilities. He declared that the improvement of these facilities in São Paulo were responsible for the substantial investments in that area.

Steel Plant - Bill 230-60 presented by Governor Brizola to the State Legislative Assembly has been approved (ref. Consulate's despatch 25, Dec. 2, 1960). A mixed capital corporation will be

UNCLASSIFIED

0226

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 34
From PORTO ALEGRE

formed under the name of Agos Fines Piratini S/A APP), and its subscribed capital will represent \$2 billion in shares. This state will subscribe at least 51 percent and will hold the absolute majority of common shares. Further developments will be reported.

5. TRANSPORTATION AND COMMUNICATIONS:

Bill 157-60 presented by the state government proposing the formation of a mixed capital telephone company called Companhia Rio Grandense de Telecomunicacoes has been approved by the State Legislative Assembly. According to the bill the capital of the company may total \$4,500 million, but it can be increased if entirely subscribed. The state will control at least 51 percent of the capital. No provisions were made regarding participation of the local CTN (ITT subsidiary). According to a press statement released by Deputy Sereno Chaise (PTB), the ITT subsidiary would participate with \$720 million which is said to correspond to the valuation of its property. The plan contemplates the installation of 30,000 additional instruments, and each new user will have to subscribe shares in the amount of \$30,000 for payment in installments over a period of 2 years. Mr. Chaise also stated that probably some groups in Italy, Hungary, West Germany and the United States may be interested in financing this project. Further developments will be reported by the Consulate.

6. FINANCE:

Exchange - The cruzeiro weakened during the month under review, averaging \$201.55 per U.S. dollar, against \$191.83 in November 1960.

At the import auctions held in December the dollar premiums continued to show an increase in the special category. The premium remained at \$210.00 per U.S. dollar in the general category, whereas in the special category premiums paid averaged \$625.00, against \$611.66 in November last. Premiums for Soviet Block agreement dollars remained at \$178.00 in the general category.

Money Conditions - Banking sources report that with the strong demand for credit, money continued quite tight, and local banks are able to handle only the short-term needs of selected clients.

State Finance - As a result of negotiations with the Bank of Brazil, the State government received a loan of \$1 billion, which was granted in anticipation of the 1961 budget revenue to cover expenses.

7. LABOR:

While the threat of strikes persisted, labor unrest was not as * State

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0227

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(Classification)

Page 5 of

Encl. No.

Disp. No. 34

From PORTO ALEGRE

apparent as last month. Various labor unions continue to press for higher wages, including street-car drivers in Porto Alegre. Workers at the local gas plant are on strike demanding more pay.

Gas Plant - Press reports indicate that Cia. Energia Elétrica Rio Grandense (CEREG)--American & Foreign Power subsidiary--has offered to dispose of its old Porto Alegre gas plant by turning it over to the State, but the State is apparently not interested in continuing the operation of the plant in view of its obsolete equipment. There also remains the problem of agreement as to what amount CEREG should give its former employees in terminal payments.

Percy Warner
Percy Warner
American Consul

cc.: Amembassy RIO

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AIR POUCH

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FOREIGN SERVICE DESPATCH

FROM : Amcoengen SMO Paulo
 TO : THE DEPARTMENT OF STATE, WASHINGTON.
 REF : CERP C - General Interest

268

January 13, 1961

35- ACTION DEPT.
 For Dept. REC'D REP-1 RMR-2 INR-10 PCA-11 U/HSC-
 Use Only 1-17 O Com-12 USIA-10 Army-35 Navy-20

SUBJECT: Biweekly Economic Review, December 30, 1960 - January 12, 1961

Agr-8 Tar-2 TR-3 N-7

OSD-2 OCB-2 NSA-4

Index

1. Coffee Trade Moves Again at Santos
2. SMO Paulo Telephone Concession up for Renewal
3. VARIG Suspends Flights to Campinas Airport
4. Chinese Agricultural Technicians in SMO Paulo
5. Farm Tractors in SMO Paulo
6. Ford do Brasil to Manufacture Passenger Cars and Diesel Trucks
7. German Firm to Manufacture Precision Parts for Lathes
8. First Cement Making Plant in Goiás Inaugurated
9. Heavy Rains Cause Crop Losses
10. Superior Council of Agriculture Formed
1. Coffee Trade Moves Again at Santos

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For a few days coffee trading at Santos practically was halted, because a tax exemption had not been renewed, but stopgap action got the trade going again. Since 1951 green coffee transactions to prepare lots for export have been exempt from the SMO Paulo sales tax of 4.8 percent. A renewal of the exemption is included in a bill on financial matters on which delayed action is only now being taken by the state legislature. To relieve the situation the state Secretary of Finance issued an order on January 10 to permit the transactions to take place through January 14 without payment of the tax, upon signature of an obligation by the trader to pay the tax if the legislature does not renew the exemption.

2. SMO Paulo Telephone Concession up for Renewal

The Mayor of SMO Paulo signed a law, passed by the Municipal Council, to call for bids to operate the SMO Paulo municipal telephone concession. The telephone service of SMO Paulo has been operated for a number of years by the present concessionaire under an old contract and there is a large backlog of requests for installation of telephones. The law in question has not yet been published and a call for tenders has not yet been issued. The Mayor vetoed various sections of the bill before he signed it, including one which

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(See index for contributors)

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ACTION:
 ASSIGNED TO:
 NAME OF OFFICER:
 & OFFICE SYMBOL:

ACTIVITY: 10 21/16
 TAKEN: 10 21/16
 DATE OF ACTION:

DEPARTMENT OF STATE
 BUREAU OF
 INTER-AMERICAN AFFAIRS

DIRECTOR: 10 21/16
 TO RM/R: 10 21/16

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0229

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No.
Desp. No. 268
From Amcongen SMO Paulo

would have required the announcement calling for tenders to be published in various cities abroad. Unless the Council overrides that veto, the call for tenders will be published only in SMO Paulo.

3. VARIG Suspends Flights to Campinas Airport

It was announced from Campinas that the Brazilian airline VARIG suspended flights to Campinas airport (formerly Viracopos) for six months. The reason given was to undertake a study to determine the best utilization of its international service, particularly the line from Buenos Aires to New York.

4. Chinese Agricultural Technicians in SMO Paulo

A delegation of six agricultural experts from Nationalist China, who are on a tour of Latin America, arrived in SMO Paulo on December 29, 1960, to study local agricultural techniques and look into the possibility of immigration of Chinese farmers from Formosa to Brazil. During their four day stay, the members of the mission visited the Agronomic Institute at Campinas, the Luis de Queiroz Agricultural School at Piracicaba, and the Biologic Institute at SMO Paulo. They were particularly interested in the growing of cotton, sugar cane, and cereals and in the types of soil in the State of SMO Paulo.

5. Farm Tractors in SMO Paulo

Fendt do Brasil Comércio e Indústria de Máquinas Agrícolas, a subsidiary of Xavier Fendt & Co. of Marktoberdorf, West Germany, exhibited on January 6 the first ten locally produced Fendt tractors and laid the cornerstone to its plant at Diadema, near SMO Paulo. Until construction of the plant is completed, at the end of 1961, Fendt tractors will be produced in the company's temporary installations in SMO Paulo.

The Fendt tractor is a light duty wheel tractor equipped with a 31 motor HP MWM diesel engine. Approximately 70 percent of the tractor, by weight, is made up of locally manufactured parts, while the remaining parts are of German origin. By the time the Diadema plant goes into operation, local parts content will be 96 percent by weight.

Comment: Fendt is the fourth locally manufactured tractor presented to the public in the past two months. The other makes recently launched on the local market are Ford (see item 3, despatch 198 of November 18, 1960), Valmet, and Oliver (see item 5, despatch 250 of December 30, 1960). Prototypes of the Massey-Ferguson tractor have already been made, and production is due to start in March. Tractor production on the whole, however, is expected to be on a relatively small scale during the first half of 1961 and should increase gradually thereafter.

6. Ford do Brasil to Manufacture Passenger Cars and Diesel Trucks

Ford Motor do Brasil S. A. of SMO Paulo announced that it has requested permission of GEIA, the Brazilian control authority for the automotive industry, to produce passenger cars. It plans to set up manufacturing facilities at SMO

UNCLASSIFIED

0230

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 268
Disp. No.
From Amcogen SMO Paulo

José dos Campos (S.P.) to produce the 1959 Fairlane passenger car. Machinery and equipment valued at US\$ 3,588,600 will be imported from the United States. Manufacture of the Fairlane with 99.15 percent local parts, by weight, will start at the end of 1962, at the rate of 450 units monthly. The company also plans to expand exports to the United States of replacement parts for the older models of Ford Trucks.

Finally, the company announced that the first Brazilian Ford truck equipped with a diesel motor will be launched in March 1961. The motor will be manufactured by Motores Perkins S. A. of São Paulo.

7. German Firm to Manufacture Precision Parts for Lathes

Röhm Industrie Metallurgica Ltda., of São Paulo, a subsidiary of Röhm G.m.b.H. of Stuttgart, Germany, will invest Cr\$ 200 million to manufacture a complete line of precision parts and machine tools for high speed lathes. Production is due to start at the end of 1961. Heretofore, the local Röhm company distributed Röhm products imported from the parent firm in Germany.

8. First Cement Making Plant in Goiás Inaugurated

The first cement making plant in the State of Goiás was inaugurated in Goiânia by Companhia de Cimento Portland Goiás. Production for 1961 is calculated at 3 million bags of 132 pounds.

9. Heavy Rains Cause Crop Losses

Late reports coming from the interior of the State of São Paulo relate that considerable damage to crops in many areas resulted from continuing heavy rains which fell throughout most of the state in late December and early January. Rice production was most seriously affected, because many fields on river margins were inundated, and damage to corn, beans and coffee crops was also reported. Soil erosion was heavy in many areas.

Comment: While these agricultural losses were severe for some individual farmers, the overall supply situation for these commodities is not expected to be materially affected. São Paulo may, however, require larger imports of rice from surplus producing states than otherwise would have been needed.

10. Superior Council of Agriculture Formed

Representatives of nine independent agricultural associations met on December 29 to establish the Council of Agriculture of the State of São Paulo. The new organ will function along the lines of the existing Council of Producer Classes, which represents the industrial interests of the State, and is expected to give São Paulo agriculture a unified and louder voice in economic and political affairs. The member organizations are the following: Rural Society, Association of Holstein Producers, Association of Coffee Producers, Association of Cattle

UNCLASSIFIED

0231

UNCLASSIFIED

(Classification)

Page 4 of

Encl. No.

Dep. No. 268

From Amcogan São Paulo

Producers, Association of Poultry Producers, Forestry Association, Association of Malore Cattle Producers, Association of Gir Cattle Producers and the Federation of Rural Associations of São Paulo State.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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AIR PRIORITY

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FOREIGN SERVICE DESPATCH

832.00/1-1661

FROM : Amembassy RIO DE JANEIRO

602

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE 23 12 1961

REF : CERP C-2

25- For Dept. Use Only	ACTION	DEPT.
	REC'D	IN OTHER
	1-26	Ref-1. CIA-11 INR-7 E-3. ICA-11
		TRA-3 FRB-3. Tar-2 Lab-6 Apr-8

SUBJECT: MONTHLY ECONOMIC SUMMARY - DECEMBER 1960

INT-7 OSD-5 Army-6 Navy-4 XMB-3 USIA-16
Summary: LOC-4

A restrained optimism characterized the outlook of the business community at year's end. The month of December itself differed little from the pattern of preceding months, but uncertainties arising from continued inflation and other financial problems generally facing the country heightened anticipation as to the economic policies yet to be announced by the new administration taking office at the end of January. Despite the apparent tendency to watchfully await developments, December business conditions generally were described as good. Industrial production and merchandising levels were maintained. Commercial credit availabilities were described as perhaps even tighter than in the months immediately preceding. The collection situation domestically was reported as better than normal. Shopping for the Christmas holidays was above December 1959 levels in most lines, although some higher priced and luxury goods outlets reported that the increase was not sufficient to defray higher labor and overhead costs; further, applications for instalment purchases were at an all time high. A serious wheat supply shortage was averted at month's end by U.S. emergency action taken at the urgent request of the Brazilian Government to extend the Public Law 480 agreement by provision for the supply of 500,000 metric tons in the early months of 1961.

Finance:

BUVACH
CURRENT RECORDS
MAY 1961

During the exchange auctions held in December, \$26,156,000 of regular offerings and \$25,358,000 of supplementary offerings under the provisions of Public Law 480, Title 193 were purchased by Brazilian importers. The corresponding figures for November were \$24,396,000 (x) for the regular offerings and \$19,173,000 for the

EJBash/jw with contributions by

(x) Revised figure: 00

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0233

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. 602
Disp. No.
From Rio de Janeiro

supplementary offerings. Total supplementary sales of U.S. dollars purchased under Instruction 193, since its inception amounted to \$106,297,000 by the end of December 1960, more than half of this amount in the last three months.

Throughout the month in the regular auctions, considering Brazil as a whole, in the general category, the agio rate fluctuated between a low of Cr\$192.80, recorded in Teresina, a small isolated market and not representative, and a high of Cr\$210.00 in the largest markets, Rio and São Paulo. The agio rate has remained constant at Cr\$210.00 in Rio and São Paulo since July 19, 1960.

In the special category the rate fluctuated widely between Cr\$582.10 and Cr\$675.00, the latter being recorded in the Rio de Janeiro market on December 20. In Rio and São Paulo rates moved between Cr\$609.60 and Cr\$675.00 in the special category with the trend down at the end of the month. Fertilizers varied between Cr\$85.20 and Cr\$96.60 and for insecticides the high and low were respectively Cr\$80.08 and Cr\$87.00. Other bilateral accounts denominated in dollars were sold in substantial amounts at the uniform rate of Cr\$178.00, with no change over the previous month.

During December, paper money issued increased by Cr\$16.7 billion, or 8.9% over the previous month. For January-December there was an increase of Cr\$51.5 billion, or 33.3%. For the comparable period of calendar year 1959, the corresponding figures were respectively Cr\$34.8 billion and 28%.

The cost of living index of the Getulio Vargas Foundation indicated an increase of 2.8% during December, for a cumulative increase of + 23.7% for January-December 1960. For the calendar year of 1959, the corresponding figure was + 51.8%, with a raise of 1.1% taking place in the month of December 1959.

The average check buying rate in the free market for December was Cr\$201.12, which compares with Cr\$190.51 in the previous month. For the comparable months of 1959 the corresponding figures were respectively Cr\$199.54 and Cr\$184.40.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market deteriorated on the 10th of December from Cr\$200.31 to Cr\$213.03 per US\$1.00 and depreciated further to Cr\$214.41 on the next day. On the 13th it recovered and fluctuated between Cr\$206.00 and Cr\$202.00 during the rest of the month. The average rate was Cr\$205.14 on December 31, 1960.

UNCLASSIFIED

0234

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 602
Disp. No. 602
From Rio de Janeiro

Trade and Industry:

Industrial production and merchandising in December generally were at normal levels, maintaining the pattern of recent months. The month ended with reports that the year 1960 showed steady progress in industrial plant expansion and production, with equivalent gains in marketing. As to outlook for the future, the business community appeared to maintain basic optimism, modified in varying degrees by uncertainties as to economic policies that may be adopted by the incoming administration. Steadily rising labor and other costs, plus the problems of continuing inflation, received serious attention in both appraising 1960 operations and in 1961 planning.

Sales for the Christmas holiday season were reported as meeting marketing budgets, based upon normal anticipated growth over the previous year. Exceptions were noted, however, in some outlets selling higher priced and luxury goods. Firms having outlets in various parts of the country experienced an essentially equal sales pattern in all branches. Some distributors found it necessary to tighten standards for extension of credit, as greater proportions of customers asked instalment payment arrangements. Collections generally were described as very satisfactory. Inventories in most lines of domestic products were adequate, although somewhat longer delays and substantially higher costs were being experienced in replenishing stocks of merchandise having a high labor cost factor. Imported consumer goods, except for moderate quantities of high-priced Christmas delicacies and items irregularly received, were virtually unavailable.

The Rio de Janeiro International Industry and Trade Fair finally was opened on December 16, after numerous postponements over the past two years. Only one of the six planned foreign government exhibits was installed for the opening date. Exhibits of Brazilian products and industry highlight the growing importance of the automobile industry.

Considerable attention was directed in December to the prospective manufacture of tractors. Initial units were displayed, with prospects that Brazilian tractors would be placed on the market by mid-1961. The first Ford 8-ER Diesel tractor was introduced early in the month, followed by the first Oliver 950 tractor. A contract was signed for the construction of a tractor plant, DEMISA (Deutz-Minas S/A), in the "Industrial City" near Belo Horizonte, state of Minas Gerais.

Brazilian automotive production in 1960, through November,

UNCLASSIFIED

0235

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 602
From Rio de Janeiro

reached 119,765 units. It was expected that the final production figure for the full year would be 130,000 units. Newspapers reported that the U.S., formerly the largest exporter of automobiles to Brazil lost its place to Germany, which exported 8,713 cars during 1959 against only about 1,000 U.S. cars.

Production of household electrical appliances increased, principally refrigerators, closely followed by TV sets. Washing machines and vacuum cleaners, rapidly gaining in public acceptance, are now largely produced in Brazil. Some expansion was noted in facilities for production of radios, television sets and air conditioning equipment, while progress was reported in planning for additional investments in the electrical appliance industry.

The state of Goias gained its first cement factory. Owing to increased supply of electric energy received from CEMIG, the fertilizer factory at Araxá doubled its production of phosphate.

The principal December developments in the electric energy field were the Export-Import Bank credit of US\$2,500,000 for the Tres Marias project and the decree granting Cr\$1,530,000,000.00 for the electric power plant for the central-south region, projected by the Superintendency of the National Nuclear Energy Commission. CACEX authorized the importation of a thermo-electric plant from Czechoslovakia to improve electric power supplies to Porto Alegre. It is to be installed on the banks of the river Guaiba.

The possibility of exporting textiles is being explored by the industry, especially for nylon and bar-lon products. A call for samples and price quotations of Brazilian-made shoes was made by the Brazilian Commercial Office in New York. The shoe industry has been conducting a promotion campaign to encourage development of export markets.

The Russo-Brazilian Executive Commission initiated preparation for a conference which is scheduled to take place in Geneva in January 1961. Brazil would offer the Soviets coffee, cocoa, hides, furs, oranges and other citrous fruits, in return for crude petroleum, derivatives, petroleum equipment and other products.

Much controversy was caused by the passing of a seven-year old project in the Chamber of Deputies for the creation of a government-owned power agency with sweeping authority. ELETROBRAS (Centrais Elétricas Brasileiras S/A) would be responsible for planning, constructing and operating power plants and networks for transmission and distribution of electric power. It also would be authorized to manufacture electrical equipment.

UNCLASSIFIED

0236

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. 602
Disp. No. 602
From Rio de Janeiro

A presidential decree was issued for the nationalization of Atlantic Refining Company, which will have its headquarters in Rio de Janeiro and will henceforth be known as Companhia Atlantic de Petroleo. The change-over to a Brazilian corporation follows the naturalization formula adopted early in 1960 by Esso (Emdes 777, February 3, 1960).

A congressional Committee of Inquiry has been proposed by some political quarters to investigate, among other things: the results obtained thus far through the nation's much debated oil monopoly policy; whether or not the refineries are overstepping the boundaries of their authorizations; the situation of companies which distribute oil products in the country, as well as the policy adopted for importing oil and petroleum by-products. Documents that will be presented include Walter Link's controversial report issued on his departure from the position of chief geologist of PETROBRAS.

Agriculture:

Coffee: The current prospects are that the 1960-61 Brazilian coffee crop will close out at around 25 million bags. All of the crop has been marketed, but it has not been registered yet by the Brazilian Coffee Institute. The outlook for the 1961-62 coffee crop is more than 35 million bags. The original estimate, by the trade, for this crop was over 50 million bags. Dry weather in September, however, greatly reduced the prospects in the states of Paraná and São Paulo.

Comparative coffee exports in late 1960 and 1959 are shown below:

December 1959	- 1,261,685 bags
December 1960	- 1,359,801 bags
July-December 1959	- 9,968,913 bags
July-December 1960	- 8,873,363 bags

Tobacco: Cigarette tobacco production for 1961 is forecast at 79,320 metric tons. This represents an increase over 1960 production of about 14,000 metric tons. 1961 prices are expected to be about 25% higher than 1960 for all grades and types of tobacco. Cigarette manufacturers forecast 1961 production in the neighborhood of 70 billion cigarettes, as compared with an estimated 60 billion in 1960.

Wheat: The frost in Rio Grande do Sul in early September 1960 caused substantial damage to wheat around Carazinho and Cruz Alta, and possibly to the area north of these cities. Further south, with the crop less advanced in growth, the frost caused little

UNCLASSIFIED

0237

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. 602
Disp. No.
From Rio de Janeiro

or no damage.

Yields per hectare will be up, as compared to last season, except in the frost damage areas, but planted acreage is down. The present estimate for total 1960-61 national wheat is 350,000 metric tons, which will mean only about 250,000 for the mills.

It appears evident that wheat acreage will be down further next year due to the competition of flax, soybeans and pasture for use of the land. It is the general opinion that the losses which wheat farmers have taken since 1957 will make a return to a large acreage very slow even with improved varieties. High subsidies by the Brazilian Government might overcome this problem to some degree.

It now appears that Brazil has enough wheat in sight to meet needs through to the end of June 1961. There are about 522,000 tons of wheat, counting national production and wheat either purchased or afloat. This amount, plus the recently acquired authority for 500,000 metric tons by extending the December 31, 1956 Public Law 480 agreement, gives about 1,000,000 tons for the next six months. This is a little less than normal consumption of 200,000 tons per month; however, there probably will be some wheat imports from Argentina and Russia during this period.

Cocoa: A new cocoa sales plan has been developed by the Director of the Bank of Brazil's Foreign Trade Department, Dr. Ignacio Tosta Filho. The plan proposes a series of measures that might be taken by President-elect Janio Quadros. It is expected that the plan will be submitted to the President soon after he takes office on January 31, 1961. It is of interest that the proposal would place the cocoa trade within the Ministry of Industry and Commerce, removing responsibility from the Foreign Commerce Department of the Bank of Brazil.

Labor:

The wave of strikes which occurred during October and November, of which the railway and shipping strike in November was the largest, generally abated during the month of December, but a week-long strike by airline maintenance personnel obliged Brazil's airlines to make substantial reductions in the number of flights operated. The strike was settled shortly before Christmas when the labor court awarded a 35% wage increase to all airline ground personnel. After the strike ended, a dispute developed between the airlines and the National Union of Airline Ground Personnel over the dismissal of some of the strikers. The companies re-employed some of the discharged workers,

UNCLASSIFIED

0238

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No. 602
Desp. No.
From Rio de Janeiro

but at the end of the month the problem was still unresolved.

Transportation and Communications:

The most dramatic and significant events of the month in the field of transportation and communications occurred in the railroad sector. The financial difficulties of the Rede Ferroviária Federal (the Federal Railway System), which marked the months of October and November, deepened during the final month of the year. The Rede was simply running out of money and its ability to juggle its insufficient receipts among the various claimants was becoming more and more circumscribed. Delays in meeting payrolls, together with uncertainties about the date of beginning of the payment of the average 44 percent salary increase resulting from the passage in early November of the bill giving government employees "parity" with military personnel, led to short strikes on several key railroads and threats of strikes on others. Some press comments suggested that the administrators of the railroads were encouraging the strikes in an effort to exert pressure on the Rede to release funds. The patience and endurance of suppliers who had not received payment for months were being exhausted.

A major crisis arose in the middle of the month, on the Central do Brasil, the nation's most important railroad, when foreign oil companies furnishing petroleum products to the Central, threatened to cut off further deliveries unless long-past due accounts were paid promptly. Only a specific order by the National Petroleum Council to the oil companies to continue to supply the Central averted a complete shutdown of the heavily dieselized operations of the railroad. Subsequently the authorities decided that the debts to the oil companies would be paid by means of Treasury Letters, which can be negotiated immediately but only at a discount.

In spite of efforts by the Rede, by the Brazilian Railroad Association (composed principally of railroad suppliers and contractors), and by the important Engineering Club, to obtain Congressional approval of an executive branch request for a special credit of Cr\$5.78 billion to cover the Cr\$4.9 billion gap between receipts (including subsidies) and expenditures and to provide some badly needed investment capital, the bill, presented in October, is still in committee in the Chamber of Deputies. From all points of view the Government cannot afford to permit the railroads its controls to grind to a halt, and therefore, emergency funds will almost certainly be made available for minimum operations. Such actions, however, postpones but does not substitute for basic decisions on the means of placing the operation of the government railroads on a more rational basis. The railroad deficit, estimated

UNCLASSIFIED

0239

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No. 602
Desp. No.
From Rio de Janeiro

unofficially to reach Cr\$25 billion in 1961, will be high on the new administration's list of problems demanding urgent attention. The deficit cannot be eliminated. The most that can reasonably be expected is that, over a period of several years, the deficit will be brought within manageable proportions, and to reach even this limited goal many politically difficult decisions, especially in the fields of freight and passenger rates and personnel policies, will be required.

The Rêde obtained a new Director of Works (Construction) during the month. José Maia Penido, former head of public works in the State of Guanabara, took office as replacement for General Lemos de Amaral. Penido, unlike his predecessor, is an engineer and, while respected, he is not known to have had railroad experience.

In aviation, the biggest domestic news was the strike (see Labor above) of ground crews against Brazilian air carriers which began on December 14 and ran for eight days. On the domestic side the strike was reasonably effective; Panair do Brasil was the heaviest hit and VARIG and Loide Aereo the least affected. Panair was the only international carrier whose services were involved and even in its case, the effect was by no means total. The settlement, which had been proposed by the Supreme Labor Court, called for a 35 percent wage increase, with a maximum raise of Cr\$10,000 and no minimum, and a ten percent increase for workers receiving the minimum wage. The workers originally sought a 50 percent boost, with no upper limit and a minimum raise of Cr\$5000, and certain fringe benefits. In spite of the December 21 agreement, the situation continued unsettled at month's end and because most of the companies affected by the stoppage, claiming that a high Ministry of Labor official had declared the strike illegal, refused to permit the return of a large number--estimates ranged from 1000 to 3000--of workers. A special union committee in defense of the aviation workers and "in defense of the right to strike" was set up, and an appeal for support was made to labor federations and confederations throughout the country. Sérgio Magalhães, PTB Deputy from Guanabara, promised, in retaliation against the attitude of the air carriers, to block any proposal for subsidy to the companies involved and to form a Congressional bloc to assure the same attitude and to fight for the taking over by the government of the companies (i.e., the creation of an "Aerobras"). As January began, the carriers were beginning gradually to rehire workers whom they had originally refused to permit to return, but it was clear that there was no forgive-and-forget spirit animating the companies whose already generally precarious financial condition will be made more difficult by the

UNCLASSIFIED

0240

UNCLASSIFIED

(Classification)

Page 9 of

Encl. No.

Disp. No. 602

From Rio de Janeiro

wage increase.

On the international side, the major news was the early December announcement of the award by the Minister of Aeronautics to Real-Aerovias of a route to New York via Lima (with technical stop in Panama). The route corresponds to that described in Brazilian Route 3 of the existing US-Brazilian bilateral. This service would provide direct competition to Braniff which operates via Lima to Miami, with an extension to New York by means of an interchange with Eastern Airlines. More importantly from the Brazilian domestic point of view, the award gave REAL its long-desired access to the New York market, a development always opposed by VARIG, which serves New York direct and via Port of Spain and Ciudad Trujillo. Contrary to expectations aroused by VARIG's known, consistent opposition to REAL entry into New York, there was no immediate negative public or press reaction to the announcement of the route grant. This failure to react suggested to some observers that VARIG might be hoping for compensation in some other area, possibly Europe, where the carrier has long wanted to operate. If VARIG were in fact to receive such compensation, Panair do Brasil, which currently flies to Europe, would be caught in the middle and the already crowded South America-Europe service would be further complicated. It was not until the very end of the month that the first significant opposition to the route grant to REAL appeared. On December 30 Ultima Hora of Rio carried a prominent story describing the Aeronautics Minister's authorization to REAL as "one of the greatest scandals in Brazilian aviation." The report, alleged, among other things, that a basic condition for the concession of the route was the purchase of control of REAL by the Grace Line. The following day REAL denied categorically the principal charges in the Ultima Hora story, including the reference to Grace Line involvement. The origin and purpose of the story were not yet clear as the month ended.

The developing shipbuilding industry showed further signs of progress in December. The principal event was the December 16 ceremony at the Verolme shipyard under construction at Jacuacanga near Angra dos Reis in the state of Rio de Janeiro marking the laying of the keel of the Henrique Lage, the largest (10,500 DWT) ship yet to be built in Brazil. The cargo vessel, which is intended for the international routes of Lloyd Brasileiro, is scheduled to be launched in June and delivered in December 1961. In statements made prior to and at the keel-laying ceremony, Cornelius Verolme, president of the shipbuilding company, stated that in the very near future the Jacuacanga yard would be able to construct four vessels the size of Henrique Lage simultaneously,

UNCLASSIFIED

0241

UNCLASSIFIED
(Classification)

Page 10 of
Encl. No.
Disp. No. 602
From Rio de Janeiro

that the yard was technically equipped to construct another building way capable of handling vessels of up to 80-85,000 DWT, and that within a year the yard would be able to repair ships of the size of the aircraft carrier Minas Gerais, which the Verolme yards in the Netherlands refitted and modernized.

The Verolme yard, built in a remote and unpopulated area, has not progressed so rapidly as the Ishikawajima yard in Rio de Janeiro, its principal competitor in the infant Brazilian shipbuilding industry, which will launch its first ship of 5600 DWT next month. Ishikawajima is constructing three of these vessels, which are of the "Brasilia" class and are intended for use in the long-haul coastwise service. Construction of the third in the series was begun on December 6. Under the existing government plans for the Brazilian shipbuilding industry, Ishikawajima will have an eventual construction capacity of 60,000 DWT per year and Verolme 45,000 DWT. Together the two yards represent the bulk of the total planned capacity of 150-160,000 DWT.

The protectionist attitude toward foreign competition accompanying the growth of the domestic shipbuilding industry were manifested during the month in two instances. The shipbuilders trade association, supported by segments of the press, protested strongly to the authorities against: (a) a late November call for tenders by the National Department of Ports, Rivers and Canals for the construction of six dredges on the grounds that the invitation, by accepting bids only from companies which had built at least five dredges, eliminated national yards or forced them to associate with foreign constructors; and (b) a Finance Ministry call of December 2 for bids on the building of 80 customs launches, on the grounds that the terms of the invitation made it impossible for any but foreign yards to compete. In both cases, the authorities modified the original calls to meet some of the objections of the domestic interests.

In the urban transportation sector, December saw the publication in the Diario Oficial of the long-awaited, frequently postponed invitation for bids for the construction of the proposed vehicular and pedestrian tunnel under Guanabara Bay between Rio de Janeiro and Niteroi. According to the call, bids are to be submitted not later than June 1, 1961 to the Minister of Transportation in Rio de Janeiro. Construction must be financed by the interested firm, and costs of construction are to be reimbursed to the firm by toll collections during a period of 50 years and by sales of lands reclaimed from the bay on the Niteroi side of the tunnel. Several foreign firms, among them Japanese, German and French companies and the U.S. Perini group, are said to be interested

UNCLASSIFIED

0242

UNCLASSIFIED
(Classification)

Page 11 of
Encl. No. 602
Desp. No.
From Rio de Janeiro

in the job.

In another development affecting mass transport in the Rio de Janeiro area, Guanabara Governor Lacerda on December 27 signed a decree establishing a Provisional Administrative Board to operate the trolley cars ("bondes" to the Carioca) of the South Zone of the city of Rio de Janeiro after December 31, the day the concession of the present operators, a component of the Canadian "Light" group expired. The decree carefully specified that the administration of the trolleys did not signify that the state government was accepting the property of the former concessionaire, which is the subject of a legal action brought against the Light by the state. The 200 trolleys serving the south zone were supposed to be replaced by 175 Italian trolleybuses but there has been no decision made concerning the legal form of the company (private, or mixed government-private) to be set up to operate the new equipment. Furthermore, only a handful of buses have arrived and the necessary power and overhead installations are by no means complete.

As in the case of urban transportation, Rio de Janeiro was the center of interest in the field of communications during December because of the intervention of the Companhia Telefonica Brasileira by the Government of the state of Guanabara. Governor Lacerda inherited the problem of intervention in the CTB, which is a component of the Canadian-owned Light Group, from his predecessor. After the CTB had obtained an injunction against his December 10 decree of intervention based on a law passed in October, Lacerda on December 13 issued a second decree intervening the Company but grounding his action not on the October law but on the existing contract between the state and the Company. In contrast to the October law, which called for total intervention in the operations of the CTB and for direct State operation of telephone service, the December 13 decree, like that of December 10, limited itself to establishing a full direct inspection and examination of the Company's operations in the State by means of a committee of intervenors; interference in the direction and execution of telephone service was specifically excluded. The committee of intervenors was sworn in on December 19.

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs.

For the Ambassador,

Edward J. Bosh
Edward J. Bosh
Commercial Attaché

Enclosure: Economic Indicators

UNCLASSIFIED

0243

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Disp. No. 602
From Rio de Janeiro

ECONOMIC INDICATORS: Cost of Living in Rio de Janeiro (1948=100)

	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Publ. Serv.	Index	% Change
1959									
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	1.9
July	630	419	546	421	518	522	719	573	2.9
Aug.	760	430	554	432	536	575	727	603	5.2
Sept.	701	431	562	432	544	605	758	622	3.2
Oct.	745	439	570	445	544	605	757	644	3.5
Nov.	806	454	581	462	603	611	757	677	5.1
Dec.	809	471	592	469	617	611	767	685	1.2
Av. 1959:651	414	543	406	503	544	709	580		
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
Aug.	833	543	657	588	723	699	843	745	.7
Sept.	859	554	664	590	732	734	961	772	3.6
Oct.	900	580	674	606	744	766	996	802	3.9
Nov.	922	594	685	623	776	852	1007	825	2.9
Dec.	958	617	695	630	818	882	1007	848	2.8
Av. 1960:849	537	644	567	703	624	842	750		

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (US\$1,000,000)

	Aug.	Sept.	Jan-Sept.	Aug.	Sept.	Jan-Sept.
Imports						
Total	116.1	147.2	1,073.6	100%	100%	100%
USA	36.	53.3	332.1	31	36	31
C.B.*)	7.	9.1	53.2	6	6	5
Exports						
Total	101.1	115.4	950.7	100%	100%	100%
USA	45.	51.9	437.4	45	45	46
C.B.*)	7.8	4.4	54.	8	4	6

*) 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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AIR POUCH PRIORITY		UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE 832.00/1-1761	
FOREIGN SERVICE DESPATCH		32		JAN 17 1961	
FROM :	AmConsulate, Curitiba, Brazil	DESP. NO.	January 17, 1961		
TO :	THE DEPARTMENT OF STATE, WASHINGTON.				
REF :	CERP Section C-2				
20 For Dept. Use Only	ACTION COM-12 REC'D 1-27-61	DEPT. IN OTHER CER-1 CER-2 CER-3 CER-4 CER-5 CER-6 CER-7 CER-8 CER-9 CER-10 CER-11 CER-12 CER-13 CER-14 CER-15 CER-16 CER-17 CER-18 CER-19 CER-20 CER-21 CER-22 CER-23 CER-24 CER-25 CER-26 CER-27 CER-28 CER-29 CER-30 CER-31 CER-32 CER-33 CER-34 CER-35 CER-36 CER-37 CER-38 CER-39 CER-40 CER-41 CER-42 CER-43 CER-44 CER-45 CER-46 CER-47 CER-48 CER-49 CER-50 CER-51 CER-52 CER-53 CER-54 CER-55 CER-56 CER-57 CER-58 CER-59 CER-60 CER-61 CER-62 CER-63 CER-64 CER-65 CER-66 CER-67 CER-68 CER-69 CER-70 CER-71 CER-72 CER-73 CER-74 CER-75 CER-76 CER-77 CER-78 CER-79 CER-80 CER-81 CER-82 CER-83 CER-84 CER-85 CER-86 CER-87 CER-88 CER-89 CER-90 CER-91 CER-92 CER-93 CER-94 CER-95 CER-96 CER-97 CER-98 CER-99 CER-100	SUBJECT: ECONOMIC SUMMARY FOR DECEMBER 1960 451A-10 LAC-4 ASD-5 ARMY-6 NAVY-4 AIR-6		

I SUMMARY

The Christmas spirit was everywhere in evidence during the past month. Friends and relatives were busily exchanging gifts and the Governors of Parana and Santa Catarina were handing out, or at least accused of handing out, jobs. The magnanimity of Parana's Governor did not extend to the state's civil servants many of whom have not been paid during the past 3 or 4 months. Christmas sales just about came up to last year's.

Coffee and lumber exports remained low and wage discussions continued in a number of local industries. Credit conditions tightened with the approach of the holidays.

The local telephone company, an I.T. & T. subsidiary, reached an agreement with the Curitiba government and steps were reported to have been taken to expropriate a Parana electric company.

II AGRICULTURE

1. Coffee: Exports dropped again, 38,000 bags leaving Parana, with both the Federal and State administrations on the way out no change in the present situation can be expected until the new governments reveal their plans, if they have any, for a solution of the Parana coffee problem.

One of the solutions is the use of coffee for purposes other than consumption as a beverage. In this connection Industria Jacutinga de Cafe Seluvel, S.A. of Maringa (Parana) recently increased its registered capital to 300 million cruzeiros and announced plans to industrialize "expurg" coffee. No additional details were given.

SOURCES: All papers.

2. Cotton: Parana cotton producers are hopeful that they can export part of their crop.

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32

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Page 2 of 4
Encl. No. _____
Dep. No. 32
From AmConsulate, Curitiba

export part of this year's crop. Their hopes are based on CACEX's liberation for export of inferior grades (below grade 6). Reportedly, this move will permit export of a total of about 2,000 tons from southern Brazil, principally Paraná. Another recent forecast of production for this year in Paraná is 70,000 tons.

SOURCES: "Diário de Paraná" - Dec. 18, 1960; Dec. 11, 1960.

3. Weed: Newspaper reports that Brazil will import 1,700,000 tons of wheat from the United States during 1961 are said to have caused some misgivings in Paraná weed circles. The move is interpreted as a reprisal against Argentina for its failure to reach an agreement with the Brazilian weed mission to Buenos Aires. There are misgivings because it is felt the wheat deal will damage the Argentine economy and thereby make it even more difficult than it is now to get the Argentines to buy Paraná pine.

Exports of Paraná pine to the Argentine market declined 60% between 1957 and 1959 and dropped even further during 1960. No statistics on 1960 exports are available. Exports to Europe were reportedly good.

SOURCES: "Diário de Paraná" - Dec. 1, 1960
"Estado de Paraná" - Dec. 14, 22, 1960
"Gazeta de Povo" - Dec. 7, 8, 1960

III - LABOR:

Railway Strike: Railway workers in Santa Catarina went on strike December 23 demanding higher wages, payment of back salaries and accomplishment of the transfer of the Santa Catarina railway to the Federal Railways System. With the transfer employees would receive the same salaries as Federal workers. The strike has paralyzed the railroad and resulted in millions of cruzados of losses, especially in Santa Catarina's biggest industrial city, Blumenau, and its biggest port city, Itajaí.

SOURCES: "Gazeta" - Florianópolis, Dec. 25, 28, 29, 30, 31, 1960.

IV TRANSPORTATION AND COMMUNICATIONS:

1. Telephone Company: The local I.T. & T. subsidiary, Companhia Telefonica Nacional has, after months of argument with the Curitiba city government, reached an agreement on a rate increase. The company agreed to install 11,000 new lines within 18 months and in return was granted a 93.9% increase.

COMMENT: The new accord received headlines in the press. Coverage was fairly objective, with the usual exceptions. "Ultima Hora" and "O Dia" continued to speak of "intervention", (expropriation) and described the agreement as "Ibero's (the mayor) greek gift to the people of Curitiba". The company requested a

400% rise and is

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32

0246

UNCLASSIFIED

(Classification)

Page 3 of 4
Encl. No. 32
Dep. No. 32
From AmConsulate, Curitiba

400% rise and is not too happy with the 93% increase but it realizes that the prefeitura could hardly be expected to concede anything greater.

SOURCES: All papers.

2. Companhia Para de Electricidade: The Federal Chamber of Deputies has granted 450,000,000 cruzeiros in semities for the expropriation of the Companhia Para de Electricidade, which provides electric power to parts of Central Parana including the city of Ponta Grossa. The company, Brazilian owned, is accused of failing to supply adequate power. It's retort is that it was never granted the rate increases which would permit it to do so.

SOURCES: "Diario de Parana" - Dec. 21, 22, 1960
"Estado do Parana" - Dec. 2, 1960
"Gazeta do Povo" - Dec. 4, 28, 1960
"Ultima Hora" - Dec. 2, 19, 1960

3. BR-2

The Curitiba-Sao Paulo highway (B.R.-2) will be "inaugurated" on January 25. Predictions are that it will be closed on January 26. A team from "Estado do Parana" recently traveled to Sao Paulo by jeep on the new road and the writer drove over a considerable portion of the Parana stretch 2 days ago. These are our observations: (1) The first 60 km. from Curitiba to Sao Paulo are asphalted with the exception of a 60 meter stretch located 7 km. from Curitiba (why this has not been asphalted nobody knows) (2) In several parts of this stretch there have been earth slides and the asphalt has collapsed. (3) There are 60 km. which have not been asphalted and a number of sections where the road is completely impassable because of mud, landslides, etc. (4) Some asphalted stretches in Sao Paulo have come apart as the result of heavy rains, poor construction or both. (5) The road is a long way from completion.

SOURCES: "O Estado do Parana" - Dec. 2, 23, 1960.
"Diario de Parana" - Dec. 6, 27, 1960
"O Dia" - Dec. 2, 1960

V - FINANCE:

1. Parana State Finance: Governor Lupien has been pressing the State Assembly for 5 billion cruzeiros in supplementary credits to carry the state through to the end of his administration. The opposition claims the money will only be used to fill somebody's pockets. As a result of the legislative battle the funds have not been appropriated.

Lupien has also been working to get the Federal Government to remit the Article 20 funds due Parana (the 20% of the Federal income tax distributed to the state municipalities) but his efforts in this regard have been unavailing. To further compound the state's financial difficulties there is a "don't pay your state income tax" move prompted by the widely-publicized financial irregularities

which have been

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32

0247

UNCLASSIFIED
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Page 4 of 4
Encl. No. 32
Desp. No. 32
From AmConsulate, Curitiba

which have been commonplace under Luperon. It is assumed that any money given the administration during its last month in office will only be misappropriated.

SOURCES: "Diário de Paraná" - Dec. 4, 1960
"Estado de Paraná" - Dec. 20, 1960
"O Dia" - Dec. 4, 1960
"Gazeta de Povo" - Dec. 4, Dec. 27, 1960

2. Santa Catarina Finances: The state's estimated receipts and expenditures for calendar year 1961 are Cr\$ 4,080,000,000.

Outgoing Governor Hulse anticipates a balanced budget but his successor can always open supplementary credits if he wishes. The 1960 budget was knocked out of balance by a flood of "midnight appointments".

SOURCES: "Estado" - Florianópolis - Dec. 23, 1960
"Gazeta" - " - Dec. 8, 1960

VI - DOMESTIC TRADE AND COMMERCIAL POLICY

Wheat: The threat of a wheat shortage and imminent price increases received considerable attention from the local press. A talking point was provided by the presence of 10,000 tons of wheat in the Port of Paranaguá. The wheat is said to be deteriorating for lack of transport to the interior. Blame is put on the Paraná-Santa Catarina railway, which has not granted a request for railway cars because the cars are all being used for coffee shipments. Press coverage of the U.S.-Brazil wheat agreement, recently announced by the Embassy in Rio de Janeiro, was skimpy.

SOURCES: "Estado de Paraná" - Dec. 4, 15, 16, 21, 23, 1960
"Gazeta de Povo" - Dec. 15, 27, 1960
"Última Hora" - Dec. 10, 21, 1960

VII - FOREIGN TRADE AND COMMERCIAL POLICY

U.S. Sugar Quota: There was disappointment here about the low sugar quota granted Brazil by the United States. A banner headline in friendly "Diário de Paraná" read: "Brazil Cast Aside in the Purchase of Sugar by the United States." The note delivered by Brazilian Charge in Washington, Carlos Bernardes was printed in full and U.S. Secretary of Agriculture Benson was reported as having said during his Brazilian trip that he hoped Congress would consider carefully the possibility of granting a quota to Brazil "the size of which should be in accordance with Brazil's production capacity." Bernardes claimed Brazil's production could "easily be increased".

SOURCES: "Diário de Paraná" - Dec. 24, 1960

cc: Counselor of Embassy for
Consular Affairs, AmEmbassy, Rio de Janeiro.

Edward M. Rowell
Edward M. Rowell
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Embassy RIO DE JANEIRO

607

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 17, 1961

REF

JAN 19 1961

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN P O OTHER
	1/24	USA-4 CEA-16 OCB-2 COM-12 TAR-2 TA-3

SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered December 31-January 15)
FRA-3 INDEX OLF-7 AGA-8 INT-7 LAB-6
FRA-5 CAB-6 XMB-4

1. Coffee Exports
2. Currency Issue in December
3. Supplementary Sales of Dollars under SUMOC Instruction 193
4. Preliminary List for LAFIA Completed
5. Controversy Over ELESTROBRAS Bill Continues
6. Carbon Black to be Produced in Salvador
7. Russians Reported to be Interested in Rio-Niteroi Tunnel
8. Tres Marias Plant Inaugurated
9. Industrial Workers Pension Institute (IAP) Acknowledges Difficulties
10. Strikes
11. COPAP Under Pressure to Authorize Price Increases
12. Ford to Manufacture Automobiles in Brazil
13. Inauguration of PAA Jet Service from US West Coast
14. VARIG Seeks European Routes
15. Kubitschek Inaugurates Various Highway Projects
16. Furor Over Motion Picture Dubbing Proposal
17. National Petroleum Council Approves Construction of Refineries in Porto Alegre and Belo Horizonte
18. RFFSA Opposition to Construction of Rio-Belo Horizonte Pipeline
19. Goodwill Visit of Kansas-Missouri Group
20. Public Tender for Rails

1. Coffee Exports:

Coffee exports during the period January through the 11th were 285,436 bags (\$). Exports during the same period last year were 138,297 bags.

Total exports for the current marketing year, July 1, 1960/January 11, 1961 were 9,158,799 bags, compared with 15,106,219 bags exported during the same period of the 1959/60 marketing year. (UNCLASSIFIED)

(S) Preliminary

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Page 2 of
Encl. No.
Disp. No. 607
From RIO DE JANEIRO

2. Currency Issue in December:

According to figures received from the Amortization Office, Cr\$16.7 billion was issued in December 1960.

Comment: With the Cr\$16.7 billion issued in December, the total currency issued in 1960 exceeds Cr\$51.5 billion. This figure represents a 55.3% increase over the total currency issued as of December 1959. For the comparable period of 1959, the corresponding figures are Cr\$34.8 billion and 29%. (UNCLASSIFIED)

3. Supplementary Sales of Dollars under SUMOC Instruction 193:

Total supplementary sales of U. S. dollars purchased under Instruction 193 since its inception on March 25, 1960 amounted to \$106,297,000 by the end of December 1960, more than half of this amount having been sold in the last three months. Foreign exchange sold under Instruction 193 is promised for delivery 150 days after date of purchase.

Comment: From March until September the weekly average of extra sales was about \$1,500,000. This amount increased steadily during the last quarter of the year and for December the weekly average exceeded the \$6 million mark amidst rumors that SUMOC Instruction 193 would be rescinded. One significant aspect of the mounting rate of extra sales in recent weeks is the foreign exchange burden it will constitute for the new government since the overwhelming majority of such sales--\$70 million--are not due to be redeemed until after Janio Quadros takes office at the end of January. (UNCLASSIFIED)

4. Preliminary List for LAFTA Completed

With the ratification of the Treaty of Montevideo not yet acted upon by the Brazilian National Congress, the Brazilian Foreign Ministry has completed the Preliminary List of Brazilian Exportable Products and Commodities for the Latin America Free Trade Area.

Press releases indicate that the list, which contains approximately 1,200 items, is flexible and can be augmented, up to January 31, at the petition of exporters. The list is broken down under the following headings: Live Animals/Livestock; Primary Commodities, Raw and Processed; Foodstuffs and Beverages; Manufactured Products made from: Wood, Stone, Concrete, Ceramics, Leather, Tobacco, Plastics, Iron, Steel and other Metals; Chemicals and Pharmaceutical Products; Textiles and Fiber Products; Boilers, Machinery, Devices, Motors and Engines; Vehicles, Accessories and Parts; Other Machinery and Manufactured Products. (UNCLASSIFIED)

5. Controversy Over ELWIDEMAS Bill Continues:

The most significant recent development in the controversy over the

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Page 3 of
Encl. No.
Disp. No. 607
From RIO DE JANEIRO

legislative action to create ELETROBRAS was a telegram sent to President Kubitschek from Antonio Gallotti, vice president of the Light group, expressing strong support of the measure. The telegram included praise for the late President Vargas, who had fathered the ELETROBRAS idea during his administration. This message, as could be expected, drew an immediate strong reaction from industrial groups in São Paulo, who have been voicing their systematic opposition to the bill. In a telegram addressed to Gallotti, Mr. Humberto Reis Costa, president of the Hydroelectric Power Industrial Association of São Paulo, expressed grave concern over the attitude of the Light group for which he can find no justification. (UNCLASSIFIED)

Comment: This appears to be a rather clever political move on the part of the Light group, aimed at "taking the heat off" and at rehabilitating itself in the eyes of public opinion, which has been most critical. (OFFICIAL USE ONLY)

6. Carbon Black to be Produced in Salvador:

Confirming previous reports, a press notice dated January 13 indicates that a contract has been signed between PETROBRAS and Companhia de Carbonos Coloidais for the supply of the necessary basic raw materials from the Landulpho Alves Refinery at Mataripe.

It is stipulated in the contract that the refinery is to furnish residual oils up to a maximum of eleven hundred barrels per day. This amount may eventually be increased by mutual agreement.

Once production of carbon black has been started, it is estimated that considerable savings of foreign currencies will result. (UNCLASSIFIED)

7. Russians Reported to be Interested in Rio-Niteroi Tunnel:

According to newspaper reports, three Russian engineering groups have asked permission, through an Embassy which maintains diplomatic relations with the Soviet Union, to offer bids for the construction of the Rio-Niteroi Tunnel (BWNR Embdas 559, January 4). In one newspaper account, Sr. Djalma Nunes, president of the private committee for the construction of the Rio-Niteroi Tunnel, indicates that should the Russians be granted permission to enter the bidding, they would offer terms involving an exchange of coffee and cacao in payment for the construction; under such an arrangement, the collection of tolls would be left to the Brazilians.

It is reported that the number of foreign firms interested in offering bids to build the tunnel has broken all previous records; included in their number are approximately 50 American, 19 French, 8 German, 5 Dutch, 23 British, 4 Canadian, 2 Belgian, 8 Japanese and 3 Swedish firms. (UNCLASSIFIED)

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0251

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Page 4 of
Encl. No.
Disp. No. 607
From RIO DE JANEIRO

8. Tres Marias Plant Inaugurated:

On January 14, President Kubitschek officially inaugurated the Tres Marias plant. The plant, which is located on the upper São Francisco River in the state of Minas Gerais (see Embdes 660, December 14, 1956), includes a large earth-filled dam and a power plant with an installed capacity of 520,000 KW. The project was inaugurated in June 1957 and was financed by Centrais Eletricas de Minas Gerais S/A with funds allocated to it from the Electrification Tax Fund. It is one of Juscelino Kubitschek's major projects included in Brazil's Mata de Energia Eletrica designed to increase the nation's electrical capacity from 3,000,000 KW in 1958 to 8,000,000 KW in 1965. Its major purposes are: to regulate the flow of the São Francisco River, permitting year-round navigation of shallow draft cargo vessels on the upper river; to regulate the flow of water to the Paulo Afonso power station; to generate 500,000 KW of hydro-electric power to Belo Horizonte, 230 KM to the South; to provide irrigation to drought areas in the upper river valley and possibly to areas of the Northeast. The total cost of the project is nearly eight billion cruzeiros.

(UNCLASSIFIED)

9. Industrial Workers Pension Institute (IAPI) Acknowledges Difficulties:

The Industrial Workers Pension Institute (IAPI), which insures about half of the total number of urban workers covered by Brazil's social security system, has acknowledged that it is in arrears in payment of old-age and survivors pensions and other benefits. IAPI stated that the total amount overdue to the beneficiaries is approximately two billion cruzeiros, but promised that payment would be made soon.

IAPI's public acknowledgement of its difficulties is one more indication of the weaknesses in Brazil's social security system. However, growing resistance in some of the pension institutes and related welfare agencies to continued subordination to political control--and the overstaffing as a result of giving social security jobs as political rewards--brightened the prospects for some eventual improvement. Under the newest Social Security Act which became effective last August, provision was made for the social security system to be administered by various tripartite boards of management, labor and government representatives. The management and labor representatives on the new boards are cooperating and out-voting the government representatives by deciding to dismiss a number of the recent political appointees. (OFFICIAL USE ONLY)

10. Strikes:

The principal strikes reported during the past two weeks were by railway workers in the northeastern states of Pernambuco, Alagoas, Paraíba, and Rio Grande do Norte, and in the southern state of Santa Catarina. In both cases, the workers claimed that wage increases granted under the recent "parity" law were not yet being paid and that wage payments were frequently behind schedule. In Rio, the dismissal by the airlines of some of the workers

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0252

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Page 5 of
Encl. No.
Dep. No. 607
From RIO DE JANEIRO

who participated in last month's strike by airline maintenance personnel continued to cause some discontent in labor circles. The companies have re-employed some, but not all, of the discharged strikers. (UNCLASSIFIED)

11. COFAP Under Pressure to Authorize Price Increases:

Press reports state that COFAP, the Government's price-control agency, is under heavy pressure to authorize further increases in the prices of milk, bread, rice and several other food items. (UNCLASSIFIED)

12. Ford to Manufacture Automobiles in Brazil:

Ford Motor do Brasil has presented to GENIA (Automotive Industry Executive Group) a project for manufacturing standard size passenger cars in Brazil. If permission is granted Ford to import the necessary machine tools, the Ford truck and tractor manufacturing and assembly plant at São Paulo, established in 1925 as an assembly unit, will be expanded for car production. (UNCLASSIFIED)

13. Inauguration of PAA Jet Service from US West Coast:

On January 13 Pan American inaugurated its twice-weekly DC-8 service to Rio/São Paulo from San Francisco/Los Angeles via Guatemala City and Panama. With this new service, PAA has eight flights weekly to and through Brazil: Three DC-8 flights from New York, one of which terminates in São Paulo and two in Buenos Aires; two DC-7B flights from New York terminating in São Paulo; the two DC-8 West Coast flights also terminating in São Paulo; and one DC-7B flight from Miami terminating in Belém. In addition, two other DC-8 flights from New York to Buenos Aires overfly Brazil. (UNCLASSIFIED)

Comment: The Embassy and the local PAA office had expected that the Brazilian civil aviation authorities would not be happy about the new service for a variety of reasons, including the sharp increase in capacity involved, and that they would at least drag their feet in acting on the PAA schedule filing. At no time, however, did the authorities raise any but technical questions, and the PAA notification of the new service was processed quite promptly. The matter may still be raised, however, in the April US-Brazilian aviation consultation. (OFFICIAL USE ONLY)

14. VARIG Seeks European Routes:

The Embassy has learned from a qualified official of the Civil Aeronautics Directorate that, following the award to NEAL of a route to New York via Lima (see ENR's, Embdes 508 and 559), VARIG requested authorization to operate three routes to Europe, all via Casablanca, as follows: (1) Milan, Tel Aviv; (2) Zurich, Duesseldorf; and (3) Paris, London, Scandinavia. According to the DMS

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Page 6 of
Encl. No. 507
Desp. No. 507
From RIO DE JANEIRO

official, VARIG hopes eventually to extend the second route to Moscow, or, if that is not possible, Prague or Warsaw. The VARIG request was apparently made directly to President Kubitschek. PANAIR DO BRASIL, which would be seriously damaged in its existing European services by the VARIG competition on parallel routes, is opposing the VARIG pretensions strongly. One report has it that PANAIR might be forced in self-defense to file a retaliatory, "nuisance" request for a route to the United States. It is by no means certain that the President will act on VARIG's petition before his term expires. Meanwhile, the Brazilian Embassy in Washington has been instructed to notify the Department formally of REAL's designation to serve New York. The criticism of the route grant to REAL, which appeared in late December in *Ultima Hora* has had a relatively limited echo, principally in the form of a statement by Deputy Eloy Dutra, whose recent anti-PAN AMERICAN/PANAIR speeches were apparently disseminated, if not inspired, by VARIG elements. On the other hand, REAL has made a fairly vigorous counter-attack, which was given support by a statement from the Director General of DAC who strongly defended the Air Minister's decision to permit REAL access to New York.

(OFFICIAL USE ONLY)

Comment: The authorization given REAL will probably make it difficult to avoid approving the VARIG request, at least in part, even though the addition of another carrier flying the South Atlantic to Europe will only add to the overcrowding already existing on those routes. Furthermore, full VARIG competition with PANAIR could lead to the destruction, probably only after a bitter struggle, of the latter carrier or to its absorption by VARIG. The competitive situation among the Brazilian international carriers threatens to become similar to that which existed in the domestic sector during the most acute period (mid-1959) of uncontrolled, no-quarter route duplication and rate wars.

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15. Kubitschek Inaugurates Various Highway Projects:

As part of the series of inaugurations of public works marking the end of his administration, President Kubitschek on January 4 opened to traffic a highway constructed by the National Highway Department (DNHR) in Goias, between Goiania, the state capital, and Jatai. In addition to constituting part of the Brasilia-Acre road, the 317 kilometer-long link, which cost, according to DNHR, 1.1 billion cruzeiros, is the first segment of what is planned to be a major north-south connection (more or less paralleling Federal Highway BR-14 the so-called Transbrasiliana) from Goiania, through the state of Mato Grosso, São Paulo, Paraná, Santa Catarina, with its terminus in Cruz Alta, Rio Grande do Sul. On January 13, in the city of Cuiabá, capital of Mato Grosso, the President officially inaugurated the Cuiabá-Porto Velho-Abunã-Rio Branco (Acre) segment of the much publicized Brasilia-Acre highway. According to DNHR published figures, the length of the part of the highway inaugurated by the President is 2018 kilometers. Inasmuch as the Brasilia-Cuiabá link is considered completed, the President's action was intended to mark the inauguration of the entire Brasilia-Acre route. The day before, January 12, the Transport Minister had presided at the ceremony commemorating the opening of the paved

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Page 7 of

Encl. No.

Disp. No. 607

From RIO DE JANEIRO

segment of Federal Highway BR-2 (Rio de Janeiro to the Uruguayan border) between Lajes in Santa Catarina and Caxias do Sul in Rio Grande do Sul. The cost of the 226 kilometer road was reported as Cr\$1.82 billion or about Cr\$8.05 million per kilometer. An Army highway construction battalion--such Army units have been used extensively on the strategically important BR-2--built and paved a considerable section of the newly-opened road. (UNCLASSIFIED)

Comment: As is true with various of the projects being "inaugurated" this month, the Brasilia-Acre highway is not in any significant sense open to traffic throughout its length. According to unofficial DNER information, large sections of the road west of Oribá are trafficable only with great difficulty by jeeps or other rugged vehicles. The President's act should be considered only symbolic. Even so, the highway sector is a part of his development program in which Kubitschek can justifiably take considerable pride. On the basis of figures recently cited by the Director General of the DNER, the extent of all federal roads increased nearly 70 percent (from 22,250 to 37,220 KM) in the past five years and federal paved kilometers jumped nearly 250 percent (from 2560 to 8470 KM) in the same period. The cost of the program over the five-year span was, according to the Director, Cr\$70 billion. (OFFICIAL USE ONLY)

16. Furor Over Motion Picture Dubbing Proposal:

Motion picture circles and cultural and intellectual groups in general have been highly exercised, and their indignation has been very widely publicized, over proposed legislation calling for the dubbing into Portuguese of all foreign films. It was thought at first--and this is a commentary on the "interiorization" of the capital--that the bill had passed the Chamber and was before the Senate for final approval. It has now been discovered that the bill was introduced in the Senate by a substitute Senator, that it has not yet been acted upon, and that the proposal seeks not only Portuguese dubbing but also the substitution of Brazilian-performed music for any musical numbers executed in foreign films. The extreme nature of the measure has led its critics to change their tone from one of genuine alarm to one of ridicule. The burden of complaint has been esthetic--the dubbing process destroys the artistic integrity of the film--but it has also been pointed out that the adoption of dubbing (which is done extensively in Brazilian television) would put foreign films in direct competition with the Brazilian product in the extensive illiterate market. The latter consideration has prompted Ultima Hora and other nationalist elements to ascribe the inspiration of the legislation to the local representative of the Motion Picture Association of America. (UNCLASSIFIED)

Comment: In the face of the very strong reaction to the proposed legislation and of its own extreme nature, it is doubtful that the proposal will progress. The MPAA representative has told the Embassy that because of the Association's unhappy experience with dubbing around the world, he is opposed as strongly as anyone else to the Senate bill. He added, only half humorously, that if he were to announce that opposition, much of the opinion against the bill would turn about and support it, and therefore he is making no statements. (OFFICIAL USE ONLY)

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Page 8 of
Encl. No. 607
Disp. No. 607
From RIO DE JANEIRO

17. National Petroleum Council Approves Construction of Refineries in Porto Alegre and Belo Horizonte:

The National Petroleum Council (CNP) has approved the construction of an oil refinery in Belo Horizonte, Minas Gerais, and another in Porto Alegre, Rio Grande do Sul. The CNP in granting its approval determined that in the construction and installation of the new refineries, the operations of refineries already functioning in other parts of the country should not be adversely affected.

(UNCLASSIFIED)

18. REFRA Opposition to Construction of Rio-Belo Horizonte Pipeline:

The announcement on January 11 of the decision of the National Petroleum Council (CNP) to authorize the construction of an oil pipeline, with an eventual capacity of 30,000 barrels per day, between Duque de Caxias (just outside the city of Rio de Janeiro) and Santa Luzia (just outside Belo Horizonte) to supply the refinery in Belo Horizonte whose construction was approved a week earlier by the CNP represented a defeat for the Rede Ferroviária Federal (the Federal Railroad System) which had opposed the construction on the grounds that the Central do Brasil, which currently transports petroleum products to the Minas Gerais region, could handle crude oil movements to the projected refinery. The Rede pointed out that its deficit was caused in large part by low traffic density and that this situation would only be aggravated by the building of the pipeline, whose costs would be much greater than the Cr\$7 billion estimated by PETROBRAS. The latter enterprise argued that legally it held a monopoly on the transport of fuel by pipeline and that the failure to construct the line would be prejudicial to it. The vote in the CNP was five to three in favor of construction, with the Transport Ministry member (who speaks for the Rede), the Army member and the Air Force member in opposition. The reasons for the votes of the Army and Air Force representatives were not revealed.

(UNCLASSIFIED)

Comment: If there is to be a refinery in Minas, the probable lower costs of transport by pipeline compared with that by rail would militate in the long-run in favor of the building of the pipeline, but the heavy immediate investment required--which could be employed by PETROBRAS in other fields, such as exploration--and the undeniable negative effects on the Central's traffic would appear to recommend at the very least a more careful examination of the project than it seems to have received up to now. The CNP decision on the pipeline, like the one on the refinery, was made under heavy pressure from President Kubitschek who had stated in Belo Horizonte that he regretted ending his administration without being able to initiate the two projects because of the resistance of the CNP. The question will undoubtedly be re-examined by the incoming Quadros government, but it might be somewhat difficult politically for Quadros, with his ties to São Paulo, to deprive Minas of projects presumably dear to its heart.

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Page 9 of
Encl. No.
Disp. No. 607
From RIO DE JANEIRO

19. Goodwill Visit of Kansas-Missouri Group:

A group of business and professional men from Kansas and Missouri visited Rio de Janeiro during the period January 7-11, 1961. The goodwill mission was headed by R. M. Seaton, publisher of the Coffeyville, Kansas Daily Journal. The Ambassador received the delegation and conducted a briefing session at the Embassy. While seriously interested in learning as much as possible about the countries and cities being visited, the group essentially is traveling on a tourist basis, without apparent interest in establishing business or other relationships. (UNCLASSIFIED)

20. Public Tender for Rails:

A public call for bids was made on January 10, 1961 for the supply of 211,656.3 metric tons of rails and accessories for the Federal Railway System. Bids are requested for both 18 and 12 meter length rails in order to provide the FRS with sufficient data to determine which length is economically and technically more suitable. Bids are to be submitted by February 28, 1961 (4:00 p.m.) (UNCLASSIFIED)

For the Ambassador:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Contributors:

Item 1 - D'Yallouz
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Item 8 - JHWiegerinck
Items 9, 10, 11 - DPMann
Item 12 - BACGoldstein/JHWiegerinck
Items 13, 14, 15, 16, 18 - JKCrimmins

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SUBJECT: BI-Weekly Economic Review No. 2 - Period Covered: January 5 - January 18, 1961

CONCLUSIONS

- ## 1. Wool Exports Moving Briskly

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Page 2
Enc. No. --
Desp. No. 608
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2. Rediscount Level to Private Banks to be Reduced

As a result of new rediscount regulations which entered into effect on January 16, 1961, the private banks will reduce during the course of this year their level of outstanding rediscounts at the Bank of the Republic (BOR) by 80 million pesos from the level attained on November 30, 1960. Under the new system, the BOR will accept paper on a provisional basis and credit the private banks' account within two days after the notes have been offered to it. The Bank will then have twenty days to make a definite decision as to whether it will accept or reject the paper. The reductions agreed upon are to consist of a decrease of 40 million pesos in the level of rediscounts of commercial paper of private firms and 40 million in debts of the Frigorifico Nacional to the private banking system.

(UNCLASSIFIED)

COMMENT: The private banks' representatives on the commission which regulates rediscount policy were persuaded to accept the reduction because the new norms will introduce a stability into the rediscount mechanism which has heretofore been absent and thereby permit the banks to operate with a lower level of central bank credit. Rediscounts to private banks stood at 375 million pesos on November 30. The new agreement is apparently in lieu of the commitment made last September to the International Monetary Fund to require the banks to reduce their rediscounts by the equivalent of 75% of any increase in their deposits. Unfortunately, the reduction of the money supply resulting from the new policy is likely to be more than counterbalanced by the Bank of the Republic itself as the latter can begin to live up to its promise to the I.M.F. to permit credit expansion. The BOR's Banking Department, after using its own gold to increase the currency issue, now must resort to printing its own paper for this purpose. The Banking Department was previously forced to rediscount 70 million pesos worth of notes at the end of 1960 to cover its needs for cash.

(OFFICIAL USE ONLY)

3. U.S. Grants Local Currency Loan for Livestock Rehabilitation Program

Ambassador Woodward, acting as ICA Representative, and the Ministers of Finance and Agriculture signed on January 11 a loan agreement for the Livestock Rehabilitation Program amounting to 9,547,500 pesos. These funds derived from the proceeds of PL 480 sales are to be used by the Uruguayan Government to assist in defraying local currency costs of the project. The foreign currency costs of the Livestock Rehabilitation Program totaling US\$ 7 million were financed by the IBRD.

At the NCG meeting held on the day loan agreement was signed, National Councillors HAEDO and BATTLE ~~Padua~~ underscored the beneficial impact of United States assistance on Uruguay's economy.

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Page 3
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Desp. No. 608
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4. Uruguayan Trade Mission Planned

The Finance Minister and the Minister of Livestock and Agriculture were authorized by the NCG on January 11 to make plans to send a special mission to various countries to promote Uruguayan exports, particularly wool and meat. According to the Blanco (UBD) newspaper, El Pais, the mission will be composed of Sub-Minister of Finance Jorge GIUCCI, Senator J. P. BRUNO, Sr. José Mariano CASTRO (owner of a meat-packing plant), Dr. LOMBARDO of the School of Veterinary Medicine, and Sr. Walter BANKS (wool expert). Countries to be visited supposedly include England, Germany, the Netherlands, Italy, France and Spain. (UNCLASSIFIED)

COMMENT: It appears that the GOU, worried about the possibility of discrimination against Uruguayan wool and meat by European Common Market members, will move ahead quickly in this matter. (OFFICIAL USE ONLY)

5. Bridge Over the Rio Uruguay

The Uruguayan membership on the mixed Uruguayan-Argentine commission to study the construction of a bridge over the Rio Uruguay has now been appointed thereby clearing the way for the commission to begin work shortly. (See Embdesp. 462, 11/29/60). The Argentine members had previously been named. The Commission, whose main task will be to conduct technical studies to determine a proper bridge site, is currently scheduled to begin operating on January 24. (UNCLASSIFIED)

COMMENT: The GOU is seeking international financial assistance for the bridge and hope to receive assistance from the Inter-American Development Bank, whose directors showed an initial interest in this project. (OFFICIAL USE ONLY)

6. Crop Forecasts Generally Bright

The Ministry of Livestock and Agriculture estimates that the wheat crop currently being harvested will total 445,000 metric tons, down slightly from original estimates, but sufficient to cover most local requirements. Other crops now being harvested are reported to be giving good yields with the flax crop estimated at 75,000 tons (1959 - 50,000 tons), oats 65,000 tons (1959 - 21,000 tons), and barley 55,000 tons (1959 - 29,000 tons). Linseed, corn and sunflower, to be harvested in March and April, are suffering from lack of rain in some sections of the country. (UNCLASSIFIED)

COMMENT: It is still possible that Uruguay may be forced to import some wheat during 1961 since high corn prices make it profitable to divert wheat from human consumption to animal feed. In addition, considerable quantities of wheat are smuggled into Brazil where high prices prevail. It presently appears likely that the repayment due this year of the 100,000 tons of wheat loaned by Argentina to Uruguay during the disastrous 1959 floods will have to be postponed. (OFFICIAL USE ONLY)

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Page 4
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Desp. No. 608
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7. Interamerican Council of Commerce and Production to Meet in Montevideo

The Interamerican Council of Commerce and Production (IACCP) will hold its next Plenary Meeting in Montevideo April 17 to 21.

COMMENT: The Uruguayan Section of the IACCP has already constituted a working group to prepare for the meeting which will coincide with the 20th anniversary of the founding of IACCP. (UNCLASSIFIED)

For the Ambassador:

George W. Landau

George W. Landau
Commercial Attaché
Chief, Economic Section

Contributors: GWLandau - Items 3 and 7
RJBloomfield - Item 2

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American Republics Div., BFC, Department of Commerce, Washington
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J-2 Section, Hdq., Caribbean Command, Quarry Heights, Canal Zone
OACSI, Department of the Army, Washington
Agricultural Attaché, Montevideo
American Embassies: Buenos Aires,
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Sub Report in 3D for General Staff

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FOREIGN SERVICE DESPATCH		276		832.00/1-2061 XR 732.00	
FROM:	Amcongen, São Paulo			January 20, 1961	
TO:	THE DEPARTMENT OF STATE, WASHINGTON.			JAN 23 P.M.	
REF:	RM/R. Mr. Barker-1 10-1 PPT-2 4-2				
20 For Dept. Use Only	ACTION IN OTHER	DEPT. IN OTHER	RM/R.2 REP.1 INR-7 E-3 ICA-11 PER-2 SCA-3 SY-2		
1-27-61	CIA-10	NSA-10	COM-10	TR-3	FBI-1 DHS-1 LRB-6 ACP-3
SUBJECT: Santos Weekly Report NSA-2 OSD-5 ARMY-4 NAVY-4 AIR-6					

Transmitted herewith for the information of the Embassy and the Department is the weekly report from the American Consulate at Santos, dated January 19, 1961.

With reference to the remarks in the last three lines of Item I-1 on page 1, the State of São Paulo does not share in the operating expenses of a municipality, except occasionally to maintain some service such as the fire department. The reference here possibly should be to a share in some taxes received by the state from collections at Santos.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

Enclosure: *Adm. M.*

Santos Weekly Report
dated January 19, 1961

cc: Amembassy, Rio

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JAN 31 1961

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1-20-61
PAGE #1

OPERATIONS MEMORANDUM

TO: American Consulate General, Sao Paulo Date: January 19, 1961
FROM: American Consulate SANTOS, Brazil
SUBJECT: Weekly Comment on Events in Santos
REF:

I POLITICAL

1. Santos Mayoralty Race (UNCLASSIFIED)

A Tribuna has editorially taken to task Athie Jorge Coury, PDC candidate for Mayor and logical leader of the city's janista-carvalhista forces, for not campaigning energetically enough and allowing his upstart rival Mario Covas, Jr. to steal away much of his voter appeal. In the meantime PSD candidate Antonio Feliciano and the PSP's Luiz La Scala, Jr. are energetically pursuing their campaigns.

O Diario has quoted Emilio Carlos of Sao Paulo as having stated that if Luiz La Scala is elected Mayor of Santos in March, Governor Carvalho Pinto will shut off Sao Paulo State aid to Santos, since La Scala and the local PSP would be working to reinstate Adhemar de Barros as Governor of Sao Paulo in 1962.

Comment: (OFFICIAL USE ONLY)

La Scala, now Director of Public Works of the City of Santos and protege of incumbent Mayor Silvio Fernandes Lopes, is conducting a well-organized campaign and is generally conceded to be the front runner in the mayoralty contest. Mayor Fernandes Lopes, the local PSP boss, has always worked well with Carvalho Pinto, and the reporting officer sees no reason why La Scala could not also, provided mutual assurances were given to protect each other's interests. Both Athie Jorge Coury and Mario Covas loudly claim to represent the janista-carvalhista element in Santos, but by this tactic they are weakening each other; and neither by himself is an outstanding leader. The reporting officer therefore is inclined to the view that should La Scala be elected, some accommodation will easily be found, for Carvalho Pinto wishes to avoid problems in Santos, and Santos has budgeted Cr\$577,000,000 to be received during 1961 from the State of Sao Paulo as the State's share of the city's estimated operating expenses.

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JAN 19 1961

SAO PAULO, BRAZIL

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DESP# 276
SAO PAULO
1-20-61
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2. Scandal in the Santos Customshouse (UNCLASSIFIED)

Mario Daltro Dantas, for 15 months Chief Inspector of the Santos Customs, the most important in Brazil, has abruptly disappeared from sight. His assistant, Dr. Paulo José da Silva Nery, has been named by the Ministerio da Fazenda Chief Customs Inspector of Santos as of January 9, 1961.

Comment: (LIMITED OFFICIAL USE)

The Santos customs are in a mess. For the past few weeks its Kubitschek-appointed officials, aware that they would shortly be removed from office, have been conniving at every sort of smuggling, which has reached unprecedented proportions. According to O Diario on January 17, "the principal point of contraband activity of late has been the baggage Warehouse, where thousands of pieces have been illegally disembarked - a real crime against the National Treasury." As evidence of such illegal entries, Santos customs receipts for the first two weeks in January have been greatly reduced. And on January 13 9 automobiles were discovered in the Baggage Warehouse disguised as "unaccompanied luggage".

The reporting officer has been reliably informed that Customs Inspector Paulo Nery has actually gone on board ships arriving in Santos in recent days to offer his connivance in landing smuggled automobiles.

On January 17 the reporting officer was informed by Luiz Angerami, a customs official, that a well-organized ring operating both in Brazil and in the United States was engaging in smuggling automobiles into Brazil, using falsified bills of sale, false invoices and false Brazilian Government documentation. He showed the reporting officer what appeared to be a false Brazilian passport of one of the alleged shippers as well as what appeared to be a fraudulent U.S. immigrant visa purportedly issued to one of the Brazilian shippers at the American Consulate General in Sao Paulo in 1957. According to Angerami, this ring has been operating with the complicity of local import brokers and Customs employees, from the Chief Inspector on down. Angerami promised to turn over the Brazilian passport containing the seemingly-fraudulent U.S. visa to the reporting officer for further investigation after his own inquiry was completed.

The reporting officer further understands that Angerami and Paulo Cortes Campomar, new chief of the Baggage Warehouse, who are ardent supporters of Janio Quadros, are working overtime to uncover evidence of fraud and dishonesty in the Santos customs in order to embarrass the Dantas (and Kubitschek) regime and, incidentally, to make secure their own job tenure.

On January 18 Angerami showed the reporting officer what may prove to be an altered U.S. passport, with the promise that he will shortly turn it over to the Consulate for closer examination.

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DESP # 276
SAO PAULO
1-20-61

PAGE 3

3. Santos Calm During São Paulo Força Pública Strike (UNCLASSIFIED)

The serious crisis which has rocked the Força Pública (paramilitary police) in the city of São Paulo in the past few days did not extend to Santos, which has remained calm and quiet, with the local Força Pública remaining at their posts.

4. Anti-American Slogans Before Consulate (UNCLASSIFIED)

On January 17 two signs were neatly painted in front of the Consulate, one urging "Yankes Larguem Cuba" (Yankees Get Out of Cuba) and "Viva Cuba e Fidel Castro". Many other similar slogans have appeared throughout the city, most of which were quickly erased.

Comment: (OFFICIAL USE ONLY)

This is doubtless the work of communists, who have been vainly trying to whip up anti-American feeling and support for Castro (see Weekly Comment of January 12, item 1).

5. São Vicente Municipal Employees Demand Back Pay (UNCLASSIFIED)

The chronically chaotic municipal government of the city of São Vicente (see Weekly Comment of January 6) has been virtually paralyzed this week while the city employees have been agitating for recovery of their salaries, now 5 months in arrears. Mayor Roberto Andraus first proposed that their salaries be paid through February 1 and that a pay increase be granted in two steps, 25% in 1961 and 75% in 1962. This proposal was rejected by the city employees, who demanded a close and frequent scrutiny of all municipal revenues. On January 17 Mayor Andraus offered the employees a 50% salary increase and immediate settlement of the back pay.

Comment: (UNCLASSIFIED)

Public funds have a habit of disappearing in São Vicente before they can be properly disbursed. Hence the demand for their accounting by the city employees. What the final solution to this perennial problem will be, the reporting officer has no idea.

6. New Boss for Petrobrás Refinery (UNCLASSIFIED)

Colonel Irto Sardenberg has resigned as Superintendent of the Petrobrás "Presidente Bernardes" Refinery at Cubatão. He is succeeded by Otto Martins de Lima, an engineer. Colonel Sardenberg will return to active duty in the Brazilian Army.

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DESP # 276
SRO PAULO
1-20-61
PAGE #4

II LABOR

1. Dock Strike Averted (UNCLASSIFIED)

The Santos Dock Company has announced that effective January 1 the three Santos portworkers unions (port employees, port workers and truckdrivers) will receive a 40% general wage increase. The unions for two months have been agitating for a 60% (not 42.5% as previously reported) general wage boost. Thus a dock strike has been averted.

Comment: (UNCLASSIFIED)

The dockworkers here, in less than 9 months, have won wage increases amounting to 77%.

Substantial increases in the Santos port charges can be expected shortly.

III ECONOMIC

Large Banana Exports from Santos Reduce Argentine Prices (UNCLASSIFIED)

The prices of bananas in Buenos Aires have fallen from 180-190 pesos per stem (average weight 35 pounds) to 90-100 pesos as a result of the large volume of banana exports from Santos in recent weeks.

The normal Argentine consumption, according to the press, is between 200,000 and 250,000 stems per week. On December 29-31, 1960, over 300,000 stems and 1,305 boxes of bananas were shipped to Argentina from Santos, while a considerable quantity remained on the quays here awaiting loading during the first part of January. In December the Italian ship "Cap Bianco" alone loaded 107,848 stems, the largest single shipment of bananas ever made from this port.

Comment: (UNCLASSIFIED)

Banana industry spokesmen state that there appears to be no solution to overproduction of bananas in Brazil, which causes disastrous price fluctuations which injure both grower and shipper.

IV CONSULAR

1. General (UNCLASSIFIED)

Consular operations have continued normally during the past week, and there is nothing especial to report.

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DESP# 276
SAO PAULO
1-20-61
PAGE #5

V ADMINISTRATIVE

1. Local Employee Receives Meritorious Service Award (UNCLASSIFIED)

On January 6 the reporting officer presented a Meritorious Service Award to the Consulate's senior (nearly 33 years) local employee, Alfredo da Silva, Jr., before the Consulate's staff and representatives of the local press. Considerable publicity, with photographs, was given the ceremony.

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TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DISP. NO.	DATE	
REF :	CERP Requirement, Section B, Item 2.		ASD-5 ARMY-6 NAVY-4 AIR-6		
20 For Dept. Use Only	ACTION COM-12 REC'D 2-2-61	DEPT. N REAL INR-7 ICA-11 ARA-4 E-3 CIA-10 TAN-2 TR-3 FRA-3 XMB-4 AGR-2 INT-7 LBB-6 DLF-7	451A-10 HIC-4		
SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - DECEMBER, 1960					

SUMMARY

In December 1960, although there existed a tight financial situation amongst the population, sales volume was reported good, both in the retail and wholesale outlets. Articles for Christmas celebrations were received in large quantity, but prices were prohibitive. Merchant Marine vessels loaded with cargo from and to Southern and Eastern ports, arrived and left regularly during December. The prospects regarding the production of manioc flour in 1961 are promising due to a holding back policy on the part of foreign and domestic buyers.

Banking in this area is progressing. The Banco Comercial do Pará S. A. is modernizing its facilities and increasing its activities throughout the State of Pará; the Banco Nacional de Minas Gerais S. A. has established its agency in this city. The SEGES S. A., from Rio de Janeiro, which organizes new enterprises and mobilizes the capital, has decided to open its branch office in Belém. The Prefecture of Belém has been financed 40 million cruzeiros by the Banco da Lavoura de Minas Gerais S. A. to meet payments of its employees which were overdue. SPVTEA released, in December, the sum of 80 million cruzeiros which were delivered to the States of Pará and Amazonas, and Federal Territories of Acre, Rondonia, Amapá and Rio Branco. Financing to industry and business was tight. The Cruzeiro weakened considerably in December; the US dollar in the exchange free market reached to an average of Cr\$207.

Import and export business through the port of Belém, Pará, and Manaus, Amazonas, was reported active.

In Belém, Pará, a new company was formed, the COMAZA - Companhia de Oleos Comestivos da Amazonia, to explore the edible oil industry in this region. A project bill dealing with the total exemption of State taxes to all industries that wish to establish in the State of Pará, has been presented to the Pará Legislative Assembly. According to statements made by the Director Superintendent of the cement plant at Capanema, the cement production will be in the market by June this year.

The States of Pará and Maranhão are now connected by BR-223, a 910 kilometers highway, inaugurated in December 1960. Local engineering firms are going to construct a runway for jet aircrafts at Belém international airport. Castanhal, in the State of Pará, will have telephone service within a very short time.

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Page 2 of
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From Belem, Para, Brazil

The air companies employees in this area struck during 12 days, though it was not a total one, especially in Belem, where the air traffic was not completely paralyzed.

DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

According to local merchant's opinion, December is the best sales period of the year regardless of the economic and financial situation of the people. Last December this area suffered a steady inflation which makes it impossible to establish a regular monthly budget for domestic needs. However, sales volume in December 1960 was reported satisfactory, both in the retail and wholesale outlets.

There was no shortage of edible articles for Christmas; they were received from Southern Brazil and abroad, however, prices were high.

Coastal shipping continued regular during December, and shipments between Amazon and Southern ports were made regularly.

The prospects for manioc flour of local production presently is not too bright. The foreign market is showing little interest in this product and Northeastern centers have limited their purchases due to their low acquisition power. Local dealers are of the opinion this situation is caused by the elevation of export prices due to a recent increase in government taxes, therefore dealers are forced to hold considerable stock in storage. There is likely to be a shortage of manioc flour in 1961 if this situation is not modified soon.

FINANCE

The Banco Comercial do Para S. A., is the oldest credit establishment in Para. However, for years, this bank had limited its activities and was doing very little business. In 1959, with the admission of younger directors like Dr. Alberto Bandahan, a wealthy and active businessman, this concern has improved completely and is extending its activities. The bank's main office in Belem has passed through a complete and modern remodeling; five branch offices are to be opened in five different locations in this city, as well as branches in principal towns throughout the interior of Para. The bank's capital, previously increased from 10 to 30 million cruzeiros, will now be increased to 75 million cruzeiros.

In December 1960, an agency of the Banco Nacional de Minas Gerais S. A., was inaugurated in Belem with office at Rua Santo Antonio 147. It is the fourth bank from Minas Gerais to open in this city.

During December two representatives of SEGES S. A., a company which organizes new companies and mobilizes capital, visited Belem to make a survey on the possibilities of establishing a Seges' agency in this city. These gentlemen were pleased with the fast development of this region and will recommend that their company start operating here as soon as possible. Seges' main office is Rio de Janeiro (Guanabara) and has branch offices at São Paulo (São Paulo), Porto Alegre (Rio Grande do Sul), Belo Horizonte (Minas Gerais), Salvador

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0269

UNCLASSIFIED

(Classification)

Page 3 of
Encl. No. 22
Disp. No. 22
From Belem, Para, Brazil

(Bahia), and Brasilia (DF).

The Prefecture of Belém has faced serious hardship regarding payment of its monthly payrolls and other expenditures since the last quarter of 1960. The reason present by the Municipal administration is that the income is not sufficient to cover the expenses. By late December an agreement was made between the Mayoralty and the Banco da Lavoura de Minas Gerais S. A., by which the latter will make a loan of 40 million cruzeiros to the Belem Prefecture so that obligations three months behind will be met.

During the period under review SPVEA delivered allocations in the total of 80 million cruzeiros to the States of Para and Amazonas, and Federal Territories of Amapá, Acre, Rio Branco and Rondonia. These funds to be applied in the construction of roads, production of selected jute seeds, education, sanitation, agriculture and welfare.

Industry and business financing was somewhat tight during that month. Some banks, however, maintained their policy to reliable concerns.

During December 1960, the check buying and selling rate in the exchange free market went as follows: December 1, Cr\$190 for purchase, Cr\$195 for sale; December 31, Cr\$200 for purchase, Cr\$205 for sale, to one US dollar. The exchange fluctuation was: Cr\$190 for purchase and Cr\$195 for sale, the lowest; Cr\$207 for purchase and Cr\$213 for sale, the highest to one US dollar. Demand of US dollars in the exchange free market declined considerably during that period. Domestic and foreign bank collection were reported normal.

IMPORTS AND EXPORTS

In December 1960 there was considerable importation to the Amazon Valley through the port of Belem of articles such as dried cod fish, dried fruits, dried milk, chemicals, wheat, tractors and farm machinery. The export business was active with shipments of black and white pepper, lumber, gums, wild animal hides and skins, rosewood oil, copaiba balsam, Brazil nuts, cocoa beans and alligator leather. It is interesting to note that the value of black and white pepper shipments to United States, Europe, Japan and South America during that month reached to 60 million cruzeiros.

INDUSTRY DEVELOPMENTS

On December 7, 1960 there was constituted the "COMAZA" - Companhia de Alimentos Comestiveis da Amazonia, with temporary headquarters at Rua Gaspar Viana 187, Belem, Para, Brazil. This company will be dedicated to the exploration of edible oil industry in the Amazon Valley. It is formed by a group of experienced, wealthy and active local businessmen, which holds a good promise of success.

The deputy leader/

UNCLASSIFIED

0270

UNCLASSIFIED

(Classification)

Page 4 of

Encl. No. 22

Dep. No. 22
From Belem, Para, Brazil

The deputy leader of the governing party in the State of Para has presented a project to the State Legislative Assembly, proposing total exemption of State taxes for all industries established in the State of Para. The exemption period varies between 10 and 30 years according to the interests of the State. It is likely that the above mentioned proposal will be discussed and approved in the near future.

Statements made recently by the Director-Superintendent of the cement factory at Capanema, State of Para, property of the firm Pires Carneiro S. A., indicates that by mid 1961 the factory will be in full operation. The plant-building is practically complete and all necessary machinery has been received and is in the last stage of installations. The preliminary budget for the construction of this plant was 450 million cruzeiros but at present the estimates indicate an increase of 750 million cruzeiros. The board of directors has now authorized an increase of 1 billion cruzeiros and preferential shares will be issued soon. The production of the Capanema factory will, of course, bring a considerable advantage to the construction industry in this region, such as regular and prompt delivery of orders directly to indicated places, cheaper wholesale and retail prices, also avoiding the usual 10% poured cement that occurs in all shipments received by surface shipment.

TRANSPORTATION AND COMMUNICATION

The BR-22, the highway that links Belem (Para) to the State of Maranhao and practically to the Northeastern part of Brazil, was officially inaugurated in December, 1960. The caravan that made the inaugural trip took about 24 hours to travel the 450 miles of road between Belem and Sao Luis, at an average speed of 20 miles an hour. The total cost of this highway is estimated at 630 million cruzeiros.

The Consorcio Amazonia Pavimentação, formed by the engineering firms Empresa de Construções Cíveis e Rodovias de Manaus, Amazonas, and Construções Amazonia (CONAMA) of Belem, Para, won the bid to construct the new runway for jet aircrafts at the Val-de-Cães airport in Belem, Para. Among seven other engineering firms, the Northern concern presented the best bids which were accepted by the Brazilian Air Force Engineering Department. The work will start soon.

Castanhal, a progressive town located at the margin of the Bragança railroad, 35 miles from Belem, will have urban and interurban telephone service. A group of businessmen of that locality formed the Empresa Telefonica Castanhalesa with a capital of 10 million cruzeiros, for the purpose of installing in that town a telephone station with capacity for 500 lines. More than 300 telephones have been installed and communication with Belem will start in near future.

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UNCLASSIFIED

0271

UNCLASSIFIED

(Classification)

Page 5 of
Encl. No. 22
Disp. No.
From Belem, Para, Brazil

LABOR

Following instructions from the central union of the air companies employees, in Rio de Janeiro, the local union of the "aeroviaros" ordered its members on strike starting midnight, December 15, until the employers agreed to give an increase of 50% over the previous salary and a Christmas bonus of Cr\$10,000,00 to each employee. In Belem the strike was not total. Only Panair do Brasil S. A. and Real Aerovias were totally paralyzed. Cruzeiro do Sul, Loide Aereo Nacional and Varig, continued service although with some restrictions. The strike was pacific and no disturbance occurred. Finally on December 27, the strikers accepted an increase of 35%, the strike ended, and the workers immediately returned to their jobs.

Henry E. Dumas
Henry E. Dumas
American Consul

c.c.: American Embassy, Rio de Janeiro, Guanabara, Brazil.

UNCLASSIFIED

0272

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AIR POUCH		UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE 832.00/1-2361 XR 832.14
FOREIGN SERVICE DESPATCH		278	
FROM	Amcongen São Paulo		DESP. NO.
TO	THE DEPARTMENT OF STATE, WASHINGTON.		DATE January 23, 1961 JAN 24 1961
REF	CERP-Section D Item V - B - 3		
20 For Dept. Use Only	ACTION REC'D	DEPT. IN OTHER	
	ARR-4 1-30-61	CM/R-2 REP-1 INR-7 E-3 ICA-11 CIA-10 USA-10 CIM-10 TR-3 FRA-3 YMB-4 HAB-6 JAF-7 AGR-8 INT-7 NSA-2 ARMY-4	
SUBJECT: Economic Report of the Banco do Comercio e Industria de São Paulo, and Press Comments.			

The Banco do Comercio e Industria de São Paulo has submitted its annual report to its shareholders and, as it does at the end of every year, discussed the economic situation of the country in 1960 and the present outlook. This report is summarized below:

It first discusses in general terms the industrial development and the financing of this development through inflation. On inflation it said that in part it was forced upon Brazil by inflation in other parts of the world. It also considered inflation as part of the cost of development.

Today, the report said, the almost unanimous support accorded the policy of disinflation is also an outcome of the political situation and a change in the general attitude, i.e., an understanding of the necessity to continue economic development, but at the same time methodically controlling the monetary factors. It then said that the inflationary financing during a certain period probably was just as inevitable as it is now essential to slow down the monetary disadjustment. This evolution, it said, is the result of growing economic inconveniences produced by the intensifying inflation, which is threatening the goals of development itself. Inflation it said contributed to hiding structural faults in the management of business organizations, creating illusions regarding the efficiency of installations, the capabilities of directors, and the ability to finance the replacement and expansion of equipment.

Further on it said that labor finds it difficult to understand the inflationary effects and that difficulty undoubtedly facilitates the action of elements desiring to exploit the cause of labor for shady purposes.

On the subject of underdeveloped countries the report said that it is necessary to make it very clear that the assistance

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0273

UNCLASSIFIED

(Classification)

Page 2 of

Encl. No.

Disp. No. 278

From Amongen São Paulo

to underdeveloped countries has nothing to do with charity, but is of mutual benefit; that it is of interest to developed countries in finding a means of investing excess capital and merchandise to assure, in their own benefit, the survival of private initiative in the underdeveloped countries. It then said:

"But, for reasons related to internal policy, by a sort of opportunism and selfishness, some governments of developed countries have held out to public opinion the assistance rendered to underdeveloped countries as something philanthropic, as an altruistic action meriting gratitude and divine blessing."

This the report said causes the people to lose sight of the fact that it is something of mutual benefit and not only of benefit to the underdeveloped countries. This misunderstanding, the report added, led to the extreme of considering the existence of budgetary deficits and inflation as a moral defect, as though budgetary deficits were a characteristic of Latin American countries and "as though inflation, during certain periods, had not considerably facilitated industrial expansion in Great Britain and the United States." It then said that this paternalism led to the desire of imposing certain means of behavior of questionable desirability upon those countries. In regard to this it said: "It is sufficient to remember the disagreement that exists in the United States and Western Germany concerning the economic-financial policy to be followed, in one case the divergencies as to the methods to stimulate prosperity, and in the other the best means to slow down prosperity."

The economic discussions were closed with the statement that the Bank does not deny the desirability of a stable currency, but it feels that measures of readjustment should take into consideration economic, social and psychological realities of the respective countries.

Geraldo Banas of the Diário de São Paulo praises the Bank's head (T. Quartim Barbosa) for his courage in supporting development on the eve of a new administration whose campaign platform included "a vigorous attack on inflation." Also for his "ironical" reference to the "intellectual pretensions and impositions of the International Monetary Fund by attacking the paternalism of its management." Banas interprets the report as saying that "inflation is the price the country pays to progress in a shorter period of time than it took the United States and Europe when they were developing their industries." Banas refers to the remarks that inflation facilitated industrial expansion in Great Britain and the United States, and other remarks on paternalism, etc., and said these "introduce a new language in the public debate on the financial relations of the country with international organizations."

UNCLASSIFIED

0274

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 278
Desp. No. 278
From Amcongen São Paulo

In a first editorial the O Estado de São Paulo summarized some of the points in the report and said that both the intensification of inflation without the public being prepared for it, as well as the present intent expressed by Janio Quadros to follow a disinflation policy, are milestones in the evolution of Brazil. In a second editorial the O Estado commented upon the statements concerning the relationship of industrial and underdeveloped countries and the indirect reference to the "disagreement between Brazil and the IMF." In fact, it said, "there is a tendency in New York, London and Paris to look at financial policy errors made by underdeveloped countries as a demonstration of juvenile delinquency, as crimes of juvenile delinquents, and not as due to economic, social and psychological conditions inherent in economic development."

The Correio Paulistano said that the courage of the Bank and the keen perception of its directors is demonstrated by the report. It discussed the report factually and indicated full agreement. In a second editorial it calls the Bank's report a "notable document" and does little more than to quote and agree with the statements concerning the relationship between industrialized and underdeveloped countries, and the need for disinflation and not deflation. It closes by referring to the Bank's remarks that inflation considerably facilitated industrial expansion in Great Britain and the United States. To this, the Correio Paulistano said, can be added what "happened in Japan upon industrialization, and in the USSR upon executing the first two five-year plans. Were it not for inflation--and in each--starving wages--they would not have attained in a short time that which can be done with great difficulty under monetary stability in an excessively long time, more than a generation."

Comment: The Bank's report and the editorial comment reflect the feeling of the business community in São Paulo that industrial development has benefitted as much as it possibly could from inflation, and that further inflation would be more harmful than beneficial. At the same time the business community fears deflation, particularly a tightening of credit that could force a reduction in the installment sales that account for a large percentage of consumer trade. In the past the business community has pointed out to the government, with some exaggeration, that deflation would cause unemployment and social unrest. Therefore the emphasis on disinflation and not deflation. Therefore, also, the objection to what the Bank called paternalism.

For the Minister Consul General:

Scott C. Lyden
Scott C. Lyden
American Consul

Sources: O Estado de São Paulo, Jan. 19, 20, 1961; Diário de São Paulo, Jan. 20, 1961; Correio Paulistano, Jan. 20, 1961.

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0275

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SUBJECT: VISIT TO THE SANTA ROSA REGION-Northwest RGS-January 7-11 inclusive

1. Summary
2. Background
3. The trip
4. Discussion
5. Comment

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS

FEB 7 1961

1. Summary: A brief visit to a relatively remote northwestern part of Rio Grande do Sul discloses a prosperous agricultural community thriving on the present market for hogs and soybeans, and responding especially to the dynamics of São Paulo as a supplier and consumer. This is in contrast with agriculture and industry in other parts of the State which are not doing well economically and, consequently, appear less stable socially and politically. Attitudes toward local politics are sceptical and independent; toward the U.S. friendly, with appreciation of the aid in agricultural extension performed by the U.S. Point IV program.

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2. Background: The Santa Rosa region, about 250 miles northwest of Porto Alegre, is the center of an area unusually interesting from several standpoints. Economically: It is reported to be thriving while the rest of the State generally is not. Politically: Its voters have exhibited marked independence and freedom of choice in recent elections. It also includes an extensive frontier with Argentina. Historically: It lies on the one hand, just north and east of the impressive ruins of the Jesuit missions in which flourished until the middle of the 18th century; on the other hand, it lies just south of an area settled by small farmers ("colonos") during the past 30-40 years who are the base of the region's present prosperity and stability. Relatively remote, it had not been visited

1/ See "A Vanished Arcadia being some account of the Jesuits in Paraguay 1607-1767." by R.B. Cunningham Graham - Dial Press New York 1920.

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0276

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Page 2 of
Encl. No. 38
Desp. No.
From PORTO ALEGRE

recently. Hence an invitation from a prominent person ^{2/} who offered a conveniently arranged tour of the area, was readily accepted.

3. The trip:

Saturday, January 7: The outbound trip was made by solo flight in a small rented airplane. Leaving at 7:20 a.m., the 250 miles was covered in 3 hours 20 minutes in good weather which permitted, from an average height above the surface of 1000-1500 feet, up to 20 miles of visibility on either side and a fine view of the terrain more directly underneath. The course, northwest, overflowed some industry just north of Porto Alegre; then traversed the Cai and Taquari rivers which, with many small tributaries, have cut valleys and ridges which recall the area between the Blue Ridge and, say, Martinsburg, West Virginia; and finally for the last 80-90 miles crossed the basalt plateau which covers much of northern Rio Grande do Sul. Such principal centers as Cai, Soledade, Cruz Alta, Ijuí, and Santo Angelo came in view with their surrounding agricultural communities and surface transport together with silos and other storage facilities--these latter are still a conspicuous rarity in the Brazilian countryside. Duly met on arrival, the reporting officer then visited a vegetable oil (90% soy-10% linseed) factory and a pasteurized butter plant before a "galetto" (barbecue chicken) lunch. In the afternoon visits were made to a packing plant (capacity 600 hogs/day); a trucking line (Santa Rosa, a rail head, has 30-40 buses and many more trucks arriving and departing daily); a wholesale firm, which supplies some of the many general country stores that are the main outlets and suppliers of the colonos; a large hog farm, and the headquarters of the active Rural Association (5000 members). After drinks with local dignitaries and a press interview at the city hall, a "churrasco" (barbecue beef) supper benefiting a local high school, was attended.

Sunday January 8: After breakfast with a furniture manufacturer in his combined residence-factory establishment, the party in two cars made a 200 km circuit through the old Mission area visiting the marketing centers of Guarani das Missões, Cerro Largo, São Luiz Gonzaga, Santo Angelo, and Girua. A high point was the visit to the magnificent church ruins at San Miguel, now a national monument with a small museum attached. Despite recent heavy rains the dirt roads had been scraped to a good, though dusty, condition. The way lay through much open rolling countryside with occasional clumps of wood densely matted with vines and undergrowth. The

- 2/ State Deputy (PSD dissident) Ariosto Jaeger--lawyer of Santa Rosa IES April-June 1959; member alumni-club; member of ICENA (Porto Alegre's bi-national center).

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0277

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Page 3 of

Encl. No.

Disp. No. 38

From PORTO ALEGRE

prevailing crop was corn, not so carefully tended as that further north. Generally the soil is a bright red which gleams through the trees and gives a warm color to the land. There were several evidences of continuing work by Brazilian army engineers--railroad spurs and bridges which recalled that since the days of the Empire the railroad system in this State had been laid out with strategic requirements first in mind.

Monday, January 9: Visits were made to the local radio station; to the old and new installations of a large hardware and furnishings store, Casa Ferramis; and to the area's Army regimental headquarters before lunch at Tres de Maio with civic dignitaries there. In the afternoon visits were made to a butter plant, a hospital, a normal school for rural teachers, a Catholic high school, a Catholic seminary (under construction), the modest city hall headquarters, the offices of former mayor Walter Ullman who is a certified public accountant with a thriving practice; and to two typical "colonos"--one of German and the other of Italian descent--both of whom are doing relatively well with pork and soybeans at present prices. A typical county store which is the backbone supplier and purchaser for about 500 "colonos" was next. A triangular route took us back toward Santa Rosa via the towns of Horizontina, Tucunduva, and Tuparendi along a road which paralleled the Argentine frontier about 10 miles away. A barbecue supper in rustic surroundings at a tile factory ended the day in the Santa Rosa suburb of Candeia.

Tuesday, January 11: The route to Cruz Alta via Santo Angelo overflew extravagantly curving railroad, reportedly built on a cost per kilometer basis. (Via the new dirt road Santa Rosa is 40 minutes from Santo Angelo whereas the train requires 2 hours). Bad weather caused an unscheduled 2 1/2 hour stop at Cruz Alta which passed pleasantly with a call on Emilo Verissimo, brother of novelist Erico, and visits to points of interest mentioned in the latter's historical novel 3/ a great help in understanding the unique border politics and sociology of Rio Grande do Sul. A glimpse was had of the new vegetable oil (soy) factory now under construction by Anderson-Clayton.

Wednesday, January 12: From Cruz Alta the return route straddled the new highway and the railroad to the regional centers, Tupancireta and Júlio de Castilhos; thence southeasterly to the spectacular plateau-edge of the Jacuí valley; then easterly over the considerable rice producing (175-200,000 tons/year) region in the Central Depression along the northern bank of the Jacuí to the

3/ "Time and the Wind" by Erico Verissimo. (Translated by L.L. Barrett) MacMillans - New York -1951.

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0278

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Page 4 of
Encl. No.
Disp. No. 38
From PORTO ALEGRE

important tobacco processing point, Santa Cruz do Sul. The final lap, due east, proceeded across the Taquari and Cai rivers to home base in São Leopoldo, twenty miles north of Porto Alegre.

This low-level panoramic view of some 12,000 square miles, which covered many of the historic migratory routes from the Eastern part of the State, provided valuable background for the visits to historic São Miguel, thriving Santa Rosa, recently settled Três de Maio, and storied Cruz Alta.

A. Discussion:

Economically, the strength of the area rests on the intensive cultivation of small farms ("colonos") 25-50 hectares in size on relatively new land now devoted principally to hogs, soybeans and corn. Generally the pattern is one family to a farm, no hired help, all produce sold to and purchases made of a general country store with little cash changing hands. The two farmers visited, one of Italian and the other of German descent, migrated to this area from the eastern region of small farms and large families near Caxias do Sul and São Leopoldo. They were doing a bit better than average on holdings a little larger than average--one 54 and the other 62 hectares; each with about 100 hogs to sell per year. Local authorities--suppliers, lawyers, accountants, and politicians--agreed in estimating the income of these two above average farmers at about 700,000 cruzeiros per annum as prices stood in 1960. The Associação Sulina de Crédito e Assistência Rural (ASCAR), which is assisted by the Point IV agricultural extension program and which is well received in this area, is seeking to introduce greater diversification because the area seems overly dependent on present hog and soybean prices. A very large proportion of the region's trade--perhaps over 80%--is with São Paulo via truck over improving dirt roads.

Clearing of forest and settlement of Três de Maio began in 1918, it became a "município" (individual municipal-township status) in 1954 and had its first elected local government in early 1955. This município now claims a population of some 38,000, as against 10,660 in the 1940 census. Probably not more than 10% of these reside in the town itself; the remainder are living and working on farms. It is served entirely by road transport, the município having no airport and the nearest rail head being some 35 km distant by road at Santa Rosa. Several fine church buildings, protestant and catholic; an impressive hospital; various schools, including a fine massive establishment for training rural school teachers; together with a well planned lay out of parks, paved, and lighted streets gave a most favorable impression of this new and thriving municipal center.

Santa Rosa, a village of 400 inhabitants in 1919, is now the center of a município totalling over 52,000 people--and this after having been divided several times to form at least five other

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0279

Page _____ of
Desp. No. _____
From _____

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Page 5 of
End. No. _____
Desp. No. 38
From PORTOALEGRE

municipios, of which Três de Maio (see above) is one. The railroad came in from Santo Angelo in 1940 and, still the railhead, Santa Rosa generates much area bus and trucking traffic as well as serving as a hub for through highway services to São Paulo. The principal retail store, well supplied with furnishings for home, office, and farm, including a complete line of electrical equipment, estimated that 90% of their stock came from São Paulo and that 90% of it came by truck. Banking facilities, already considerable, are increasing and a number of professional people, such as doctors and lawyers, are being attracted to this and its flourishing neighbors such as Três de Maio. Among the industries visited as mentioned above, were a small furniture factory and food processing plants which included dairy products, soy and linseed oil, a locally owned and operated pork packing house with a capacity of 600 hogs per day. These businessmen were looking for credit with which to expand their operations, the corporation with its shares of stock being little used in these parts. Local firms also struggle with a lack of power which requires each of the plants visited to maintain its own generating plant in order that vital operations or refrigerated facilities will not suffer when the state operated power supply drops as it does almost daily.

An active Rural Association, with 5000 members, provides indications of a progressive attitude toward agriculture, a desire to improve production and conserve the soil which seems more characteristic of this area than others which the reporting officer has visited in this State and other parts of Brazil.

The other communities visited--Guaraní das Missões, Cerro Largo, São Luiz Gonzaga, and Santo Angelo while rich in historical associations dating back to the Jesuit settlements and early Portuguese-Hispanic struggles in the area, had a more lackadaisical, less well tended appearance with soils relatively exhausted and therefor less productive.

Politically, this area has shown a marked independence of machine politics despite its proximity to São Borja, the home of Vargas and his political heir, vice president Jango Goulart. Vargas held sway here and Brizola racked up an impressive vote in 1958 but Santa Rosa went heavily for Janio and Ferrari in 1960. Nearly every home in town or country has its radio and Porto Alegre papers reach Santa Rosa, Três de Maio, and other towns in the area via bus on the date of their printings. A large proportion of the town-folk are evidently conscientious church-goers. The presence of a few ideological "extremists" (i.e. communists or ultra-nationalists) was mentioned but sources, who seemed balanced and well-informed, stated that fertile ground was lacking in this area for agitations such as the "ligas camponesas", "fidelismo", or other current uneasy movements. There are a few squatters--

0280

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Page 6 of
Encl. No. 38
Desp. No. 38
From: PORTO ALEGRE

"caboclos"--who own nothing and who in greater numbers, as stated to exist in other parts of the State, could be stirred into a menace to law and order by agitators. The number hereabouts, however, is considered too few to be of significance. There was a friendly and hospitable attitude on every hand for an American visitor, with some anxious questions about the break in Cuba-U.S. relations accompanied by a polite willingness to understand the U.S. position.

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5. Comment: The overall impression was of a sturdy and independent community, independent both politically and economically. In a State beset by many difficulties caused by an excessive and inefficient statism in power and transportation, the recent growth of Santa Rosa and Tres de Maio rests solidly on small farms worked by their owners and private enterprise automotive transportation over an improving network of well maintained dirt roads. Such a community is a bulwark of democracy, freedom, and self-respecting decency. With a minimum of stimulus, it seems to turn easily and naturally toward an attitude of friendly understanding with the United States.

Percy Warner
Percy Warner
American Consul

cc.: Amembassy RIO
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Consulate General, São Paulo
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FOREIGN SERVICE DESPATCH

FROM : Amconsul, Belo Horizonte, Brazil

DESP. NO. 23

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 24, 1961

REF :

55 For Dept. Use Only	ACTION	DEPT.
	COM-12 REC'D 1/31	IN OTHER CIA-10 TAX-2 TA-3 FRO-3 KMB-4 DLE-7

SUBJECT: ECONOMIC SUMMARY - Minas Gerais (November-December 1960)
AGR-8 INT-7 HAB-6 OSD-5 Army-6
Navy-4 REC-9 HEW-5 LOC-4 USAID-10
INDEX
NSA-2

1. INDUSTRY
 - a) Minas Oil Refinery and Pipeline
 - b) Tractor Factory Organized (Demisa)
2. COMMUNICATIONS AND TRANSPORT
 - a) Belo Horizonte-Monlevade Portion of BR-31 inaugurated
 - b) CVRD Completes Portion of MG-3
3. FINANCE
 - a) State Budget Approved
4. LABOR
 - a) State Employees' Strike for Higher Wages
5. ATOMIC ENERGY
 - a) Reactor Inaugurated at University of Minas Gerais
6. MUNICIPAL AFFAIRS
 - a) Population
 - b) Water Shortage
 - c) City Studies Possibility of Mining Its Ore Reserves

1. Industry
a) Minas Oil Refinery and Pipeline

The National Petroleum Council (CNP) has formally approved the construction of a refinery and connecting pipeline for Minas Gerais. This action came in the first days of the new year but was preceded by two months of concerted effort on the part of local business and commercial groups on behalf of the project.

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Page 2 of
Encl. No.
Disp. No. 23
From Belo Horizonte, Brazil

-2-

The latest crisis in the long history of the refinery/pipeline was initiated in late October when President Kubitschek announced before a local audience that the Administrative Council of PETROBRAS had approved the project and that he would see to it that work was started immediately. When nothing happened the local groups mentioned above -- in particular the Federação das Industrias -- began a campaign which ranged from flattery to insult in an attempt to get the project moving. The villains in the case varied from the owners of the Capuava and Manguinhos refineries, whose lucrative business within Minas Gerais would supposedly be cutoff by the new refinery, to the Rede Ferroviária Federal, which would lose its present railroad tanker transport business. In the center of all this was the President himself who was called upon innumerable times to make this his last great effort for his native state prior to leaving office. What part he actually played in the final decision made by CNP is unknown but it is a fact that at a time when many of the leaders of the fight were ready to abandon their efforts the project's approval was announced.

Comment: - Despite the approval which the twin projects have received there is still a great deal of doubt as to what this approval means. The interested parties are well aware of the pitfalls over which the projects must pass prior to completion, not the least of which will be the attitude of the new administration to projects of this nature - given Brazil's present financial situation. The estimated cost of the pipeline and 25,000 barrel per day refinery has increased almost 50% in the last year with every reasonable expectation for a further increase before the project can be completed. Under these circumstances, and at the same time realizing that predictions concerning the new government are extremely dangerous the Consulate believes that construction of the refinery and its connecting pipeline at this time remains doubtful.

b) Tractor Factory Organized (Demisa)

Sharing the limelight with the refinery and pipeline controversy during the reporting period was the formal organization of Minas Gerais' first tractor producing company, DEMISA - Deutz Minas, S.A. - Fabrica de Tratores. As reported in CONDES # 6, Sept 1960, this company is a joint venture between Kloeckner-Humboldt-Deutz, of Germany, and a local investment group organized under the name of DEMIG (Desenvolvimentos Minas Gerais S.A.). Each of the parties involved holds fifty per cent of the stock in DEMISA which is capitalized initially at Cr\$400,000,000. While the German firm will put up new equipment and "know how" as its portion of the investment, DEMIG's portion was raised by stock sales within Minas Gerais. Of the amount raised, the great majority came from local business, industrial and banking sources, however,

UNCLASSIFIED

0283

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 23
Disp. No.
From Belo Horizonte, Brazil

at least 20% was raised among local private citizens.

Although a bit behind schedule, the company hopes to have its first tractor assembled by late January or early February. This tractor will be identical to the Deutz 50HP F3L-514 tractor produced in Germany. No prices have yet been announced.

As previously reported, a temporary assembly plant will be used in the Cidade Industrial de Contagem with plans for eventual erection of a permanent plant in the Cidade Industrial de Santa Luzia. Once the assembly plant is in full operation a projected output of 1500 tractors per year is planned. Press reports indicate that initial production will be about 75% nationalized including the motor which will be produced by Deutz do Brasil, in São Paulo.

2. Communications and Transport

a) Belo Horizonte-Monlevade Portion of BR-31 Inaugurated

On November 18 1960 the paved stretch of BR-31 connecting Belo Horizonte with Monlevade was finally inaugurated. Twice before plans had been made to formally open this 11.3 kilometer road known locally as the Rodovia do Aço (road of steel) but both times plans were frustrated by technical difficulties.

b) CVRD (Companhia Vale do Rio Doce) Completes Portion of MG-3.

In early December the CVRD also inaugurated its newly constructed highway connecting Itabira, site of one of the company's large mines, with BR-31 and thus with Belo Horizonte. This 35 kilometer road was built by the CVRD using the technical plans of the State Department of Roads and is part of the company's overall program for the improvement of the area of the Vale do Rio Doce.

Comments: - These two roads connect Belo Horizonte to the heart of Minas Gerais' iron and steel centers. No less than seven steel plants located along their routes now have access to national markets over completely paved roads. These plants are currently producing about 700,000 tons of steel per year and by 1965 it is predicted that their output will reach the neighborhood of 1,600,000 tons of which perhaps 50% will be transported over these new highways.

3. Finance

State Budget Approved

Governor Bias Fortes has received and signed into law the 1961 budget for Minas Gerais. The budget, as finally approved by the state legislature anticipates receipts of Cr\$18,773,806,000 and expenditures of Cr\$22,060,897,720. The resultant deficit of Cr\$3,287,091,720 is more than Cr\$550,000,000 larger than the

UNCLASSIFIED

0284

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. _____
Dep. No. 23
From Belo Horizonte, Brazil

deficit originally included in the budget submitted by the Governor.

Comment:- It is generally believed that the UDN (National Democratic Union) felt that the budget was too tight for the incoming administration and therefore held out for the adjustments which caused the enlarged deficit.

4. Labor

State Employees' Strike for Higher Wages

State employees went on strike for higher wages beginning December 20, 1960. The five-day strike was precipitated by a bill before the Legislature which granted only limited concessions to the previous demands of the employees. These demands included a 50% increase in salaries with a minimum of Cr\$5,000 and a maximum of Cr\$10,000 and a 100% increase in the abono familia, a Cr\$500.00 payment made by the State for each member of an employee's family. The bill as passed and signed by Governor Bias Fortes on December 21 granted the increase in the abono familia but limited temporary salary increases to Cr\$3,180.00, a figure which represents the difference between the old and new federal minimum wage decreed for Belo Horizonte.

State buildings and offices were closed only one day by the strike and throughout the period many employees stayed on the job. By December 26 all employees had returned to their jobs.

Both the incoming and outgoing State administrations were united in opposing the strike. Governor Bias Fortes stated the strike was illegal and was quoted as being prepared to use the military police to keep state offices open. Governor-elect Magalhães Pinto while sympathizing with the employees stated that Minas Gerais was ill prepared to grant even the limited salary increase called for by the new law.

5. Atomic Energy

Reactor Inaugurated at University of Minas Gerais.

In early November the Engineering School of the University of Minas Gerais formally inaugurated its first atomic reactor. The TRIGA reactor built by the General Atomic Division of the General Dynamics Corporation will be used by the School of Engineering for training research and isotope production.

6. Municipal Affairs

a) Population

According to published reports the population of Belo Horizonte has reached 680,025, an increase of 92.7% since the census of 1950.

UNCLASSIFIED

0285

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. _____
Disp. No. 23
From: Belo Horizonte, Brazil

Comment: - Of passing interest is the fact that urban population in Belo Horizonte has made the most dramatic jump since 1950. This trend is continuing as evidenced by the many apartment houses under construction in the downtown area. However, the influx of people from the interior of the state to the city has also brought with it the negative result of increased slum housing and its accompanying problems.

b) Federal Government Assists in Easing Belo Horizonte's Water Problems.

On November 28, 1960, at Belo Horizonte, President Kubitschek signed into law legislation which will provide a special credit of Cr\$600,000,000 to be used by the city to complete the pipeline which will bring water to the city from the Rio das Velhas. When in operation the pipeline should help to ease the chronic water shortage which the city has lived with for many years. The project, presently expected to cost about 2 billion cruzeiros, had temporarily been halted sometime ago because of a shortage of funds in the municipal treasury.

At the same time the municipal government of Belo Horizonte has sold the yachtless Yacht Club on Pampulha Lake for the stated purpose of completing a water treatment plant now under construction on the outskirts of the city.

c) City Studies Possibility of Mining Its Ore Reserves.

In another sphere the municipal government is studying the feasibility of setting up its own *companhia mista* (a joint municipal and private company) for the extraction of iron ore from municipal property in the Curral del-Rei (This property is located on the opposite side of the mountain from part of the Hanna concession). According to one published report, mineral deposits worth 35 billion cruzeiros are located on municipal property.

Edmund A. da Silva
Edmund A. da Silva
American Consul

cc AmEmbassy/Rio de Janeiro/Econ Section

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PRIORITY

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(Security Classification)
FOREIGN SERVICE DESPATCH

FROM : **Ameconsulate, RECIFE, BRASIL.. 32**

DSRP, NO.

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

January 25, 1961.

REF : **CERT C-2**

20 For Dept. Use Only	ACTION REC'D	DEPT. 1 N F O OTHER	
	COM-10	1	REF: INR-7 E-3 ARA-4 ICA-11
	2-14-61	0	CIA-10 TAR-2 TR-3 FRB-3 XMB-4 AGR-8 INT-7 LAB-6

SUBJECT: **ECONOMIC SUMMARY FOR DECEMBER 1960. NSA-4 ARMY-6 NAVY-4 AIR-6**

INDEX

- I. SUMMARY
- II. AGRICULTURAL DEVELOPMENTS
 - A. Advice For The Sugar Cane Growers
 - B. Cotton Program
- III. TRANSPORTATION AND COMMUNICATIONS
 - A. Airline To Headquarter in Recife
 - B. Recife Port Problems (Continued)
- IV. LABOR
 - A. A Review Of The Labor Year
 - B. The Labor Leader Of The Year
 - C. Wage Demands
- V. INDUSTRY
 - A. Industrial Investments
 - B. Valuable Garbage
- VI. SOCIO-ECONOMIC
 - A. SUDENE Proposes A Social Plan For the Northeast
 - B. Agrarian Reformers: J. Castro and Juliao.
- VII. MISCELLANEOUS
 - A. Economic Indicators

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0287

UNCLASSIFIED

(Classification)

Page two of

Encl. No. --

Disp. No. 38

From Recife, Brazil.

I. SUMMARY

Retail sales for the Christmas season were reported to have hit new highs; the year of 1960 appears to have been a record year for the area business interests even after discounting the effects of the continuing inflation. With the revenue from sugar and cotton sales, the local money market eased somewhat to allow banks to extend normal loans again to their clients; the demand for loans is still strong. On the agricultural front, the production of sisal is predicted to be somewhat less than last year's crop; Paraiba will produce about 70,000 tons and Rio Grande do Norte will produce about 8,000 tons. The sisal export market was termed weak. The cotton has now been picked and is in the hands of the ginners; the weakening cruzeiro has permitted the exportation of more cotton which has stimulated buying interest from southern mills. The cheaper cotton offered by small Ceará ginners had been purchased earlier. The State of Pernambuco initiated the second phase of a program to raise more long fiber cotton. The State will also spend Cr\$43 million (\$215,000) on increased farm and rural extension projects via the ANCAR (federally supported Northeastern Association of Credit and Rural Assistance). The local sugar plantations are looking for new and better cane varieties to raise slipping sugar production.

The 1960 year for labor in Recife was described as a peaceful one, as the unions prepared new wage demands to keep abreast of the continuing inflation. In August, Pernambuco received a record \$5 million of industrial investments. And while local politicians proclaimed the advantages of Chinese type agrarian reform, ~~Senator~~ Caelo Furtado discussed the possibility of drafting and implementing a large scale "social" program to alleviate some of the pressing problems of the area.

II. AGRICULTURAL DEVELOPMENTSA. Advice For The Sugar Cane Growers

Northeastern sugar cane growers called for some expert help to advise on ways to increase regional sugar production. Agronomist and geneticist Frederico Veiga from the Campos (Rio de Janeiro) Experimental Station toured Pernambuco plantations from December 6 to December 12 and conferred with local planters and agronomists. Dr. Veiga, who is the genetic designer of the present cane varieties grown in southern Brazil, compared the local sugar yield of 90 kilos per ton of cane to more than 100 kilos per ton in Rio de Janeiro, and called for expanded planting of new cane varieties to replace the late maturing and woody present variety ("00-531"). This cane is generally used because of its resistance to blight and insects, but newer varieties are equally disease resistant while producing more cane and more sugar. Sugar spokesmen related that Pernambuco sugar production has decreased by 180,000 metric tons during recent

UNCLASSIFIED

0288

UNCLASSIFIED

(Classification)

Page three of

Encl. No. --

Disp. No. 32

From Recife, Brazil.

years. Dr. Veiga also pointed to the Pernambuco topography (hilly) and unskilled labor as negative factors for the most efficient production of sugar. (Source: Jornal do Comercio, Dec. 7 and Diario de Pernambuco, Dec. 13.)

B. Cotton Program

The Pernambuco State Secretary of Agriculture announced plans to buy and distribute 280 tons of selected long staple (Mood) cotton seed to Pernambuco farmers. The State will also prepare the fields (5,000 hectares) for the new cotton as well as furnish technical assistance and market guarantees. The program will cost Cr\$70 million (\$350,000). The seeds are to be purchased from SANERA, one of the two large cotton concerns in the area. The State Secretary reported that due to similar program in 1959 the State cotton production this year (14,000 metric tons) is more uniform in quality and staple size (all longer than 28 millimeters) than ever before. Source: Diario de Pernambuco, Dec. 4.)

COMMENT: The use of "Mood" cotton has been one of the standing recommendations of the Bank of the North-east and other agricultural consultants for several years.

III. TRANSPORTATION AND COMMUNICATIONS

A. Airline To Headquarter In Recife

Visiting in Recife on December 13, the Director-President of "Loide Aéreo Nacional" (Loide National Airline) was quoted as saying that within three years the company headquarters and maintenance facilities will be transferred to Recife. Loide has already initiated steps to purchase land, build additional hangars and an administrative office, all of which will be completed in mid-1963. The Loide official also noted that the airline has requested permission for international routes to Miami, New York, and Los Angeles, and, later, to Europe.

COMMENT: Loide is considered number three in size among the seven leading Brazilian airlines. It possesses 23 passenger and two cargo planes. In quality of service it is generally ranked number six.

B. Recife Port Problems (Continued)

The Port of Recife was plagued by labor unrest (dockworkers walked off their jobs for 32 hours in a "lightning" strike called on December 1 to assist in their negotiations with their employers - the State of Pernambuco), overtaxed facilities (14 ships waiting to enter the port on December 30), and the continuing threat of federalization. The State has proposed to raise dockage and service

UNCLASSIFIED

0289

UNCLASSIFIED

(Classification)

Page four of

End. No. ---

Disp. No. 32

From Recife, Brazil.

fees in order to pay for higher wages for the dockworkers, but the new tariff will have to be approved by the Federal Government. In February 1961, the Port hopes to inaugurate 470 meters of additional docking area (present area - 2,586 meters) and further modernize the existing docks as well as step up the efficiency of the dock operations. The harbor is being dredged at this time.

COMMENT: State officials related that all they know about the impending federalization of the port is what they read in the newspapers and hear from union leaders.

Under the provisions of SUDENE's Plano Diretor for an inter-structural economy, the development of the strategic ports of Recife, Salvador, and Mucuripe (Fortaleza) will be stressed while the competing ports of Maceio, Cabedelo, Natal, etc. will be left to their own resources.

IV. LABOR

A. A Review Of The Labor Year

According to the Regional Labor Commissioner, Edson Faleiro, 1960 was a peaceful year for the Pernambuco labor movement. During the year no interventions were necessary in union affairs, there was only one "serious" local strike (at a textile mill), and the union elections (about 60) had all been conducted peacefully. The Labor Commission levied more than 260 fines worth Cr\$232,000 (\$1,160) against companies for violations of labor laws. Mr. Faleiro believed the outstanding event of the labor year had been the First Congress of the North and Northeast Union Laborers which was held in Recife and had been attended by more than 300 union leaders from the Amazon to Bahia. (See Consulate Dispatch No. 31 of May 17, 1960.) (Source: Jornal do Comercio, Dec. 31.)

B. The Labor Leader Of The Year

Recife journalists named Gilberto Azevedo, President of the Bankers' Union, as the outstanding Pernambuco labor leader during 1960. Snr. Azevedo was honored for his contributions to both the State and national labor congresses (at the latter he was the official labor spokesman chosen to address the President of the Republic) as well as for his leadership of the union.

He has also been appointed by Pernambuco Governor Sampaio as a director of the Social Service Against Slums. (Source: Correio do Povo, Dec. 31, 1960.)

C. Wage Demands

The increased minimum wage, established in October, continued to furnish fodder for union demands for higher wages. Annual increases

UNCLASSIFIED

0290

UNCLASSIFIED

(Classification)

Page five of

End. No. --

Dep. No. 32

From Recife, Brazil.

were being negotiated by the petroleum workers (union request - 60%, industry offer - 34%), the bankers (accepted a 35% boost), the hotel workers (requesting 30%), the tailors and the telephone workers (60% increase retroactive to October 18, 1960). Most of the unions had threatened strikes to strengthen their demands; however, the Recife motorists union (bus drivers), as an announced vote of confidence in Mayor Miguel Arraes, stated on December 2 that they would not order any drivers off their jobs.

COMMENT: The telephone workers' request for a 60% raise was granted on December 10 - after the telephone company was granted a 70% rate increase.

V. INDUSTRY

A. Industrial Investments

According to the figures of the Getulio Vargas Foundation (Con-juntura Economica), and much to everyone's surprise, Pernambuco - during the month of August 1960 - was the recipient of more industrial investments (Cr\$1,020 million or \$5 million) than any other state in Brazil (topping Guanabara's Cr\$498.5 million and São Paulo's Cr\$379.8 million). The August splurge pushed Pernambuco over the billion (1.1) mark in investments for the first eight months of 1960 behind Guanabara (8.7) and São Paulo (5.9). Of the Pernambuco investments, Cr\$503 million was for new industries and Cr\$500 million was for public utility plants. (Source: Jornal do Comercio, Dec. 21)

COMMENT: SUDENE fiscal and import concessions and other investment incentives are probably responsible for luring many investment cruzeiros to the Northeast.

B. Valuable Garbage

"The garbage of Recife is the richest in the world" was the interesting claim made by city authorities following a scientific survey of the subject. Finding that 80% of the collected garbage can be converted into organic fertilizer while another 10% (paper, tin cans, bones, etc.) can be marketed, a special garbage research team is now devising methods to industrialize the garbage business. Compared to Recife's mark of 80%, Berlin and Brussels racked up only 26% and 16%, respectively. (Source: Jornal do Comercio, Jan. 11)

VI. SOCIO-ECONOMIC

A. SUDENE* Proposes A Social Plan For The Northeast

In an interview with correspondents of "Visão" news magazine on

*Superintendency for the Economic Development of the Northeast.

0291

UNCLASSIFIED

(Classification)

Page six of

Encl. No. --

Dep. No. 32

From Recife, Brazil.

December 9, SUDENE head Celso Furtado discussed "the present social unrest, easily perceptible, of the area." Dr. Furtado expressed his concern about the increasing severity of the problems and noted that SUDENE was preparing to organize a companion piece for its economic development plan ("Plano Diretor"). The new work will be a "social" plan to alleviate human misery. Both plans would be executed simultaneously. As part of the projected social plan, Dr. Furtado mentioned colonization, improving water supplies, producing more food crops, increasing agricultural production, building food storage centers, and other similar projects that could be undertaken.

The social plan will complement the long range program envisaged by the "Plano Diretor" by offering more immediate assistance to critical areas in the Northeast while the process of industrialization and regional "economic development" evolves. Dr. Furtado remarked that the federal legislators do not seem to be worried about the mounting problems of the area since they have refused to approve, as of yet, the "Plano Diretor".

B. Agrarian Reformers: J. Castro and Juliao.

Federal Deputy Josué de Castro, author of the book Geography of Hunger and President of the World Association for the Fight Against Hunger, addressed the Pernambuco State Legislature on December 9. Citing statistics of Brazilian land ownership and wealth, Dr. Castro warned that the "elite had better make the land reforms soon before the people make them." He noted that some underdeveloped countries (i.e. - Brazil) are so rich that they enrich other countries. They are underdeveloped because of the colonialist distortion of their economies . . . We are still living under the feudal systems introduced by the hereditary captaincies . . . Without altering the agrarian structure of the country the man in the fields will not be permitted to leave his desolate cell of misery in which he lives today, prisoner of the latifundia, which will permit him to acquire neither well-being nor education. . . Our agriculture is archaic . .

"Industrialization, which leads to the formation of trusts without any redistribution of wealth, is not the answer. (The 'liberal economy' is a crime against humanity.)" Dr. Castro suggested that Brazilian agriculture be reformed along the lines that the Chinese have followed, concentrating on more manual labor and less machinery. The use of farm machinery, he explained, would cause a subservience to imperialist countries. (Source: Jornal do Comercio, Dec. 10.)

On December 14, Pernambuco State Deputy Francisco Juliao, leader of the "Ligas Camponesas", returned to Recife from an extended visit in China and a stopover in Russia. Deputy Juliao declared that "China should be seen by all Brazilians because they have problems similar to ours and especially agrarian reform." He said that he was so pleased by his trip to China that he is preparing to

UNCLASSIFIED

0292

UNCLASSIFIED

(Classification)

Page SEVEN of

Encl. No. 32

Disp. No. 32

From Recife, Brasil.

write a book about his impressions. (Source: Diario de Pernambuco,
Dec. 15.)

VII. MISCELLANEOUS

A. Economic Indicators

Attached as Enclosure No. 1 are comparative prices for basic
commodities in Recife for the month of December in 1958, 1959, and
1960.

Ernest S. Guaderrama
Ernest S. Guaderrama
American Consul

Encl. n. 1

- 1 cc - Counselor for Consular Affairs, Rio de Janeiro.
- 1 cc - Embassy, Rio de Janeiro.

UNCLASSIFIED

0293

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Page one ofEncl. No. oneDisp. No. 32From Recife, Brazil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR DECEMBER, 1960, WITH
COMPARATIVE FIGURES FROM DECEMBER, 1959 AND 1958.
(All items are cruzeiro prices on the official commodity exchange
during the week indicated.)

COMMODITY	:FIRST:SECOND:THIRD:FOURTH			
	WEEK	WEEK	WEEK	WEEK
Sugar, Crystal, 60 kilos.	1958 : 570 :	570 :	574 :	574
	1959 : 700 :	700 :	700 :	700
	1960 : 970 :	970 :	970 :	970
Sugar, Granulated, Fine, 60 kilos.	1958 : 590 :	600 :	600 :	600
	1959 : 730 :	730 :	730 :	735
	1960 : 1,010 :	1,010 :	1,010 :	1,010
Cotton, <u>Sertão</u> , Type 5, 15 kilos.	1958 : 1,815 :	1,840 :	1,840 :	1,840
	1959 : 1,220 :	1,220 :	1,220 :	1,220
	1960 : 1,540 :	1,520 :	1,520 :	1,510
Cotton, <u>Sertão</u> , Type 4, 15 kilos.	1958 : 1,625 :	1,650 :	1,650 :	1,650
	1959 : 1,240 :	1,240 :	1,240 :	1,240
	1960 : 1,550 :	1,530 :	1,530 :	1,520
Cotton, <u>Mata</u> , Type 5, 15 kilos.	1958 : 1,345 :	1,390 :	1,390 :	1,390
	1959 : 1,140 :	1,140 :	1,140 :	1,140
	1960 : 1,420 :	1,370 :	1,370 :	1,370
Cotton, <u>Mata</u> , Type 4, 15 kilos.	1958 : 1,325 :	1,400 :	1,400 :	1,400
	1959 : 1,160 :	1,160 :	1,160 :	1,160
	1960 : 1,430 :	1,380 :	1,380 :	1,380
Castor beans, 15 kilos.	1958 : 105 :	105 :	105 :	105
	1959 : 155 :	155 :	155 :	155
	1960 : 240 :	227.5 :	227.5 :	227.5
Coffee beans, 15 kilos.	1958 : 400 :	400 :	400 :	400
	1959 : 250 :	250 :	250 :	250
	1960 : 250 :	250 :	250 :	250
Manioc flour, 50 kilos.	1958 : 475 :	475 :	475 :	475
	1959 : 350 :	350 :	350 :	350
	1960 : 400 :	400 :	375 :	375
Black beans, 60 kilos.	1958 : 825 :	825 :	825 :	825
	1959 : 2,000 :	2,000 :	2,000 :	2,100
	1960 : 1,625 :	1,750 :	1,750 :	1,900
Corn, 60 kilos.	1958 : 475 :	485 :	400 :	400
	1959 : 400 :	395 :	380 :	385
	1960 : 362.5 :	362.5 :	362.5 :	355

Source: Indicador Comercial, Recife, Brazil.

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FOREIGN SERVICE DESPATCH

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FROM : Amcongen São Paulo

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 27, 1961

REF : CERP C - General Interest

JAN 29 1961
RM/R - Mr. Burke-1

5-5 For Dept. Use Only	ACTION REC'D	DEPT. N F O OTHER	AM/R-2 INR-10 REP-1 E-6 ICA-H EUR-5 1/30 USA-10 OSD-2 Army-35 Navy-20 CIA-25 NSA-4 CIA-16 DOD-2 COM-12 TAR-2 TR-3 FRD-3 KMD-4 AGR-8 ENT-7 LAB-6 DAF-7
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SUBJECT: Biweekly Economic Review, January 13 - January 26, 1961

Index

1. Heavy Demand at Import Exchange Auctions R. E. Cahn
2. São Paulo Census Results A. D. Ventura/R. E. Cahn
3. Polish-Built Freighters to be Sold at Public Bids A. D. Ventura
4. Brazilian Cosmetics for Poland A. D. Ventura
5. Brazilian Coffee Institute Sells Coffee Meal Fertilizer A. D. Ventura
6. New Highway Links São Paulo with Curitiba A. D. Ventura

1. Heavy Demand at Import Exchange Auctions

During each of the last two weekly auctions of foreign exchange for imports the total amount made available was purchased in São Paulo. This included purchase, at the fixed premium of Cr\$ 210 a dollar, of triple the amount of US\$ 2,655,000 put up for auction.

In the special or luxury category the US\$ 35,000 put up for auction in São Paulo on January 24 was purchased at the record premium of Cr\$ 719.50 a dollar, which is about 12.5 percent above the rate that had prevailed in other recent auctions.

Comment: The heavy demand reflects the feeling in business circles that the amount of exchange made available for imports will be reduced considerably after the new President of Brazil takes office on January 31.

2. São Paulo Census Results

The municipality of São Paulo has a population of 3,792,970 and the state of São Paulo has 12,741,000 inhabitants, according to the 1950 census.

RE Cahn/oz

See index for contributors

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

Page 2 of
Encl. No. 283
Disp. No.
From Amcongen São Paulo

to the census taken on September 1, 1960. These figures have just been released by the São Paulo office of the Brazilian Institute of Geography and Statistics. They show a growth of 72.4 percent in the population of the city over the preceding census of 1950 when there were 2,198,096 inhabitants, and an increase of 42.1 percent in the population of the state from the 1950 figure of 9,141,928.

3. Polish-Built Freighters to be Sold at Public Bids

A Santos news despatch reports that the Merchant Marine Commission, under authority of the federal Ministry of Transport and Public Works, has invited public and private navigation companies to bid on six freighters now under construction at the Steoznia Gdanska dockyards at Danzig, Poland. Each vessel has a 5000 ton dead weight, is equipped with 4 covered holds, and is operated by a 2500 IHP Bauer-Wach type turbine, a 320°C. Babcock-Wilcox boiler supplying steam at a pressure of 16 Kg. per square centimeter, and auxiliary steam engines generating 220 V, with one diesel and two steam generators. The speed of the vessels is 12.4 knots, and the cruising range is 5,000 miles. Minimum bid, per vessel, is Cr\$ 200 million (approximately US\$ 910,000 at the present free rate of exchange). The freighters are to be delivered at Danzig.

4. Brazilian Cosmetics for Poland

According to a news despatch from Santos, Brazilian cosmetics will soon be exported to Poland. A trial order worth US\$ 20,000 is now being prepared for shipment.

5. Brazilian Coffee Institute Sells Coffee Meal Fertilizer

Coffee meal cake resulting from the extraction of coffee oil and caffeine from "expurgo" (sacrifice quota) coffee, mixed with an equal proportion of phosphate, is sold as fertilizer by the Brazilian Coffee Institute (IBC). The IBC has available for sale up to 60,000 metric tons of the mixture this year. However, demand for this fertilizer is not expected to exceed 40,000 metric tons in 1961.

The coffee meal fertilizer sells at the plants of the coffee oil crushers--all located in São Paulo--at Cr\$ 2.5 the kilo. Sales to farmers, except coffee planters, are for cash. Coffee growers are given the following credit terms: 20 percent down payment, the balance over 12 months at 8 percent interest a year.

6. New Highway Links São Paulo with Curitiba

The "Regis Bittencourt" federal highway linking São Paulo with Curitiba was officially inaugurated on January 24 by the

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0296

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Page 3 of
Encl. No.
Disp. No. 283
From Amcongen São Paulo

president of the Republic. The 401 kilometer highway is not, however, ready for traffic as a 20 kilometer stretch between kilometers 281 and 301 has not yet been paved. Work on this stretch of road will be completed in the course of February, when traffic between the two state capitals will become possible.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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FOREIGN SERVICE DESPATCH				832.00 / 13061	
FROM :	Amcongen, São Paulo	284	DESP. NO.	XR 722.00	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	January 30, 1961		FEB 1. 1961	
REF :		SCA-3		V/CEA-8	
25- For Dist. Use Only	ACTION REC'D	DEPT IN OTHER	Rep-1 RMR-2 INR-7 E-5 ICA-11 SY-2 2-3 CIA-10 Agr-8 Com-10 Tar-2 TR-3		
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 January 27, 1961.

William P. Cochran, Jr.
Minister Consul General

Enclosure:

Santos Weekly Report
dated January 27, 1961

cc: Amembassy, Rio

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Encls. D 284

Sao Paulo p1

OPERATIONS MEMORANDUM

TO: The American Consulate General, Sao Paulo Date: January 27, 1961
FROM: The American Consulate, SANTOS, Brazil VPR
SUBJECT: Weekly Comment on Events in Santos
REF:

I POLITICAL

1. Janio Quadros Arrives in Santos (UNCLASSIFIED)

In the early morning of January 20 President-elect Janio Quadros, his wife and mother arrived in Santos aboard the Royal Mail freighter "Durango" from Lisbon. Quadros was met by a large and enthusiastic crowd, including São Paulo Governor Carlos Alberto de Carvalho Pinto and a clutch of national and local dignitaries. Quadros left Santos at once for São Paulo, but returned shortly to São Vicente to stay in the apartment of Deputy Abreu Sodré.

Comment: (OFFICIAL USE ONLY)

According to a Royal Mail official here, Janio displayed an embarrassing hostility toward the press, which badgered him with questions as to the composition of his cabinet-to-be, his views on Castro, etc. Quadros refused to answer any questions at all.

Up to the last minute the press suspected Janio might try to disembark before arriving in Santos, and kept watch along the coast for a possible transfer ashore by helicopter or small boat.

Active in the throng of well-wishers were numerous pickpockets, one of whom removed Cr\$17,000.00 from the wallet of Santos State Deputy and fervent janista Athís Jorge Courty (see item 2 below).

"Durango" was convoyed into Santos by Brazilian Task Force 11, composed of the cruiser "Barroso" /~~ex-Philadelphia~~/ displaying the flag of Vice Admiral Pedro Paulo de Araújo Suzano; the destroyers "Paraíba" /~~ex-Guest~~/, "Marquão Dias", "Araguari", "Araguaia" and "Ajuricaba", the latter three "Amazonas" class contratorpedeiros; and the schooner "Custódio de Mello".

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São Paulo

2. Santos Mayorality Race (UNCLASSIFIED)

The hopes of PDC mayorality candidate Athié Jorge Coury were dealt a serious blow when the local UDN last week voted to support Mario Covas, Jr. for mayor in the March election. Covas, a 30-year-old city engineer who is a Johnny-come-lately candidate without any real local organization, already has the backing of the PST, claims to represent the janista-carvaihista reform element in Santos and has succeeded in making heavy inroads upon the strength of Athié Coury, who has long claimed for himself the role of the #1 janista in local politics.

The present line-up of mayorality candidates is as follows:

Athié Jorge Coury, supported by the PDC, PRP and the Acao Socialista;
Mario Covas, Jr., backed by the UDN, PST and PTN;
Antonio Feliciano da Silva, ex-mayor and PSD boss who is fighting for PTB support;
Luiz La Scala, Jr., candidate of incumbent Mayor Silvio Fernandes Lopes, the PR, PL and the locally-powerful PSP, which controls the Santos municipal government.

Comment: (OFFICIAL USE ONLY)

Athié Coury tried desperately to make capital out of Janio's arrival in Santos, and managed to have his picture taken grinning over Quadros' shoulder. This picture is now being used as his campaign poster. Despite all this, it seems that Covas has made such inroads upon his candidacy as to make it unlikely that either of the janista candidates can be elected mayor.

Luiz La Scala, Jr., conducting a well-organized campaign, is gaining ground steadily. Three straw polls recently run indicate that he will be elected.

3. Precautions Taken on Arrival of Portuguese Ship (UNCLASSIFIED)

The Portuguese vessel "Vera Cruz" of the Companhia Colonial de Navegação (the same company which operates the ill-starred "Santa Maria") was rigorously checked by DOPS when she arrived in Santos January 27 from Rio de Janeiro. Baggage was carefully searched and crew members interrogated for possible complicity in the subversive movement of Henrique Galvão against the Salazar Government in Portugal.

Comment: (UNCLASSIFIED)

Although there is considerable latent antipathy to Salazar here, most Santistas seem to feel that the action of Galvão & Company was brutal piracy.

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São Paulo

4. Santos Communist Student Leader Visits Uruguay (UNCLASSIFIED)

Oswaldo Leituga, communist President of the Santos Students Center, on January 26 flew to Montevideo from São Paulo to represent Santos at the 5-day II Latin American Conference on the Amnesty of Portuguese Political Prisoners and Exiles. According to the local press, 80 delegates from Brazil will attend, including 12 from São Paulo.

Comment: (UNCLASSIFIED)

Before leaving, Leituga was quoted as saying, "We are not going to Montevideo for a political fight, no indeed, but especially to drive home a campaign for humanitarianism.... We do not seek prison for Franco and Salazar. We ask liberty for Delgado and those who are jailed in Spain. This campaign is the result of the fact that if governments can or will not do anything, if the so-called democracies insist upon continuing to recognize these atrocious dictatorships, the people are then going to work together in this common desire to grant the Spanish and Portuguese people the possibility of liberation...."

II LABOR

1. Coffee Leaders Union Elects New President (UNCLASSIFIED)

The 1,400-member Sindicato dos Carregadores e Ensaçadores de Café de Santos, the oldest union here (founded in 1919) on January 24 elected a new slate of officers. By a close vote of 402 to 382, José Silvano de Andrade was elected President over Mario da Silva. Ex-President Expedito Guedes Rodrigues, who is President of the Santos Forum Sindical de Debates (City Central) and staunch anti-communist, becomes the union's First Secretary and a delegate to the national federation.

Comment: (UNCLASSIFIED)

The communists supported the losing slate.

III ECONOMIC

1. Vacationists Converge on Santos (UNCLASSIFIED)

The Santos summer vacation season (temporada) is now in full swing. During the last weekend 100,000 persons poured into the city (mostly from São Paulo) to add to the already considerable number of vacationers holidaying in the consular district.

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São Paulo

Comment: (UNCLASSIFIED)

Santos has 365,000 inhabitants; São Vicente, 75,000. On peak weekends 300,000 merry-makers, nearly all from São Paulo, arrive to congest traffic, spill out of hotels and pensions, severely strain the twin cities' municipal services, and raise prices.

Thus the consular district and environs, with their magnificent beaches, can lay claim to being Brazil's #1 out-of-town vacation spot.

IV CONSULAR

1. General (UNCLASSIFIED)

Consular operations have continued normally during the past week, and there is nothing especial to report.

V ADMINISTRATIVE

1. Post's USIS Unit Visited by Embassy Official (UNCLASSIFIED)

On January 25 the Consulate's USIS section and the Santos Binational Center were visited by Mr. Eugene F. Karst of USIS/Rio de Janeiro.

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FOREIGN SERVICE DESPATCH

832.00/1-3161

FROM : Embassy RIO DE JANEIRO

658
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 31, 1961
DATE

REF : CERP C-1

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F O OTHER
2-9-61	USA-10 ASD-2 NSA-4 ARMY-35 NAVY-20 AIR-25 CIA-16 SEC-2	

SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered January 14-January 27) Com-12 AGR-8

INT-7 TR-3
FRB-2 XMB-4
LAB-6 DAF-7

INDEX

1. Coffee
2. Finance Ministry Action to "Stabilize" Free Market Rate
3. Supplementary Sales of Dollars under SUMOC Instruction 193
4. Janio Quadros Announces His Choice for Finance Minister, Other Financial Posts
5. New Finance Minister Promises Anti-Inflationary Policies
6. New Duque de Caxias Refinery Inaugurated
7. Russian Oil Shale Technicians Again in the News
8. Tax Exemption for New Guanabara Firms
9. New Refinery for Porto Alegre, Rio Grande do Sul
10. Strikes
11. Wage Increases for Perfumery and Cosmetic Workers
12. Czech Wheat Milling Equipment Sold to São Paulo Mill
13. Congressional Approval of Special Credit for Railway System
14. Loans by Economic Development Bank to Two São Paulo Railroads
15. Inauguration of International Bridge Over Paraná Linking Brazil and Paraguay
16. Inauguration of Telex System by DCT
17. Beginning of Work on Ellicott Dredge Construction Yard

1. Coffee:

The current coffee crop was initially estimated by the Brazilian Coffee Institute to be 27 million bags or over. Total registration for the current marketing year July 1 to December 31, reached 25 million bags.

Since 1955/56 (coffee marketing year) to 1959/60 inclusive, registrations for the July 1 to December 31 period were 80%, 80%, 78%, 73% and 86% respectively of the whole annual coffee production.

Therefore it appears that, statistically, this year's crop will be between 29 and 31 million bags, if we consider the registered 25 million bags to be 80% to

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Page 2 of
End. No. 658
Disp. No. 658
From RIO DE JANEIRO

86% of the whole production. Exportable production would be 21 million bags and maximum estimated exports are estimated to be 18 million bags.

IBC's official intervention in the coffee market this year could be an important factor rushing registrations, which means that the registered 25 million bags would represent around 90% of the whole production.

Exports:

Total coffee exports (July 1, 1960/January 23, 1961) were 9,659,511 bags, compared to 10,668,913 bags exported during the same period of the 1959/60 marketing year.

Exports during the month of January, through the 23rd, were 786,148 bags. Exports during the same period last year were 646,382 bags. (UNCLASSIFIED)

2. Finance Ministry Action to "Stabilize" Free Market Rate:

After all other attempted means--including announcements that the Bank of Brazil would sell dollars in \$20,000 lots for Cr\$220 to the dollar--failed to stop the rapid deterioration of the cruzeiro in the free market, the Finance Ministry succeeded in "stabilizing" the rate by means which could well be termed blackmail. Using lists of large dollar purchasers (\$10,000 lots or more) provided each day by the Cambios and other foreign exchange vendors, the Finance Ministry sent officials of the Internal Revenue Department to various firms which had recently purchased substantial dollar amounts with the message that in light of their recent heavy foreign exchange purchases, obviously their profits were high and "perhaps" their books should be examined for tax purposes. After word got around the business community, the free market rate which had reached Cr\$236 buying and Cr\$242 selling, declined and settled to around Cr\$220-Cr\$224. (CONFIDENTIAL)

Comment: Obviously, the effects of this gimmick could not be expected to have any lasting effect. However, it appears to have had sufficient effect to suit the needs of the present administration whose interest was in seeing that the cruzeiro remained stable, however unrealistic economically, as it left office. (CONFIDENTIAL)

3. Supplementary Sales of Dollars under SUMOC Instruction 193:

Supplementary sales of U. S. dollars in four of the five exchange auctions to be held in January 1961 (January 3, 10, 17, 24 and 31) amounted to \$27,758,000, in São Paulo and Rio, the highest total of extra sales verified in a four-week period since the inception of Instruction 193 on March 25, 1960. Foreign exchange sold under Instruction 193 is promised for delivery 150 days after the date of purchase. (UNCLASSIFIED)

CONFIDENTIAL

0304

CONFIDENTIAL
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Page 3 of
Encl. No.
Disp. No. 658
From RIO DE JANEIRO

Comment: With one more exchange auction to be held before the month of January terminates, the total of extra sales from January 3 through January 24, 1961 already exceeds the Rio and São Paulo monthly totals for November and December 1960, by \$11,491,000 and \$5,975,000 respectively. The all time high purchase of dollars before the present government leaves office indicates in large measure among other factors, uncertainty among importers as to what the foreign exchange policy of the forthcoming administration will be. (UNCLASSIFIED)

4. Janio Quadros Announces His Choice for Finance Minister, Other Financial Posts:

Included in the list of cabinet appointments released by President-elect Janio Quadros over the weekend was Dr. Clemente Mariani Bittencourt to be Finance Minister in the new cabinet replacing Sebastião Paes de Almeida. Dr. Mariani has served in the government before as Minister of Education under President Dutra (1946) and as President of the Bank of Brazil under Café Filho (1954). Presently, he is Director of the Bank of Bahia.

Also announced were the appointments of Dr. Octavio Bulhões, noted Brazilian Economist and career civil servant as Director of the Superintendency of Money and Credit and João Baptista Figueiredo, presently President of Banco Sul Americano as President of the Bank of Brazil. (UNCLASSIFIED)

Comment: Dr. Mariani is reported to be an able banker and has been described as a "strong personality" who will be able to push through needed financial reforms. Dr. Bulhões, new Director of SUMOC, though a career civil servant, remained outside the government during the Kubitschek administration where, in various capacities (Vice President of Brazilian Economic Institute, Professor of Economics at University of Brazil and others) he was a consistent critic of the Kubitschek administration's financial policies. Little is known of the new President of the Bank of Brazil, João Baptista Figueiredo. (OFFICIAL USE ONLY)

5. New Finance Minister Promises Anti-Inflationary Policies:

In his first press interview after being named Finance Minister, Sr. Mariani stated that he will follow a strict and rigid economic policy as dictated by President Quadros' platform with a view to bringing about a "financial equilibrium" through progressive disinflation of the money supply, without, however, bringing about a dangerous deflation. As to coffee, he stated that at the beginning of each year, he intends to set forth policies which will be "consistent both with the interests of the coffee producers and the country's economy". He gave no indication as to what these policies might be, however. (UNCLASSIFIED)

6. New Duque de Caxias Refinery Inaugurated:

On January 20, the new Duque de Caxias Refinery was officially inaugurated by President Kubitschek. Preliminary surveys for the construction of the

CONFIDENTIAL

0305

CONFIDENTIAL
(Classification)

Page 4 of
Encl. No. _____
Disp. No. 658
From RIO DE JANEIRO

refinery, which is located a short distance to the north of the city of Rio de Janeiro, were started in 1957 and in January 1958 the cornerstone for the actual construction was laid. The constructed area covers about one square mile within a total area of over three and a half square miles. It is expected that once the necessary tests are concluded by mid-1961, 90,000 barrels of crude per day could be processed. This amount might be raised later to 150,000 barrels, and, if additional investments were made, it might even reach 300,000. When it begins operations, the refinery will produce at first LPG (liquid petroleum gas), regular gasoline, diesel oil and fuel oil. After the Catalytic Reform Unit starts operating (about mid-62) there will be production of premium gasolines. It was claimed that this refinery was the first construction of PETROBRAS for which no foreigners were employed with the exception of a few advisers. Materials and equipment used were 60% domestic; the percentage was not higher because special alloy steels and most instruments are not produced in the country. Total cost of the refinery is estimated at 14 billion cruzeiros.

Also inaugurated on the same day was the marine terminal which will supply the refinery directly from tankers in Guanabara Bay through a pipeline of eleven and a half miles, with a flow rate of 20,000 barrels per hour. (UNCLASSIFIED)

Comment: A widely held view, reflected in the press, is that this was just another one of President Kubitschek's many "premature" inaugurations. The timing of this particular one, at the very end of his term of office, is quite obvious. One newspaper, the Estado de São Paulo, delving deeper into economic and technical problems, is of the opinion that the refinery is far too expensive --especially when its actual cost is compared to the original budget estimate-- and it appears that at least one and a half years might elapse before full production capacity (both quantitatively and qualitatively) is attained.

(OFFICIAL USE ONLY)

7. Russian Oil Shale Technicians Again in the News:

Russian oil shale technicians were again in the news (Embassy Despatch 767, January 29, 1960) in connection with their participation in the development of oil shale for gas at PINDAMONHANGABA, São Paulo, for Cia. Industrial de Rochas Betuminosas. It is reported that Soviet Union engineers will arrive next month (February 1961) under authorization from the Brazilian Foreign Office, to begin construction of a plant to produce gas from oil shale for domestic use.

(UNCLASSIFIED)

Comment: There are technical and political reasons to doubt the validity of this proposal. The Embassy is investigating.

(OFFICIAL USE ONLY)

8. Tax Exemption for New Guanabara Firms:

The Secretary of Agriculture, Industry and Commerce, Sr. José Cândido Moreira de Souza, when addressing the State of Guanabara's Federation of Industries, announced that Governor Carlos Lacerda had signed the draft for the

CONFIDENTIAL

0306

CONFIDENTIAL
(Classification)

Page 5 of
End. No.
Desp. No. 658
From RIO DE JANEIRO

Legislative Assembly, establishing special tax conditions for new industries in the State. The Bill provides for exemption from payment for a period of ten years of (1) transmission of property "inter-vivos", in the case of real estate to be used by industrial organizations; (2) land or real estate tax, as the case may be, during the period preceding the construction or installation of the respective industry; (3) license tax for private construction work and installations. The exemption also applies to new additions to already existing industries.

Those industries which are established for the purpose of manufacturing a product not already manufactured by any other establishment in the State will be allowed, in addition, exemption from industry and trade taxes for the same period.
(UNCLASSIFIED)

~~Comment: The foregoing information is confidential and its disclosure would be injurious to the national defense. It is requested that you do not discuss this information with anyone outside your office. If you are contacted by anyone who asks for this information, please refer them to the appropriate authority. Thank you for your cooperation.~~
(OFFICIAL SECURITY)

9. New Refinery for Porto Alegre, Rio Grande do Sul:

Subsequent to the approval of the National Petroleum Council (CNP) of construction of an oil refinery in Porto Alegre (see BWER Embassy Despatch 607, January 17), Sr. Leonel Brizzola, Governor of the State of Rio Grande do Sul, discussed with General Idílio Sardenberg, president of PETROBRAS, problems related to the construction. It is reported that the new refinery will cost approximately Cr\$4 billions. Of this total, some 70% would be for national materials supplied by local industries. The State of Rio Grande do Sul will contribute with a grant of land near Porto Alegre.
(UNCLASSIFIED)

10. Strikes:

Railway Workers:

Some 18,000 workers on the government-owned Leopoldina Railway, which daily furnishes transportation to and from the center of Rio for about 300,000 suburban residents, went on strike on January 25 in protest against the railroad's failure to pay workers their December wages. While army vehicles furnished some of the commuters with substitute transportation, Governor Lacerda sought to settle the strike by obtaining a promise from Federal Railway System officials that they would pay the December wages no later than January 29. Informed of the promise, the railway workers called off the strike, and Lacerda announced that he had ordered his Chief of Police to arrest the Financial Director of the Federal Railways if the wage payments were not in fact made by the 29th. As a result of the strike, traffic on most of the four-state Leopoldina System was halted for at

CONFIDENTIAL

0307

CONFIDENTIAL
(Classification)

Page 6 of
End. No.
Desp. No. 652
From RIO DE JANEIRO

least one day--in Espirito Santo the strike had begun on January 24, and in the Petropolis area of the State of Rio, on January 17. (UNCLASSIFIED)

Warehouse Workers:

The strike which was called on January 26 by the warehouse workers at the Port of Rio, was ended on January 28 on the basis of a 3% wage increase and paid vacations. The warehouse workers union is the strongest non-Communist union of port workers. Earlier this month, the stevedores and "port workers" union, which are under strong Communist influence, were threatening strikes at a number of ports, but called them off when wage increases were granted.

(OFFICIAL USE ONLY) (UNCLASSIFIED)

11. Wage Increases for Perfumery and Cosmetic Workers:

Rio's cosmetic and perfume industry workers, who are represented by the union of chemical and pharmaceutical workers, obtained monthly increases ranging from Cr\$3,600 to Cr\$9,500 under a new agreement between the union and the manufacturers of these products. (UNCLASSIFIED)

12. Czech Wheat Milling Equipment Sold to São Paulo Mill:

It is reported that "Stroexport", the Czechoslovakian foreign trade organization, has sold a complete set of equipment for wheat milling, with a capacity of 140 tons per day, to Teons Moinhos do Brasil in São Paulo. It is further reported that a group of Czech technicians will go to São Paulo to supervise the installation of the machinery. (UNCLASSIFIED)

13. Congressional Approval of Special Credit for Railway System:

The Chamber of Deputies on January 19, and the Senate on January 24, approved a bill authorizing the opening of a special credit of Cr\$4.38 billion for the Federal Railway System (Rêde Ferroviária Federal). The bill stipulated that the money could be spent only for the specific purpose of meeting the cost of recent wage increases, a provision made necessary by the attitude of opposition deputies who had refused to vote the funds originally requested unless a definite limitation on the purposes of the expenditures was established. The failure of the Congress to approve the full amount of Cr\$5.78 billion requested by the Executive (BWER, Embassy Despatch 559, January 4) means that the investment capital included in the original sum will not be available to the Rêde and that suppliers of the Rêde probably will have to wait further for the payment of their long-overdue bills. (UNCLASSIFIED)

CONFIDENTIAL

0308

CONFIDENTIAL
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Page 7 of
Encl. No. _____
Disp. No. 658
From RIO DE JANEIRO

Comment: The funds voted by Congress, if released promptly, will stave off the most critical problem facing the Rêde, the danger of system-wide strikes brought about by delays in payment of wages. Even this problem is bound to recur, and soon, unless a more nearly basic solution to the acute difficulties is found.
(OFFICIAL USE ONLY)

14. Loans by Economic Development Bank to Two São Paulo Railroads:

On January 18 the Economic Development Bank (BNDE) signed its first two loans for 1961; both were to railroads owned by the State of São Paulo. The first contract, with the Sorocabana Railroad, provided Cr\$975.6 million for the purchase of 850 freight cars, compressed air brakes and rails. The Araraquara Railroad received a loan in the amount of Cr\$76 million for the purchase of 5,200 tons of rails and 912 tons of tie plates. According to the announcement made by the Bank, the two new contracts raise to Cr\$2.2 billion the total loans made to the Sorocabana by the BNDE and to Cr\$500 million those made to the Araraquara.
(UNCLASSIFIED)

15. Inauguration of International Bridge Over Paraná Linking Brazil and Paraguay:

In a January 27 ceremony in which Presidents Kubitschek and Stroessner participated, the International Bridge over the Paraná River at Foz do Iguaçu was inaugurated. The ceremony was essentially symbolic inasmuch as the bridge is not completed and, according to unofficial estimates, will not be ready to receive traffic before another year. In their speeches both presidents emphasized the economic significance of the bridge which will provide Paraguay with an alternate outlet to the sea by means of Brazilian highway BR-35 to the port of Paranaguá. President Kubitschek likened the construction of the bridge to Operação Pan Americana (OPA), in that "OPA, in its essence, is a system of bridges establishing contacts among the nations of this continent." Three days earlier Kubitschek had presided at ceremonies marking the inauguration of the new Curitiba-São Paulo road, which connects with BR-35 at the Paraná capital, thus providing a good overland link for the exchange of goods between Paraguay and the São Paulo industrial complex. It now appears that the Curitiba-São Paulo road will not be fully opened to traffic for two or three months.
(UNCLASSIFIED)

16. Inauguration of Telex System by DCT:

The Department of Posts and Telegraphs (DCT) on January 27 held a ceremony officially inaugurating the first section of its Telex system, which will eventually connect Rio with the state capitals. The part of the system in use at the present time provides Telex service between 60 subscribers in Rio and 40 in Brasília and is an initial part of the so-called priority telecommunications plan drawn up by the present administration of the DCT. According to the

CONFIDENTIAL

0309

CONFIDENTIAL
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Page 8 of
Encl. No. _____
Dep. No. 658
From RIO DE JANEIRO

announcement made by the DCT on the occasion of the inauguration, the system at present has a capacity for 200 subscribers in Rio de Janeiro and can be quickly expanded to take care of 800 subscribers. Present plans call for the first extension of the Telex system to São Paulo and then to Belo Horizonte. The DCT estimates that its annual receipts from the Telex operation, when the system is fully installed, will be in the neighborhood of Cr\$4 billions.

(UNCLASSIFIED)

17. Beginning of Work on Ellicott Dredge Construction Yard:

On January 23 the cornerstone of the Ellicott do Brasil Shipyard in Niteroi (across the bay from Rio de Janeiro) was laid. The yard, which is associated with the Ellicott Shipbuilding Corporation of Baltimore and which will specialize in the construction of dredges, is part of the Brazilian Government's program to install a shipbuilding industry in the country. The initial capacity of the yard is planned to permit the annual construction of three 24-inch dredges as well as an unspecified number of floating derricks and barges.

(UNCLASSIFIED)

For the Ambassador:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy for Economic Affairs

Contributors:

Item 1 - LYallous
Items 2, 3, 4, 5 - JKrizay
Item 6 - JDeSeabra/JHWiegerinck
Item 7 - EIBrown

Item 8 - JHWiegerinck
Items 9, 12 - BAGoldstein
Items 10, 11 - DEWann
Items 13, 14, 15, 16, 17 - JRCrimmins

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FOREIGN SERVICE DESPATCH					
FROM : Amconsulate PORTO ALEGRE		42		January 31, 1961	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		DATE		FEB -3 1961	
REF : CERP Requirements: Section C, Item 2					
ACTION		DEPT.			
20 For Dept. Use Only		1 IN P OTHER			
COM-12		REP-1 INR-7 E-3 ARA-4 ICA-11			
2-14-61		CIA-10 TAR-2 TR-3 FRG-3 XMA-4 AGR-3 INT-7 AAB-6			
SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - January 1961					

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

SUMMARY:

Weather conditions in January were not favorable to agriculture and livestock due to insufficiency of rain. No killing quotas have been set for this year's slaughter season, which will be for an unlimited period. A federal subsidy has been granted for improving state's wheat program. A large rice crop, about the same as last year's, is expected this year. State retail sales were reported satisfactory, although wholesalers are reportedly holding back on sales. Some investment has been reported in industry. Two important sections of the federal highway system were inaugurated during the reporting period. The free market cruzeiro weakened considerably during January but a Federal loan temporarily improved the local money market. The labor front was relatively quiet. The state government is studying the possibility of taking over local coal mines.

1. AGRICULTURAL DEVELOPMENTS:

Market prospects remain favorable for most major commodities, with prices firm.

Rice - Continued efforts by rice growers and traders to have federal authorities lift price controls on this commodity in Rio de Janeiro have met no success to date. However, growers and traders are hopeful that the new Quadros Administration will make

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Page 2 of

End. No. 42

Desp. No. 42
From PORTO ALEGRE

a favorable decision. In view of weakness in the export market for rice, attributed to rice harvests currently under way in the Far East, there is some apprehension as to the outcome of CACEX's (Export Trade Department) efforts to export rice surplus. IRGA's (Rice Institute) preliminary estimate places the 1960-61 rice crop at 870,000 metric tons of unhulled rice.

Beef - Portaria 713, signed in December, 1960 by the Minister of Agriculture, freed the period and the number of cattle to be killed in Brazil during the 1961 slaughter season. However, restrictions have been placed on the killing of female calves, and young cows under 5 years of age.

Wheat - Due to an agreement, signed on January 11, 1961 between the Minister of Agriculture and the State Government, a federal subsidy of \$500 million was granted for developing and improving the state's wheat program. Governor Erizola, in a statement to the press, declared that a group of agricultural technicians from Rio Grande do Sul will go to Italy in February 1961 to study wheat crop methods. This action is being taken in response to a visit made here by Italian geneticists. (See Consulate's despatch 34, Jan. 10, 1961).

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Retailers report satisfactory sales and some improvement in trade bill collections, both in Porto Alegre and in the interior. However, wholesalers are reportedly holding back on sales because of the threat of further inflation.

Comparative figures of total state sales for December (latest figure available) and November 1960, and December 1959, are as follows:

(In thousands of cruzeiros)

<u>December 1960</u>	<u>November 1960</u>	<u>December 1959</u>
28,304,525	26,114,070	19,050,468

As can be noted from the above statistics, the monthly sales figures for 1960 have increased considerably as compared with 1959, reflecting the inflationary trend during the period.

Protest figures for trade bills in December 1960 amounted to \$12.2 million, against \$11.3 million in the previous month, and \$9.6 million in December 1959.

3. FOREIGN TRADE:

Owing to high domestic prices, this state is encountering

UNCLASSIFIED

03 12

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 42
Desp. No. 42
From PORTO ALEGRE

increasing difficulties in finding overseas markets for its products. There is presently an exportable surplus of pine, wool, and rice, but world market prices are reportedly lower than local quotations.

As of February 1, 1961, locally produced goods, sold outside the state, will be permitted a reduction of 25 percent in "export" taxes in order to put manufacturers in a better competitive position. The local business community is thus encouraged to expand its exports.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Tractors: Discussions concerning the possibility of installing a West German tractor plant in this state are continuing. The Consulate will report further developments.

German Investment - The German "Siemens" group, operating in Brazil, is expanding its electronic components industry in this state. A plant is to be installed in Gravataí, near Porto Alegre, and is slated to go into operation late this year. A large site is to be occupied by the plant, reportedly 2,500 square meters. Further details will be reported by the Consulate.

American Investment - The American firm, Harkson-Indústria e Comércio "KIBON" (manufacturer of ice cream and confectionery) is planning to expand its operations in Rio Grande do Sul during 1961. KIBON's present investment in this state amounts to \$80 billion. Details will be reported when available.

Textile Industry - Rio Grande do Sul and São Paulo industry leaders are apparently afraid of local competition by the Japanese Kurashiki textile plant being installed in this state. The Japanese group is taking advantage of the opportunity being offered to foreign investors in permitting the bringing in of equipment free of exchange cover, in accordance with SUMOC's instruction No. 113. Textile leaders claim that such facilities should also be granted to local manufacturers for expansion and replacement of equipment. This situation has aroused interest in the local press. Any further comments will be reported.

Dairy Industry - Early in the month, Governor Brizola authorized financial assistance to the state's dairy industry for expansion and modernization of present equipment (see Consulate's despatch No. 9 of September 8, 1960, item 4.) A sum of \$162 million will be loaned to processors by the Bank of the State of Rio Grande do Sul.

5. TRANSPORTATION AND COMMUNICATIONS:

Highways - Two important sections of the federal highway

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0313

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Page 4 of

End. No.

Dep. No. 42

From PORTO ALEGRE

system were inaugurated in Rio Grande do Sul on January 25, 1961. The new section of federal highway BR-2 (northeastern part of the state) covers a distance of 221 kilometers between the towns of Caxias do Sul in Rio Grande do Sul and Lages in the state of Santa Catarina.

The new section of BR-14 links the towns of Santa Maria and Carazinho (226 kilometers) in the central and northern parts of the state, respectively.

These highways go through rich agricultural areas and will no doubt prove of great benefit to the state.

Ports and Harbors - The Federal Department of Works and Sanitation Projects will dredge the access channel and basin of the southern port of Rio Grande, for which \$75 million has been allotted. The access channel to the port of Porto Alegre and its basin is also stated to be dredged, and \$105 million has been allocated for this purpose.

Secretary of Energy and Communications - During the month under review, the Secretary of Energy and Communications, Wilson Vargas, submitted his resignation to the Governor. A replacement has not yet been named to this important position.

6. FINANCE:

Exchange - The cruzeiro weakened considerably in January 1961, but toward the end of the month it strengthened somewhat. The cruzeiro hit its lowest mark on January 17, when it fell to \$210.00 per U.S. dollar. The average rate during the month was \$220.46, against \$201.55 per U.S. dollar in December 1960.

At the import auctions held in January the general category agro rates remained at \$210.00 per U.S. dollar, whereas in the special category the premiums paid averaged \$588.00, against \$625.00 in the previous month. Premiums paid for Soviet Bloc agreement dollars remained at \$178.00 in the general category.

Money Condition - Funds derived from a \$1 billion loan recently granted to the state by the federal government have contributed toward a temporary improvement in money conditions. Local banks have been able to handle most of the normal short-term credit requirements of their clients.

7. LABOR:

In spite of the inflationary pressures, the labor front during January was relatively quiet.

UNCLASSIFIED

03 14

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Page 16 of
Encl. No.
Disp. No. 112
From PORTO ALEGRE

8. MISCELLANEOUS:

Coal Mines - The State Secretary of Energy and Communications, in a statement to the local press, declared that the state is now studying the possibility of taking over the coal mines operated by a private enterprise called CADEM. The state operates surface coal mines but these are reported to be exhausted, and state public utilities are not willing to pay the higher prices quoted by CADEM. The developing situation will be reported in future reports.

Percy Warner
Percy Warner
American Consul

cc.: Amembassy RIO

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FOREIGN SERVICE DESPATCH

832.00/2-661
FEB 21 1961

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 36
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 6, 1961
DATE

REF : CERP-Section C 2.

25 For Dept. Use Only	ACTION 2-27	DEPT. INDEX OTHER	Rep-1 Ara-3 INR-7E3 ICA-11 TR-3 FRB-3 Agr-8 INT-7 Cia-10 Army-6 Navy-4 Air-6 NSA-4 X-MQB-4 Lab-6 OSD-2
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SUBJECT: Economic Summary for January, 1961.
See attached Sup/Dep #38
a INDEX

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:

Current tight money unexpectedly contrasts a somewhat easier money situation during previous years at this time. Petrobras and other government entities continue to be slow with account payments and the two local "development" banks are loaned to capacity. The Bank of Brasilia's 2.5 billion cruzeiro cocoa financing loan and the Banco da Lavoura's 2500-million tobacco fund have not yet made themselves felt in the market. The budget for the State of Bahia includes receipts of Cr\$9.813 MM against expenditures of Cr\$12.109 MM, thus establishing a State deficit of Cr\$2.296 MM. The Paulo Afonso hydro-electric plan in northern Bahia has increased its operating radius. Present capacity of 180,000 KW will soon be increased to 570,000 KW. A further jump to 1,230,000 KW is programmed for about 1963. The Funil hydro-electric project in southern Bahia is nearing completion with 10,000 KW of generating capacity to be delivered in August of 1961. An additional 10,000 KW will be available by the first half of 1962. SUDENE (the Superintendency for the Economic Development of the Northeast) just announced their first allocation from the agro fund (50% of the agios received from the sale of exports from the Northeast) of 1.2 billion cruzeiros, of which 500,000,000 cruzeiros is to be spent in Bahia, mostly for industrialization and road construction. Although retail business is slow, with firms overstocked, collections both locally and in the interior have improved during the past month. Cost of living continues to rise. The Price Control Commission (COAP) has prohibited the export of wheat flour to neighboring States due to current shortage. COAP has also authorized a price increase for powdered coffee. An increase in the

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03 16

Page 2 of
Des. No. 36
From Salvador, Bahia, Brazil

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Page _____ of
Encl. No. _____
Desp. No. _____
From _____

price of bread is currently under consideration.

2. Industry and Investments:

(a) Officers of Point IV Rio recently met with members of the Federação das Industrias Bahianas to establish a Productivity Center at the Federação. This is part of a country-wide project sponsored by Point IV. The library will be available for general usage by Bahiano businessmen and industrialists. The Point IV representatives were warmly received and it is considered that the Center will offer considerable assistance in connection with industrial growth in the area.

(b) The Governor of Bahia signed a Decree dated February 3, 1961, approving a contract between the Banco Nacional de Desenvolvimento Economico and the Centrais Electricas do Rio de Contas S.A., granting a credit of 646 million cruzeiros to finish construction of the Funil Hydro-electric plant, transmission lines, etc. The Funil will supply electricity to the following towns in Bahia: Jequié, Ilheus, Itabuna, Ipirá and Ubatã. (See Economic Summaries for May and September 1960).

(c) On February 4th the Bahia State Government, through the Secretariat of Public Works and Transportation, inaugurated a new water system extending from Amaralina to Pituba (suburbs of Salvador). The extension is ten kilometers in length and 80 million cruzeiros were invested by the State Government.

3. Agricultural Development and Policy:

(a) The total Bahia 1960-61 cocoa crop is estimated at between 2,000,000 and 2,200,000 bags of 60 kilograms each, and weather conditions continue favorable for the new mid-crop starting in May.

The fate of Costa Filho's new marketing plan is still undecided and cocoa people are uncertain of President Quadros' attitude. There is a feeling that the new government will separate coffee and cocoa policies, recognizing that cocoa is highly perishable and cannot be stockpiled indefinitely. Many expect that marketing will be returned to the traditional exporters, with a lower minimum export price and negotiation of the exchange on the free market. Another problem being eyed by the State government is the competitive advantage enjoyed by the Cooperatives over the exporters by virtue of the former's exemption from the state sale consignment tax (7%).

(b) Castorseed and Castor Oil. A reliable source gives the following breakdown of Brazil's 1960 castorseed crop in metric tons: Bahia 99,000; São Paulo and Paraná 45,000; Pernambuco 18,000; Ceará 13,000; Minas Gerais 5,000. The total for Bahia could have been 5,000 to 10,000 tons higher but was lost in the fields for lack of harvesters. Total installed castor oil crushing capacity in Brazil is estimated to be 260,000 tons (in terms of seed), of which 90,000 tons is in Bahia. Since 180,000 tons of seed yield about 75,000 tons of oil and internal consumption of oil is estimated at 25,000 tons per year,

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0317

Page 3 of
Des. No. 36
From Salvador, Bahia, Brazil.

UNCLASSIFIED
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Page _____ of
End. No. _____
Disp. No. _____
From _____

prospects for Brazil to continue as the major source of castor oil for Europe and the United States are excellent. Recently, seed prices in the interior firmed at about Cr\$14.50 per kilogram, and oil prices in the world market have held steady.

As a stimulus to the development of a higher quality of castorseed, the Sociedade Algodoeira do Nordeste Brasileiro S/A (SABRA) (see Economic Summary for September, 1959) has granted prizes in the amounts of Cr\$100,000; Cr\$50,000; Cr\$25,000; Cr\$15,000; and Cr\$10,000 to growers whose products were judged to be of the best quality.

(c) Tobacco Leaf: Limited rainfall over the past four months, particularly December and January, will prevent this year's crop from being more than 10% larger than last year's. As predicted previously, interior prices are slightly lower than last year in the better grades and about the same in the poorer. It is estimated that about 40% of the crop has been purchased so far by the exporters. European prices may be slightly lower this year.

(d) 30 tractors, out of a total of 224 units which have been purchased from Yugoslavia, will be imported by the Companhia de Adubos e Materiais Agricolas da Bahia (CAMAB) and should arrive in Salvador soon. They will reportedly be sold to the growers on installments at cost price.

4. Petroleum:

(a) The highest daily production figure yet announced for the Reconcavo was attained on October 20, 1960 when 94,122 barrels were produced. Studies for the implantation of a petrochemical industry here continue in full swing. However, the only positive effort seems to be the construction of a carbon black factory. Ground is presently being cleared for this undertaking and all obstacles concerning its inception have apparently been overcome (see Economic Summary of April, 1960).

(b) Price of bottled gas has been raised from 308 to 332 cruzeiros.

(c) The local press reports that a new PETROBRAS oiltanker "Tanquipes", with a capacity of 10,000 tons, has left the shipyards of Denmark. This is reported to be the last of 10 tankers which were ordered from Denmark by Petrobras.

(d) Local press reports that President Quadros has appointed S. Geonísio Barroso President of PETROBRAS. S. Barroso has been Superintendent of PETROBRAS since 1954. He was born in the State of Sergipe but has been residing in Bahia for many years. This appointment, it is said, was well received by Petrobras personnel.

Comment: As of this writing the Presidency of Petrobras is still up in the air. Barroso left Salvador for Brasilia amidst fanfare etc. but returned very quietly without the publicized appointment and other names are now beginning to appear on the horizon.

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0318

Page 4 of
Desp. No. 36
From Salvador, Bahia, Brazil

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Page _____ of
Encl. No. _____
Desp. No. _____
From _____

5. Transportation and Communication:

(a) Due to recent heavy rains the Rio-Bahia highway has been closed. Several trucks are still stranded along the route and it is considered that the situation will become worse since the rainy season is about to begin.

(b) A C-46 Commercial Airliner of REAL collided with a parked jet T-33 trainer while taxiing at the Ipitanga Airfield recently. There were no casualties. The pilot of the C-46 said that the area was poorly illuminated coupled with the fact that visibility from the cockpit of a C-46 is limited when on the ground.

6. Labor:

(a) The stevedores of the port of Ilheus struck recently when a local steamship company refused to pay an additional 30% for working in the rain. The strike lasted only a few days and was settled in favor of the strikers after the local authorities intervened.

(b) Workers of the Federal railway Leste Brasileiro struck from January 27th to February 4 because of nonpayment of salary benefits due since June of 1960. The strike terminated when payment was made.

7. Finance:

According to the State Internal Revenue Department Cr\$162,513,523 were collected during the month of January 1961 which constitutes an increase of Cr\$40,700,992 over the same period in 1960.

8. East West Trade:

Exports to Soviet Bloc countries during the month of January were as follows: Poland, 2784 metric tons of cocoa beans; Hungary, 110 tons of sisal fiber and 288 tons of cocoa beans; Yugoslavia, 550 tons of sisal fiber.

FOR THE CONSUL

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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FOREIGN SERVICE DESPATCH			
FROM :	Amconsul SALVADOR, BAHIA, BRAZIL	DESP. NO.	36
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	DATE	February 21, 1961
REF :	Consulate's Despatch No. 26 of February 6, 1961.		
20 For Dept. Use Only	ACTION	DEPT.	
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	RM/A-0	RM/A-2 REP-1	INR-7 ARA-3 E-3 ICA-11
	3-9-61	CIA-10 COM-12	TR-3 PRB-3 AGR-8 INT-7 NSB-4
SUBJECT: Monthly Economic Summary for January 1961. OSD-2 LRB-6 XMB-4 ARMY-6 NAVY-4			

Line five of despatch SUMMARY should read ... "pauco da Lavoura's 250 million tobacco fund" not repeat not 2500 million.

FOR THE CONSUL:

Paul B. McCarty
American Vice Consul

FW 832.00/2-661

Copy to Embassy, Rio de Janeiro.

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FROM : Amcogen [redacted]
TO : THE DEPARTMENT OF STATE, WASHINGTON.
REF : CERP - Section D Item IV - A - 5 u/FW-2

February 7, 1961
DATE FEB 8 - 1961

25 ACTION DEPT. Rep-1 RMA-2 INR-7 E-7 ICA-11
For Use Only REC'D 2-11 0 CIA-10 COM-12 IN-7 Lab-6 Apr-8

SUBJECT: São Paulo Plan of Action Discussed at Institute of Engineering Army-4 TR-3 FAB-3 Navy-3 NSA-4

The Division of Economic Studies of the Institute of Engineering discussed the São Paulo Plan of Action with government officials and criticized the operation of the Plan in various respects. It pointed out that the government was losing its best technical help because it paid inadequate salaries. It said that the highest paid technician in the Department of Water and Electric Power (DAE) was its director who was earning Cr\$45,000 (about US\$200.00) a month.

The DAE was criticized also for building dams only for the purpose of developing power, without considering social-economic aspects such as flood control, river navigation, fisheries, recreation, and tourism.

The government was criticized for not establishing the three financing Funds called for in the Plan of Action (see Desp. 147, October 10, 1960).

Mr. Diogo Gaspar, the Executive Secretary of the Plan, said the Funds were not established because 1) a bill in the Federal congress respecting the sales tax would have reduced state revenue considerably if passed, and 2) the rate of inflation in 1960 discouraged the government from establishing the Funds (which are to provide credits at low interest rates). Mr. Gaspar was reported to have stated, however, that the Bank of the State of São Paulo was preparing the regulations for establishing the Fund for Expanding Agriculture and Cattle Raising, which is also called for in the São Paulo Agricultural Reform law (see desp. 258, January 6, 1961).

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Page 2 of
Encl. No.
Disp. No. 295
From Amcongen São Paulo

On the subject of river and maritime navigation, Mr. Gaspar explained that no advanced studies existed that would permit incorporating it in the Plan of Action.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
American Consul

Source: Folha de São Paulo, February 4, 1961.

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AIR POUCH

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832.00/2-1061

FOREIGN SERVICE DESPATCH

FROM : AmConsulate, Curitiba, Brazil

36

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 10, 1961

DATE

REF : CERP Section C-2

30 For Dept. Use Only	ACTION	DEPT.
	COM-12	REP-1 INR-7 LCA-11 ARA-4 E-3
	REC'D	OTHER
2-22-61	CIA-10 TAR-2 TR-3 FRA-3 XMB-4 AGA-8 INT-7 LAA-6 AIR-6	

SUBJECT: ECONOMIC SUMMARY FOR JANUARY 1961 451A-10 NSA-4 ARMY-6 NAVY-4

I- SUMMARY

The month was highlighted by the inauguration of new state administrations in Parana and Santa Catarina. The new leaders promised that they would be honest.

In Parana many are hopeful that Ney Braga, in cooperation with Janio Quadros, may be able to do something to solve the coffee problem but Braga's number one problem is getting some money, the Lupion Government having lived beyond its income for a long time. The development of electric power is said to be one of Braga's chief objectives.

There were strikes and strike threats in both states, railroad workers having demanded higher wages, and application of the Parity Law.

II AGRICULTURE

1. Coffee

With no change in the coffee export situation (40,000 bags left Parana in January) social problems in the nearby port city continue to grow more acute. Port workers, stimulated by their union leaders, are planning a "hunger march". With virtually no work for more than a year they are becoming increasingly desperate. Coffee producers are hopeful that Janio Quadros will designate somebody from Parana as President of the I.B.C. A local boy, they feel, would be more likely to open up Parana.

SOURCES: All newspapers.

2. RAMI EXHIBIT:

Curitiba will be the scene of a rami exhibit, scheduled for the latter part of February. Rami plantation owners are eager to propagandize the crop and increase exports. At present only 20% of Parana's production is being exported. Production costs are low (27 cruzeiros per kilo) leaving a comfortable profit margin at the domestic price of 70 cruzeiros per kilo and the export price of 100 per kilo. It is reported that Great Britain,

cc: Amembassy, Rio de Janeiro

Germany, Japan, etc.

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0323

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Page 2 of 5
Encl. No. _____
Disp. No. _____
From AmConsulate, Curitiba

Germany, Japan and Italy are interested in imports.

SOURCES: "Diário do Paraná", Jan. 29, 1961.
"Estado do Paraná", Jan. 11, 12, 1961.

III LABOR:

1. Railway Strikes:

A twenty day strike by Santa Catarina railway workers ended in mid-January, the workers claiming to have received nearly everything they demanded. Overdue wages are to be paid and the now famous "Lei de Paridade" will henceforth be applicable. The parity law will, in essence, put the workers on the same footing as federal employees as far as salaries are concerned. Losses caused by the strike were estimated at more than 20 million cruzeiros.

In Paraná some 12,000 workers for the Rede Viação Paraná-Santa Catarina went on strike on January 15, the first in 29 years affecting the line. Demands were substantially the same as those of Santa Catarina workers. The railroad claims that 437 million cruzeiros would be necessary to meet the conditions demanded by the strikers, including payment of overdue wages and pensions. At the end of the month the strike was still in progress. It was estimated that about 8 million cruzeiros a day were being lost as result of the strike.

SOURCES: "Diário do Paraná": 1/7; 1/27; 1/28; 1/29; 1/31, 1961
"Estado do Paraná": 1/7, 1/10; 1/13; 1/27; 1/28, 1961
"O Dia": 1/27; 1/28; 1/29; 1/30, 1961
"Gazeta", Florianópolis: 1/5; 1/8; 1/10; 1/13;
1/14, 1961.

2. Telephone Workers:

The long-standing demand by Curitiba telephone operators for a six hour day has culminated in a strike threat. Since operators in Rio and São Paulo have had the six hour day for more than a year the local telephone company (I.T. & T. subsidiary) is finding it difficult to resist the operators demands. Telephone company President Grubhofer says he is waiting for the Federal Supreme Court's interpretation of the labor law which grants the 6 hour day. The operators, naturally, are less patient than the company.

3. Labor Notes:

Office workers in the Paraná Legislative Assembly staged a 3 day strike in protest against the state's failure to pay salaries on time. The Lupion Government left office without giving the civil servants their back salaries. The Braga government, empty treasury and all, will have to cope with this problem.

A showdown may be expected soon if construction workers do not receive a considerable salary increase. Their contract expired December 31 and they are demanding a 60% rise for skilled laborers and lesser increases for other workers.

Industry owners believe the

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0324

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Page 3 of 5
Encl. No. _____
Disp. No. _____
From: Amconsulate, Curitiba

Industry owners believe the demands are exorbitant.

SOURCES: "Diário do Paraná", 1/11/61.
"Ultima Hora": 1/4; 1/12/61.

IV TRANSPORTATION AND COMMUNICATIONS:

1. Electric Power:

Governor Braga is said to be determined to push the development of electrical energy in Paraná, especially northern Paraná. Some years ago a state economic committee elaborated a plan for increasing electrical output by 330,000 kilowatts by 1960. Until now the state has installed only 100,000 kilowatts with plants at Campo Mourão (18,000 kw.) and Figueira (20,000 kw) under construction and additional plants at Capivari - Cachoeira (150,000 kw) and Salto Grande (64,000 kw) in the planning stages. Meanwhile, São Paulo's Department of Water and Electricity has informed Paraná that no electrical energy can be provided to Paraná from São Paulo. This gives Braga all the more incentive for developing Paraná's resources.

SOURCES: Personal observation and
"Estado do Paraná" 1/11/61
"O Dia" 1/13/61
"Ultima Hora" 1/13; 1/23/61
"Folha do Comercio" 1/9/61

2. Transportation and Communication Notes:

The Paraná - Santa Catarina railway will receive 68 General Motors diesel-electric locomotives from the United States beginning in April. They will take the place of obsolescent and uneconomical steam locomotives.

The bridge linking Brazil with Paraguay was inaugurated with a great deal of fanfare. Presidents Rubitschek and Stroessner spoke in elaborate terms about the economic benefits that will result from its construction, and what a marvel it is as an engineering project. It is possible that the bridge will be ready for traffic by the end of the year.

Federal Highway BR-2, linking São Paulo and Curitiba was also officially "opened" but here again the real opening is a long way off.

SOURCES: "Diário do Paraná", Jan. 27, 29, 1961
"Estado do Paraná" Jan. 6 Jan. 27, 1961
"Ultima Hora" Jan. 16, 1961

V MINERALS AND FISHERIES:

1. Paranaíba Fishery:

Some more details on the possibility of French (Daniel Dollfuss) investment in the development of the fishing industry in Paranaíba have come to light.

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Page 4 of 5

Encl. No.

Disp. No.

From AmConsulate, Curitiba

The French contribution in equipment would consist of six modern fully equipped fishing boats, with refrigerated holds and the latest in nautical devices. The French would also construct warehouses in Curitiba, São Paulo, Belo Horizonte and Brasília. Source of this information is one of the directors of the Banco do Estado do Paraná.

The fishing industry in Paraná is virtually non-existent. At present nearly all the fish consumed in Curitiba is caught on the Santa Catarina coast. The possibilities for developing a profitable fishing business in Paraná are considered good.

SOURCES: "Estado do Paraná" Curitiba, Jan. 19, 1961
"Diário do Comércio, Paraná, Jan. 4, 1961

2. COAL:

The National Coal Production Planning Office has announced that coal production in Santa Catarina is expected to nearly double in the next five years (from 550,000 tons in 1961 to about 1 million in 1965). With the increasing use of diesel fuel and the general decline in the use of coal it seems doubtful that a market for the product can be found.

SOURCES: "Estado" - Florianópolis - Jan. 11, 18, 19, 1961
"Gazeta" - Florianópolis - Jan. 13, 1961

VI FINANCE:

Paraná State Finances:

The movement to with-hold state income tax payments until the new government took office has apparently been successful. Governor Lúcio said that as a result of the shortage in state funds civil servants could not be paid and other state projects advanced. The mayor of Curitiba also claimed that the city's finances were down sharply.

COMMENT: While the movement did provide the outgoing administration with yet another excuse for failing to meet its financial obligations and for leaving Governor Braga an empty treasury its effects may have been almost as severe as claimed.

SOURCE: "Ultima Hora", Jan. 12, 1961

VII - DOMESTIC TRADE AND FINANCIAL POLICY

1. Wheat:

A threatened wheat shortage has been receiving a great deal of attention in the local press. Demands for price increases have been refused by the local price control office. Although there have not, as yet, been any shortages in the bread supply, current stocks of wheat in this area are low. The recently

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0326

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Page 5 of 5

End. No. _____

Dep. No. _____

From AmConsulate, Curitiba

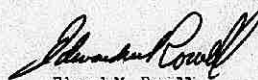
concluded PL 480 agreement will have its local effect with the arrival of U.S. wheat in Paranaguá during March.

SOURCES: "Diário do Paraná" Jan. 1, 5, 21, 1961
"Estado do Paraná" Jan. 1, 6, 7, 13, 1961
"Gazeta do Povo", Jan. 1, 5, 19, 20, 1961
"Tribuna do Paraná" Jan. 3, 14, 1961.

2. WILLYS-OVERLAND STATION

Willys Overland will install a central parts distribution station in Curitiba. It will supply WILLYS dealers in all of Paraná and Santa Catarina. The Aero-Willys sedan, a Brazilian version of an early 50 is U.S. Willys has been quite successful here. Willys station wagons and jeeps are very common.

SOURCE: Personal observation.



Edward M. Rowell
American Consul

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FOREIGN SERVICE DESPATCH					
FROM : Amembassy RIO DE JANEIRO		709		February 10, 1961	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		DESP. NO.		DATE	
REF : CERP C-1				FEB 10 1961	
55 For Dept. Use Only	ACTION REC'D	DEPT. IN OTHER	DEPARTMENT OF STATE BUREAU OF INTELLIGENCE 2/14 ASTA-10 OSD-2 dummy-35 NSA-4 CIA-16 OCB-2 COMINT TARA-3 AGA-8 INDEX INT-7 DAB-6 OLB-7		
SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered January 28, February 9, 1961)					

1. Coffee
2. Montevideo Treaty Ratified
3. Petrobras to Sue "WORLD PETROLEUM REPORT"
4. Shortage of High-test Motor Fuel
5. Tax on Iron Ore Exports to Finance Industrialization
6. President Orders Coal Planning Committee Moved to Coal Mine Area
7. Exchange Auctions to be Resumed
8. Congress to Consider Bill Limiting Remittances of Foreign Investment Earnings
9. Congress to Consider Bill Establishing National Export Bank
10. Foreign Investment Committee to be Established
11. Labor: New Labor Minister; Wage Increases; Railway Strike
12. New Ministries: Industry and Commerce; Mines and Power
13. CONCLAP Report
14. President Orders Strict Accounting of Social Security Funds
15. Radio and Television Concessions Cancelled
16. Janio Orders Investigation of US-Associated Dredge Building Firm
17. New Head of Federal Railway System

1. Coffee:

Total coffee exports (July 1, 1960/February 4, 1961) were 10,097,020 bags, compared to 11,196,341 bags exported during the same period of the 1959/60 marketing year.

Exports during the month of January 1961 were 1,047,090 bags. During January 1960 coffee exports were 1,027,428 bags. (UNCLASSIFIED)

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BANK

2. Montevideo Treaty Ratified:

On February 3, 1961 the Federal Senate approved the Treaty of Montevideo and authorized the Executive to deposit with the Government of Uruguay the instrument of ratification under the terms of Article 56 of the Treaty. (UNCLASSIFIED)

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Page 2 of
Encl. No. _____
Disp. No. 709
From RIO DE JANEIRO

3. PETROBRAS to Sue "WORLD PETROLEUM REPORT":

Rio and São Paulo press reports that PETROBRAS will sue "WORLD PETROLEUM REPORT" for publishing in the United States statements attributed to Walter Link which are derogatory to the Government petroleum monopoly. (UNCLASSIFIED)

4. Shortage of High-test Motor Fuel:

Shortage of high-test motor fuel is said to be due to the PETROBRAS refinery at Cubatão processing types of crude which produce kerosene and diesel fuel rather than high-test gasoline. (UNCLASSIFIED)

5. Tax on Iron Ore Exports to Finance Industrialization:

Minas Gerais State Federation of Industries is proposing to assess a 20% ad valorem contribution from iron ore exporters to a "Steel Mill Fund" to finance industrialization of the State. (UNCLASSIFIED)

6. President Orders Coal Planning Committee Moved to Coal Mine Area:

Symptomatic of the new President of Brazil's directives was his instruction to transfer the Executive Committee of the National Coal Plan from Rio de Janeiro "to Crisiuma, Santa Catarina, where the coal mines are." (UNCLASSIFIED)

7. Exchange Auctions to be Resumed:

The new Finance Minister, Dr. Clemente Mariani, announced that dollar auctions which were suspended on January 31 would be resumed on February 21, adding, however, that it had not been decided whether the so-called "extra offerings" under SUMOC Instruction 193 would be continued. (Under Instruction 193, dollars are offered for auction in amounts three times the "regular offering" which is based on anticipated foreign exchange earnings.) (UNCLASSIFIED)

Comment:

Dollars sold at auction are sold in terms of "promises to provide exchange" (FVC's) to be delivered 150 days from date of sale. President Jânio Quadros in his inaugural day address told the public that delivery on these FVC's was already one month or more overdue. Assuming that the period, one month is correct, this would mean that the foreign exchange obligations falling due this year for FVC's already amount to over \$106 millions in extra sales plus some \$156 millions sold in regular offerings. (OFFICIAL USE ONLY)

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0329

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Page 3 of
End. No.
Dep. No. 709
From RIO DE JANEIRO

8. Congress to Consider Bill Limiting Remittances of Foreign Investment Earnings:

As a price for obtaining Congressional approval of the Treaty of Montevideo (establishing the so-called Latin American Free Trade Area) the party leaders agreed to push for an early consideration of a bill which would limit the amount of remittances abroad of earnings on foreign investments and reinvestments. The bill which was introduced March 16, 1959 by Deputy Sergio Magalhães (Labor Party leader and First Vice President of the Chamber of Deputies), provides for: (a) that annual remittances on investments of unquestionable interest to the national economy "would be limited to 10% of registered capital; and (b) annual remittances in excess of these amounts would be considered repatriation of capital but in any case would not be allowed to exceed 20% of registered capital in any one year. (UNCLASSIFIED)

Comment:

The extent of the effect the bill would have depends on how it would be interpreted should it ever become law, particularly with regard to the value of registered capital. The bill makes no provision for re-evaluations but, on the other hand, also does not say that the percentage limitation should be applied to original book values. (OFFICIAL USE ONLY)

9. Congress to Consider Bill Establishing National Export Bank:

As one of its final acts prior to leaving office, the Kubitschek Administration sent to Congress a drop bill providing for the creation of a National Export Bank. The principal objections of the Bank would be: (a) to finance exports of producer and consumer goods for export; (b) finance production, distribution and placement of consumer and producer goods where export should be encouraged; (c) to finance purchase or acquire directly for its own account export products for storage pending a more favorable market; and (d) insure exporters against risk or insolvency of foreign purchasers. (See Embassy Dispatch 630 of January 23, 1961.) (UNCLASSIFIED)

10. Foreign Investment Committee to be Established:

A committee created by Article 91 of Law 3,470 of 1958 to examine all the applications filed for importation of equipment without exchange cover is now in operation. The membership of the committee includes the Minister of Finance who will preside, the President of the National Bank for Economic Development, Director of the Income Tax Bureau, Director of the Bank of Brazil's Agricultural and Industrial Credit Department, Executive-director of the Superintendency of Money and Credit, and the Director of the Bank of Brazil's Foreign Trade Bureau. (UNCLASSIFIED)

Comment:

The establishment of this committee is expected to speed up the process of

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Page 4 of
Encl. No.
Disp. No. 709
From RIO DE JANEIRO

considering applications for importation of equipment without exchange cover. Until now these were handled by CACEX which apparently was not equipped to do the job. (UNCLASSIFIED)

11. Labor - New Labor Minister; Wage Increases; Railway Strike:

New Labor Minister: At his first press conference on February 7, the new Minister of Labor, Francisco Castro Neves, stated that the problems of the Social Security system are of greatest urgency, and that although he hopes the labor and management representatives on the tripartite boards which administer the Pension Institutes will themselves take effective measures for improvement, intervention by the Administration in some of the Institutes may be necessary in order to ascertain the facts regarding past irregularities. (President Quadros has already ordered an investigation of the Railway and Public Utility Workers Pension Institute.) Castro Neves also stated that he supports unionization of farm workers, fewer restrictions on the right to strike, and eventual elimination of the "union tax." He said the Administration will oppose those who would use unions for political agitation and political strikes. (UNCLASSIFIED)

Wage Increases: Teachers in Rio's private schools were granted a 35% salary increase and several fringe benefits under a new wage agreement between the Teachers Union and the schools. Due to the inadequacy of the public school system, privately operated schools play a more important role in Brazil's educational system than in the United States.

Guanabara's Governor Carlos Lacerda issued a decree on February 7 raising the minimum monthly salary of state employees to Cr\$9,600, which is the current legal minimum wage in Guanabara for workers covered by the Federal Government's minimum wage law. At the same time, Lacerda told state employees that Guanabara's financial situation made it impossible to satisfy their claims for salaries at "parity" with those of federal public employees. (UNCLASSIFIED)

Railway Strike: A nine-day strike by some 50,000 railway workers in the southern state of Santa Catarina and in several northeastern states ended on February 4 when the directors of the Federal Railway System promised to make prompt payment of the higher wages authorized by Congress under last November's "parity law", as well as payment of several other benefits which were overdue as a result of the railway system's financial difficulties. (UNCLASSIFIED)

12. New Ministries - Industry and Commerce; Mines and Power:

Industry and Commerce Minister Artur Bernardes has announced the appointment of a commission whose task it will be to organize the new ministry. Stressing the need for efficiency geared to the demands of a complex and expanding business community, the new Minister voiced the hope that his department would not become a vast and cumbersome bureaucracy. One of his first actions was to establish contact with the heads of the agencies that will henceforth be subordinated

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Page 5 of
Encl. No. _____
Desp. No. 709
From RIO DE JANEIRO

to his Ministry, such as the Sugar, Coffee, and Pine Institutes, the National Motor Factory, the National Steel Company, and the controversial Federal Price Control Commission. (See Embassy Despatch 99 of August 5, 1960.)

Ministry of Mines and Power: At this writing there has been no announcement or statement from the new Minister of Mines and Power. (UNCLASSIFIED)

13. CONCLAP Report:

At a meeting of the Higher Council of the Productive Classes (CONCLAP) held on January 20, there was approved for submission to President Jânio Quadros a report listing adverse factors in Brazil's economy and public administration.

The ten factors accounting for Brazil's unstable economic situation were:

1. Lack of integrity in public administration.
2. Illiteracy and lack of interest in education in general.
3. Lack of regard for farming and handicrafts in general.
4. Poor health conditions of the people.
5. Inflation.
6. Lack of confidence in government operated services (mail, transportation, power) and unsatisfactory performance of these services.
7. Nationalists who seek to blame every deficiency on foreign "interests".
8. Lack of accurate statistical and other data on geography, geology, transportation, population, etc.
9. Intricate foreign exchange controls which discourage exporters.
10. The impunity with which embezzlers and many criminals can act.

14. President Orders Strict Accounting of Social Security Funds:

As one of his first acts as President, Janio Quadros ordered an accounting of the largest debtors to the Social Security Institutes (including the National Treasury) and decreed that hereafter all social funds of the Social Security Institutes be deposited only at the Bank of Brazil with monthly statements of these accounts to be sent to the Labor Minister and the President's office.

(UNCLASSIFIED)

Comment:

Apparently the resources of the Social Security Institutes have, in the past, been tapped directly for various projects of the Federal Government, of the so-called autarquias and even for private purposes, after which no public accounting of such uses ever being made. As a consequence, most of the Social Security Funds show large technical deficits which are now being made up in part by direct budgetary contributions.

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Page 6 of
Encl. No. _____
Disp. No. 709
From RIO DE JANEIRO

15. Radio and Television Concessions Cancelled:

In actions of February 3 and 7, President Quadros ordered the cancellation of all concessions or permits granted by the Kubitschek Administration in December 1960 and January 1961 for the operation of radio and television stations. The list of concessions involved includes nearly 70 broadcasting companies. The technical Commission for Radio, which is the body charged with the control of frequency assignments, reported to the President that concessions and permits had been given without its approval and without observance of legal and technical standards. (UNCLASSIFIED)

16. Jânio Orders Investigation of US-Associated Dredge Building Firm:

In one of his bilhetinhos of February 4, President Quadros instructed the Minister of Transport (a) to dismiss all the members of GEICON (the Executive Group for the Shipbuilding Industry); (b) to deliver to the Civil Cabinet of the Presidency the file concerning "the American firm, Ellicott"; and (c) to suspend all payments of any kind to the company. The Minister was told to act with special urgency. On February 9, the President appointed a special investigating committee, headed by a Navy captain, to examine the file and report within 30 days on the results. (UNCLASSIFIED)

Comment:

The firm in question, Ellicott do Brasil, which is associated with the Ellicott Machine Corporation of Baltimore and which laid the cornerstone for its dredge-building shipyard on January 23 (BWER Embassy Despatch 658 of January 31, 1961), has been under fire off and on since September 1960 because of an incentive-contract for ten dredges awarded to it by the Director of the National Department of Ports, Rivers and Canals (DNPRC). Other shipbuilding interests have charged that the contract was obtained irregularly and that the price given Ellicott by the DNPRC was exorbitant. At present there seems to be a certain amount of justification for the charges. The President's action has received widespread publicity, and the case contains elements which can lead to exploitation by groups hostile to the United States or United States business.

Quadros was in error in ordering the firing of the members of GEICON. In the first place, GEICON no longer exists, having been replaced by the Coordinating Council for the Shipbuilding Industry (COCICON) a year ago. Secondly, neither COCICON or GEICON has had any contract-letting authority. (OFFICIAL USE ONLY)

17. New Head of Federal Railway System:

President Quadros has appointed Hermínio Amorim Junior, present President of the Sorocabana Railroad (owned by the State of São Paulo), as President of the Federal Railway System. It is expected that a majority, if not all, of the other six directors of the Rede will be replaced shortly. (UNCLASSIFIED)

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Page 7 of
Encl. No. _____
Desp. No. 709
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Comment:

Amorim, by all accounts a first-class railroad man and administrator, is an excellent choice for a ~~first-class~~ job, the designation for which he had hoped to avoid. It will be most interesting to see whether Quadros' choices for other directors will maintain the same standard. During the Kubitschek Administration the Rede board of directors started out (in September 1957) as essentially a group of technicians but ended up with a heavy component of politicians with limited or no railroad experience.

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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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Item 2 - RAGoldstein
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Item 12 - JDeSeabra
Item 13 - JHWiegerinck
Items 15, 16, 17 - JHCrimmins

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FOREIGN SERVICE DESPATCH

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FROM : Amcogen SSo Paulo

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 10, 1961

REF : CERP C - General Interest

FEB 10 1961

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SUBJECT: Biweekly Economic Review, January 27 - February 9, 1961

Index

1. Heavy Demand for Soft Currencies at Import Exchange Auction R. E. Cahn
2. Tax Exemption on Coffee Transactions Temporarily Extended A. D. Ventura
3. Agrarian Reform Regulations Nearly Ready R. E. Cahn
4. Government Official From Columbia Studies Agrarian Reform J. B. Perkey
5. Operations at Campinas Airport R. E. Cahn
6. Mato Grosso Grows Cotton R. E. Cahn
7. Goiás to Grow Grapes A. D. Ventura
8. Metalworkers Campaign for Higher Wages J. F. Shea

1. Heavy Demand for Soft Currencies at Import Exchange Auction,

The heavy demand at import-exchange auctions at SSo Paulo was not limited to purchases of hard currency (item 1 of desp. 283, January 27). On January 19 there were also heavy purchases of soft currencies, and this heavy demand resurged on January 31 and February 2 after the auctioning of dollars had been suspended temporarily. It dropped again on February 7, after an announcement that sales of dollars would be resumed on February 21, but is still on a relatively high level. The demand in SSo Paulo was particularly heavy for the following soft currencies which totaled the amounts indicated during the two auction days of January 31 and February 2: Czechoslovakia \$781,880; Poland \$310,908; East Germany \$233,847; Denmark - Kroner 5,398,729; Hungary \$68,633. These amounts exceed previous purchases of those currencies in SSo Paulo during an entire month of eight auction days.

Comment: The heavy purchases of soft currencies are due to the same reason that prompted the heavy purchases of hard currency, namely the uncertainty of future Brazilian foreign exchange policy. A subsidiary reason after the suspension of dollar sales was the possibility of developing triangular trade if dollar sales remained.

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(See Index for contributors)

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Page 2 of
Encl. No. 298
Desp. No. 298
From Amcongen São Paulo

suspended for a protracted period or hard currency offerings are reduced considerably.

2. Tax Exemption on Coffee Transactions Temporarily Extended.

The order from the Secretary of Finance temporarily exempting internal transactions on coffee for export from the São Paulo sales tax of 4.8 percent (see item 1, despatch 268 of January 13, 1961) was renewed to last through February 4, at which time the State Legislative Assembly was expected to approve a bill extending the tax exemption. The legislation including the exemption has not yet been passed, but it is possible that it will be approved by February 15.

3. Agrarian Reform Regulations Nearly Ready

The Secretariat of Agriculture announced that a draft of the regulations governing the São Paulo Agrarian Reform Law (see despatch 258 of January 6, 1961) is nearing completion. When completed, possibly by February 11, the draft will be submitted to trade organizations for suggestions before being sent to the Governor for approval and promulgation.

4. Government Official from Colombia Studies Agrarian Reform.

Mr. Ismael Marques, director of the Caixa de Credito Agrario, Industrial e Mineiro of Colombia, came to São Paulo to study and observe the operation of the recent agrarian reform law of the State of São Paulo. According to the press, he wants to use the information he collects in the cooperative sector of the agrarian revision now under consideration in the Colombian Congress. It is reported that the Foreign Agricultural Organization of the U. N. is sponsoring Mr. Marques' visit to Latin American countries.

5. Operations at Campinas Airport.

Five international airlines, none of them Brazilian, are now operating from Campinas (Viracopos) airport. Panair do Brasil, however, is expected to shift to Campinas in March. Industry sources say that many passengers apparently prefer to fly from São Paulo's Congonhas airport to Rio de Janeiro and make the international connection there instead of undertaking the hour and a half drive to Campinas. Varig airline met this situation by operating a shuttle service from Congonhas to Galeão (see item 3 despatch 268 January 13). The other airlines operating from Campinas consider this to be an unfair situation and are pressing for uniform treatment.

6. Mato Grosso Grows Cotton.

The state of Mato Grosso is now among the Brazilian states

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0336

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Page 3 of
Encl. No.
Disp. No. 298
From Amcongen São Paulo

producing over 1 million arrobas of seed cotton. Although production is still small, this year seed cotton production is expected to come to 1.2 million arrobas of 33 pounds each, which should yield 6,000 metric tons of lint cotton. McFadden & Co. has been pioneering in the state of Mato Grosso by rendering technical assistance to farmers and in seed selection, and is given credit for the development of cotton planting in that state.

7. Goiás to Grow Grapes

Grape growing is being introduced in Goiás by federal and state agricultural organizations. Five experimental vineyards are being set up in government agricultural stations near the towns of Goiania, Goiás Velho, Catalão, Corumbá, and Veadeiros. The vineyards will be supervised by a grape technician from São Paulo.

8. Metalworkers Campaign for Higher Wages.

The non-Communist São Paulo State Federation of Metalworkers is leading a campaign for increased wages of 60 percent for metal, machine, and electrical appliance workers employed by companies located in suburban and interior cities of the State of São Paulo. The campaign involves an estimated 90,000 workers who are represented by some 23 local union affiliates of the state federation. Two of these affiliates are located in the important A.B.C. triangle of Santo André, São Bernardo do Campo, and São Caetano, and bargain for workers employed by large American firms such as General Motors, General Electric, and Willys. (In spite of the fact that the State Federation is controlled by non-Communists, the two A.B.C. locals are under considerable leftwing influence.) The State Federation has convoked a meeting of all its affiliates for February 10 to discuss and coordinate the campaign.

Comment: The demand for a 60 percent wage increase is somewhat deceptive because the final agreement will probably have a number of clauses which stipulate maximum and minimum increases, which would result in highly skilled workers receiving an increase of only 25 or 30 percent. The agreement will also probably stipulate that unskilled workers whose minimum wages were recently increased 60 percent will be only entitled to an increase of Cr\$1,000, which amounts to a percentage increase of between 10 and 12 percent.


William P. Cochran, Jr.
Minister Consul General

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FROM : Amconsul, Belo Horizonte, Brazil 28

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 17, 1961

21 FEB 1961

REF : ---

ACTION For Dept. Use Only	2-27	2-28	2-29	2-30	2-31	2-32	2-33	2-34	2-35	2-36	2-37	2-38	2-39	2-40	2-41	2-42	2-43	2-44	2-45	2-46	2-47	2-48	2-49	2-50	2-51	2-52	2-53	2-54	2-55	2-56	2-57	2-58	2-59	2-60	2-61	2-62	2-63	2-64	2-65	2-66	2-67	2-68	2-69	2-70	2-71	2-72	2-73	2-74	2-75	2-76	2-77	2-78	2-79	2-80	2-81	2-82	2-83	2-84	2-85	2-86	2-87	2-88	2-89	2-90	2-91	2-92	2-93	2-94	2-95	2-96	2-97	2-98	2-99	2-100
	2-27	2-28	2-29	2-30	2-31	2-32	2-33	2-34	2-35	2-36	2-37	2-38	2-39	2-40	2-41	2-42	2-43	2-44	2-45	2-46	2-47	2-48	2-49	2-50	2-51	2-52	2-53	2-54	2-55	2-56	2-57	2-58	2-59	2-60	2-61	2-62	2-63	2-64	2-65	2-66	2-67	2-68	2-69	2-70	2-71	2-72	2-73	2-74	2-75	2-76	2-77	2-78	2-79	2-80	2-81	2-82	2-83	2-84	2-85	2-86	2-87	2-88	2-89	2-90	2-91	2-92	2-93	2-94	2-95	2-96	2-97	2-98	2-99	2-100

SUBJECT: ECONOMIC SUMMARY - Minas Gerais (January 1961)

2-27 INT-7 Ag-8 FPL-1 OSD-5 Army-4
NSC-4 Navy-4
Air-6

INDEX

1. INDUSTRY
 - a) Minas Oil Refinery (continued)
 - b) Minas Gerais Produces First Tractor
 - c) Bates do Brasil S.A. Opens New Plant
 - d) Usiminas Contracts for First Two Blast Furnaces
2. ELECTRIC POWER PROJECTS
 - a) Três Marias Dam Inaugurated
 - b) Cemig Continues Expansion
3. STATE GRANTS TAX CONCESSIONS

1. Industry
 - a) Minas Oil Refinery (cont.)

The approval, in early January, by the National Petroleum Council (NPC) of both an oil refinery and a pipeline for Minas Gerais was received with great satisfaction by those groups within Minas Gerais which had fought so long and hard for the approval. However, the hope expressed in the press that work would begin immediately on the project was, to say the least, premature.

Continued talk within the Federação das Indústrias of conniving on the part of the Rede Ferroviária Federal, and the Capuava Refinery to scuttle the project caused a short flurry of activity in mid month. Accusations ceased, at least publicly, when Capuava denied any part in such a campaign and no evidence of anti-Minas refinery literature supposedly circulated by the Capuava management.

cc. Counselor for Consular Affairs/Ambassy/Rio de Janeiro
Ambassy/Rio de Janeiro/Good Section

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K Martin/pk

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Page 2 of
Encl. No. _____
Disp. No. 28
From Belo Horizonte, Brazil

could be located.

With much fanfare Petrobras opened its local offices on January 25, 1961. This inaugural came after a long delay during which time, aside from the Petrobras name on the door, the offices were empty. Despite the auspicious beginning, the offices were almost immediately abandoned by Petrobras employees much to the irritation of the Mineiros. When finally reached, a spokesman for Petrobras indicated that the closing was only temporary and that the offices would be reopened as soon as new officers could be named to replace those previously assigned.

Finally at the close of January Newton de Paiva FERREIRA, president of the Special Commission for the Construction of the Minas Gerais Pipeline and Oil Refinery, resigned. He is quoted as having said that he considered his work done. Both projects had been approved by the CNP and by resigning he allowed the new government freedom to appoint a successor of its own choosing.

Comment: - Underlying the uncertainties that have lately been expressed concerning the refinery/pipeline project is the unknown, but suspected, attitude to be taken by the new federal government. The reporting officer has talked to several individuals who were involved in the recent fight to win approval within the CNP. Many of these people are privately convinced that President Quadros will attempt to frustrate construction of the refinery. Under these circumstances their one admitted hope is to keep the issue boiling within the state, to arouse public opinion, business groups, and the unions to such an extent that it will be difficult for the federal government not to go ahead with the project without losing a great deal of public support in the State.

M.) - Minas Gerais Produces First Tractor

The long-awaited MINEIRAO DEUTZ, Minas Gerais' first locally built tractor, was unveiled in late January with appropriate ceremonies at the Governor's palace in Belo Horizonte. As reported earlier by the Consulate (Condes # 23, Jan 24, 1961) the tractor is a copy of the 50HP Kloeckner Humboldt Deutz model F3L-514. Over seventy percent (by weight) of the handbuilt prototype which is now on display in Belo Horizonte was produced in Brazil.

Comment: - Future plans of DEMISA, the joint Brazilian-German firm which will build the tractor, remain somewhat uncertain. Assembly line equipment has yet to be imported from Germany. The firm must also decide whether to adapt old production facilities in the Industrial City of Contagem, or to begin immediately on construction of its own plant in the new Industrial City at Santa Luzia. Because of these uncertainties it is unlikely that DEMISA will be in production before mid 1962.

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0339

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 28
From Belo Horizonte, Brazil

c) Bates do Brasil S.A. Opens New Plant in Cidade Industrial (Contagem)

On January 24, 1961 Bates do Brasil S.A., subsidiary of St. Regis Paper Co, inaugurated its modern factory in the Cidade Industrial de Contagem, outside Belo Horizonte. The factory will manufacture multiwall kraft bags used in packaging cement, fertilizer and animal feed.

The plant, one of the most modern in the State of Minas Gerais was built at an estimated cost of about two million dollars. Using paper produced elsewhere in Brazil it will be able, at capacity output, to turn out 200,000 bags per day.

d) Usiminas Contracts for Installation of First Two Blast Furnaces

Usinas Siderurgicas Minas Gerais S.A. -USIMINAS- has signed a contract with Ishikawajima do Brasil Estaleiros S.A. for the mounting of its first two blast furnaces, fabrication and installation of a regeneration system and other accompanying equipment. According to the production schedule included in the contract the first furnace is to be ready in February 1962 and the second, six months later (August). Value of the contract is estimated at 1.4 million dollars.

Comment: - The above production schedule is in line with USIMINAS's plans to pour their first steel late in the first quarter of 1962.

2. ELECTRIC POWER PROJECTS

a) Três Marias Dam Inaugurated

In the presence of President Kubitschek the Três Marias Dam was formally dedicated on January 14, 1961. The dedication marked the fulfillment of one of the most important "metas" of the Kubitschek administration. Construction of the dam, although subcontracted by Companhia Vale do São Francisco to Centrais Elétricas de Minas Gerais -CEMIG, was actually carried out by a consortium of American firms. Work has progressed on schedule throughout most of the construction phase of the project and the final intake gate was closed on January 12th despite attempts by some disgruntled landowners whose land will be inundated by the reservoir, to force a postponement.

The dam will serve two main purposes. It will regulate transport on the São Francisco River by maintaining navigable water levels for shallow draft vessels throughout the year and it will supply electrical power for the growing industrial output of central Minas Gerais. Electrical power generation should begin in mid 1961, although the German engineer charged with the installation of the Kaplan turbines told the reporting officer that he would not be surprised if the first unit were ready before that date. Work on

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0340

UNCLASSIFIED
(Classification)

Page 4 of
End. No. 28
Dep. No. 28
From Belo Horizonte, Brazil

the second turbine/generator set has already begun and it is expected to be in operation at the end of 1961. The third and fourth units are expected to be producing power in mid 1962 and mid 1963 respectively. The remaining four units will be installed as power requirements increase most likely between 1965 and 1968.

The high rainfall during the past two months which raised the river level and caused the closing of the intake gates earlier than anticipated has also resulted in the filling of the reservoir more rapidly than was expected. Reports from the dam site indicate that the reservoir, seven times the size of Guanabara Bay, will be filled by mid February.

b) Cemig Continues Expansion

Although the inauguration of the Três Marias Dam grabbed the big headlines for CEMIG during the month of January, two other company projects also made news.

Work has been completed on the powerhouses at the Camargos and Itutinga dams which are located only seven miles apart in an area some 105 miles southwest of Belo Horizonte. The Camargos dam has been producing power on a limited scale since its first generator was installed last August. Now, with its second and final 22,500KW generator on the line the power plant will be operating at full capacity. At the same time Itutinga has installed another unit (25,000KW) which brings combined capacity of the two dams to 95,000KW. (The two dams are operated as a unit with all controls being located at the Itutinga power plant.). The major portion of the power being produced will be consumed in southern Minas Gerais including the areas surrounding the cities of Barbacena, Lavras, São João del Rei, and Lafayette.

3. State Grants Special Tax Concessions

During a luncheon given in his honor by local businessmen Governor Bias Fortes signed into law legislation that is intended to increase the speed of industrialization within Minas Gerais.

Under the terms of this law new industry, whether Brazilian or foreign, locating in Minas Gerais will be granted a ten-year state tax exemption. The exemption will cover not only taxes usually levied against production but also taxes originating from incorporation and other administrative activities.

As the above legislation covers only business established in Minas Gerais at some future date, special legislation was also signed covering the particular case of SIMCA do Brasil S.A. Although its production facilities are maintained in São Paulo, SIMCA has set up its "head" offices in Belo Horizonte in connection with its proposed plans to move the company's production plant to the Industrial City at Santa Luzia.

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0341

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 28
From Belo Horizonte, Brazil

The special legislation covering SIMCA generally follows the lines of the tax exemption legislation previously mentioned. Two important changes, however, have been made. SIMCA's ten-year exemption period begins on December 31, 1961 and within two years (December 31, 1963) the firm must be in full production failing which all tax concessions will be cancelled.

Comment: - One of the requirements of the law defining the general tax exemption was to inform officially all consular and diplomatic representatives within Brazil, within thirty days, of the concessions to be granted. While the Consulate has received word informally from other interested organizations (Federação das Industrias), no official word has been forthcoming from the state government. While the delay may well be due to the recent change in the state administration it has also been symptomatic of a lack of "followthru" on the part of some state officials. Within the past year the reporting officer has seen several basically good ideas, aimed at attracting business to this state, fall by the wayside simply because no effort was made to publicize effectively the advantages offered.

Edmund A. da Silveira
Edmund A. da Silveira
American Consul

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FOREIGN SERVICE DESPATCH					
FROM :	AMCONSUL, Belém, Pará, Brazil		24	February 20, 1961	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DATE		
REF :	CERP Requirement, Section B, Item 2.		ARM-5 EUR-5		
ACTION		DEPT.			
COM-12		ARM-7 INA-7 AAA-4 E-7 ICA-11 PER-2			
REC'D		OTHER			
3/3		CIA-10 THA-2 IN-3 FRB-3 XMB-4 DUE-7			
SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - JANUARY, 1961 NSA-4 USIA-10					
AGA-8 INT-7 HAB-6 OSO-5 ARMY-6 NAVY-4					
LOC-4 INDEX FAA-5 CAB-6 AIR-6					

- SUMMARY
- DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
- FINANCE
- IMPORTS AND EXPORTS
- ELECTRIC POWER
- TRANSPORTATION AND COMMUNICATION
- IMMIGRATION AND COLONIZATION

1. SUMMARY

During January 1961 merchants reported a sales volume decrease in comparison with previous periods, despite intense advertisements and announcements of installment buying facilities. Credit to business was tight. Interstate shipments, both incoming and outgoing, were normal.

The Pará State Finance Department and the Regional Income Tax office have announced a surplus of collections in 1960 over those verified in 1959. Commerce and industry had their financing cut indefinitely by government establishments. SPVEA has reacted in the same manner. The cruzeiro weakened a little more during the month.

Imports diminished while exports continued active.

The Federal Territory of Rondonia will have an additional thermo electric power plant of 2,100 KWA. Preliminary studies to install the Gurupi hydro electric power plant has been initiated.

The bridge over the BRUYCH river on the Belém-Brasília highway was inaugurated. During 1960 there was a considerable movement of persons entering and leaving Belém.

An agricultural committee from Bormosa (Nationalist China) has visited the Amazon Valley and technicians and farmers of Belgian nationality show interest in settling in State of Pará.

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LWS

2. Domestic Trade

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Page 2 of
Encl. No. 24
Desp. No. _____
From Belem, Para, Brazil

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

As a result of increased wholesale and retail prices on the local market, sales volume during January 1961, was reported to have reached a much lower degree than expected. It is clear that, people are limiting their purchases only to necessary items, as their purchasing power is poor. (See comparative retail price schedule attached as enclosure n°1.)

Local merchants continue to develop their activities by advertising, announcing credit facilities for purchasers as well as offering reasonable discounts for cash sales.

Credit to business in January was tight. Commercial houses in the State has had to seek assistance from private credit sources since official establishments have cut their credit operations entirely and indefinitely.

Entries of merchandises from southern, eastern and northeastern Brazil continued normal through January. Outgoing interstate shipments were also made regularly.

3. FINANCE

Statements made by the Director of the Para State Finance Department, show that the general State revenue in 1960 totaled 1,351,953,205 cruzeiros with a difference above the 1959 income of 523,742,208 cruzeiros. The Regional Income Tax office published statistics showing 1960 income tax collections reached 537 million cruzeiros, or 101 million cruzeiros above the 1959 collections.

During January 1961 financial assistance to commerce and industry was suspended by federal finance establishments. Private concerns, however, continued assisting local industrialists and businessmen in order that they could continue their activities. SPVEA's financing during that period was paralyzed.

The cruzeiro exchange rate for US\$1.00 on the free market during January 1961 was as follows: January 1, Cr\$202 for purchase, Cr\$206 to sell; January 31, Cr\$218 for purchase, Cr\$225 to sell. Exchange fluctuation during that period was: lowest, Cr\$200 for purchase and Cr\$204 for sale; highest, Cr\$228 for purchase and Cr\$232 for sale, to US\$1.00.

4. IMPORTS AND EXPORTS

Importations were practically negligible during January while exports were active through the ports of Belem and Manaus with a considerable tonnage of amazonian products being shipped abroad. As usual, black pepper was exported in large quantities to Europe, United States, Japan and Argentina, the value of the shipments being over 80 million cruzeiros.

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5. Electric Power/

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Page 3 of
Encl. No. 24
Disp. No. 24
From Belem, Para, Brazil

5. ELECTRIC POWER

The government of the Federal Territory of Rondonia, has acquired four Diesel conjugated electric generators "Skoda" of Czech manufacture being 2 of 700 KWA and 2 of 350 KWA. The two 700 KWA units will be installed at Porto Velho, capital of the Territory while the others are to be installed in Guajara Mirim a town about 300 kilometers south of Porto Velho on the only railroad of the territory.

The Brazilian firm Grupina from Rio de Janeiro, Guanabara, has been contracted by the Comissão de Energia Elétrica do Estado do Pará (Para State Electric Power Committee) to perform the preliminary survey on the industrialization of the Gurupi hydro-electric potential. The Grupina will receive 5 million cruzeiros to do this work.

6. TRANSPORTATION AND COMMUNICATION

On January 23, 1961 the bridge over the Tocantins river at Estreito, was officially inaugurated, thus connecting two parts of the Belem-Brasilia highway. Although the two largest bridges on this highway have been opened to public traffic, travel through certain parts of this road is still not feasible from a commercial point of view and not advisable for tourists.

Statistics published by the local Air & Maritime Police indicate that during 1960, 36,260 persons entered Belem from all directions being 31,486 by aircrafts and 4,774 by vessels. Persons leaving Belem during that period were as follows: by air 2,180, by vessels 21,207. In transit through Belem was the following: by air 8,361 persons, by vessels 9,718.

7. IMMIGRATION AND COLONIZATION

On January 7, 1961 a committee of agriculturists from Nationalist China, headed by Mr. Lien Sang Chao made a visit to the Amazon Valley. The committee while in Belem visited the Instituto Agronomico do Norte (Northern Agronomic Institute) and SPVEA where they were given full data on the agricultural development of the Amazon Valley.

It is understood that the Governor of the State of Para has received a communication from the Servico Brasileiro de Seleção de Imigrantes (Brazilian Service of Selection of Immigrants) in Europe in which interest has been shown by various Belgian farmers and technicians with a desire to immigrate to this area to engage in farming and industry. Reliable Belgian institutions, formerly operating in the Congo, have been furnished with the necessary information by Servico Brasileiro regarding the possibilities of Belgian immigration in this area.

Henry E. Dumas
American Consul

Encl.: N°1 - Comparative retail price schedule.

c.c.: American Embassy, Rio de Janeiro, Guanabara, Brazil.

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Page 4 of
End. No. 1
Dep. No. 24
From Belém, Pará, Brazil

COMPARATIVE RETAIL PRICE SCHEDULE BETWEEN JANUARY 1960 AND JANUARY 1961 IN
BELÉM * PARÁ * BRAZIL

Articles	Unit	Price Cr\$ Jan. 1960	Price Cr\$ Jan. 1961
Sugar	Kilogram	20,00	30,00
Rice	"	28,00	36,00
Lard	"	140,00	250,00
Potato	"	60,00	100,00
Onions	"	60,00	120,00
Ground Coffee	"	120,00	180,00
Fresh Meat (boneless)	"	100,00	230,00
" " (with bones)	"	60,00	150,00
Pork	"	80,00	150,00
Jerked beef	"	160,00	220,00
Manioc flour	"	10,00	20,00
Beans (from southern)	"	65,00	65,00
Butter	"	220,00	480,00
Chocolate	"	60,00	85,00
Bread	"	30,00	33,00
Tomatoes	"	40,00	120,00
Soap, Laundry	"	60,00	80,00
Fresh fish (1st grade)	"	60,00	120,00
" " (2nd ")	"	25,00	80,00
Butane gas (cooking gas)	"	22,50	23,70
Charcoal	"	10,00	12,00
Edible oils	Liter	120,00	180,00
Fresh cows milk	"	20,00	35,00
Alcohol	"	35,00	70,00
Kerosene	"	10,00	12,00
Chicken	Each	240,00	350,00
Duck	"	350,00	450,00
Turkey	"	450,00	1.000,00
Hair cut (man)	"	40,00	70,00
" " (woman)	"	50,00	100,00
Powdered milk	Can.	110,00	145,00
Condensed milk	"	36,00	54,00
Eggs	Dozen	96,00	156,00
Electric power	KWH	4,60	5,30
Fire wood	Cu. Mt.	180,00	240,00
Shoe Shining	Pair	15,00	30,00

Source of information:
Departamento Estadual de Estatística (State Statistic Department)

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(Security Classification)

FOREIGN SERVICE DESPATCH

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312

FROM : Amcogen SMO Paulo

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP - Section D Item IV - A - 4

February 23, 1961

FEB 24 1961

2 For Dept. Use Only	ACTION REC'D	DEPT. OTHER
2-27	AKA-3	REP/INR-7 E-7 ICA-11 SEC-1 EUR-5
		Com-8 TR-3 FRB-3 XMB-4 Dia-15 Army-4 Navy-4

SUBJECT: SMO Paulo Press Comments on Steps Essential to the Economic and Financial Rehabilitation of Brazil

USA-10 Apr-8

Various press comments have been made in the past two weeks on steps essential to the economic and financial rehabilitation of Brazil.

The O Estado de SMO Paulo of February 12 commented that the Minister of Finance indicated that the new administration would take all measures it can, in respect to the federal budget and foreign exchange, in accordance with its own convictions and based upon suggestions of its own experts "without prior consultation with foreign institutions." This means, it said, that Janio Quadros will avoid the "degrading and humiliating situation of having to discuss domestic measures within his exclusive powers with foreign organizations." Thus he will take on his own initiative all steps he feels essential to rehabilitate the currency and foreign exchange so that he will not be placed in the position of having to listen to advice not infrequently given in "a paternalistic spirit." The newspaper said it was "convinced that such conduct was more appropriate to the national dignity and material interests of the country than that assumed by the past administration."

On February 11 Geraldo Banas of the Diario de SMO Paulo referred to reports of possible resumption of diplomatic relations with iron curtain countries, which he said could have a bearing on economic relations between Brazil and the United States. He then said: "If, for example, the new Brazilian government were placed with its back against the wall and virtually is obliged to accept the dilemma of officially confessing its inability to meet its commitments or agree to the old formulas of the International Monetary Fund, then probably ideas to make a demonstration of dissatisfaction out of the experiment with these countries will be reinforced in Brasilia." Further on he said it was not probable that this would occur, because both parties realize the confusion in the inter-American system that might result from any friction. He then added that the Brazilian government was aware that at the moment the United States could not give Brazil all it desires, because assistance to Brazil would require further help to other Latin American countries following the austerity demands of the IMF.

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BUREAU OF INTER-AMERICAN AFFAIRS

MAR 2 1961

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Page 2 of
Encl. No. _____
Disp. No. 312
From Amecongen São Paulo

He therefore counsels Brazil not to "demand the impossible."

The *Folha de São Paulo* of February 19 wrote that disinflation could not be accomplished only through acts of the Ministry of Finance, and that it was also necessary to a) have the Ministry of Commerce and Industry convince industrialists and merchants to reduce their margin of profit; b) make labor understand, through the Ministry of Labor, that any salary increase is illegitimate if productivity is not increased at the same time; c) undertake a campaign to convince the people of the need to save, because uncontrolled spending serves to raise prices; and d) take steps to encourage production of consumer goods. The *Folha* mentions Germany as an example of what can be accomplished by simultaneously attacking along all of these lines. The article concludes by saying goals should be re-examined so as to attain a balance between supply and demand, otherwise inflation will become a danger and may destroy the democratic economic and political freedom in which Brazilians now live.

João de Saantimburgo in the *Correio Paulistano* of February 18 sounds a note of warning. He said inflation made free enterprise flourish and accelerated industrialization. He admits this was not accomplished without sacrificing some elements of the population, and raised the question of what Janio Quadros, who has the welfare of the common people at heart, will do. He then added that the role to be played by Janio Quadros and his collaborators and counselors should consist of the government not falling in the trap door of super-inflation, but making the life of the common man easier and less uncertain and apprehensive through what the President "sensibly called disinflation."

All of the reporters showed that they were aware of the need for rehabilitating Brazil's finances and curbing inflation, although their approach in discussing the subject was different. The general feeling, however, was that the attack on inflation should take the form of gradual disinflation and not drastic deflation.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

Sources: As cited.

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AIR POUCH

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FOREIGN SERVICE DESPATCH

832.00/2-2461

FROM : Amcoeng São Paulo

314

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 24, 1961

DATE MAR 1 - 1961

REF : OERP C - General Interest

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RM/R-2 REP1 INR-7 E-7 ICA-11
CIA-10 USA-10 OSD-5 NCR-4 ARMY-4 NAVY-4 AIR-6 OIA-2DEPARTMENT OF STATE
BUREAU OF
INTERAFFAIRS

SUBJECT: Biweekly Economic Review, February 10 - 23, 1961

Index

1. Federation of Industries Concerned at Suspension of Dollar Auctions A. D. Ventura
2. Calls for Tender for São Paulo Telephone Concession to be Published Abroad A. D. Ventura
3. Artificial Insemination for São Paulo Dairy Cattle A. D. Ventura
4. São Paulo to Import Systemic Insecticide A. D. Ventura
5. Shortage of Wheat in São Paulo A. D. Ventura
6. Brazilian Motor Vehicles for Export A. D. Ventura

1. Federation of Industries Concerned at Suspension of Dollar Auctions

The board of directors of the Federation and Center of Industries of the State of São Paulo (FIESP - CIESP) sent a telegram to the Federal Minister of Finance expressing concern at the continued suspension of dollar import auctions and urging the government to indicate when the auctions will start again. The telegram added that local trade associations and industries approached FIESP - CIESP and alleged that suspension of supplies of raw materials from abroad for a protracted period, would be detrimental to the country's economy. This message was drafted several days ago, but was withheld until after the meeting of the Federal Cabinet on February 21, in the hopes that the resumption of dollar auctions would be announced at that time. When no such announcement was made, the telegram was sent on February 23.

2. Calls for Tender for São Paulo Telephone Concession to be Published Abroad.

The São Paulo Municipal Council overrode 9 of the 24 vetoes of the mayor of São Paulo in the same proceedings to call for bids to operate the São Paulo municipal telephone concession (see item 2, despatch 268 of January 13, 1961). The most important section that was re-established in the law by the Council was the one requiring the call for tenders to be published in New York, Paris,

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Page 2 of
Encl. No.
Disp. No. 514
From Amoenon Sao Paulo

London, Rome, Tokyo, Bonn, and other cities abroad. The call for tenders now will be announced abroad at the same time as it is in São Paulo.

3. Artificial Insemination for São Paulo Dairy Cattle.

The Semen Bank of the Secretariat of Agriculture's Department of Animal Production was inaugurated on February 22. The bank, and its branches (to be set up in the state's major milk producing centers), will store frozen imported semen of breeding bulls for distribution among dairy cattle owners. Artificial insemination will, according to state authorities, permit better breeding of dairy cattle on a more economic and rational basis than imported breeding stock. The bank already carries an initial lot of 1512 ampoules of frozen Holstein, Jersey, and Brown Swiss breeding bull semen, which were imported from the United States.

4. São Paulo to Import Systemic Insecticide.

The Governor of the State of São Paulo has requested the Foreign Trade Department of the Bank of Brazil to authorize the reserve of foreign exchange to be used by the Secretariat of Agriculture to import systemic insecticide. Cotton and other seeds were treated with this type of insecticide with successful results in 1958, 1959, and 1960, and a total of 572,200 lbs. of insecticide have been programmed for use in 1961. The Secretariat of Agriculture wants to import a first lot of 132,000 lbs. from West Germany soon, so that treatment of the seeds can be started in March. Treatment will continue until August, and the treated seeds will be distributed to farmers at planting time in September.

5. Shortage of Wheat in São Paulo.

Shortage of wheat (see item 2, despatch 250 of December 30, 1960) is beginning to affect the supply of bread in São Paulo and other cities in the interior of the state. According to the São Paulo Bakers' Association, the shortage of wheat is due to limited supplies of wheat from abroad, which totaled only 56,000 metric tons in January - February, while consumption is estimated at 100,000 metric tons monthly. Some flour mills, which have been carrying substantial stocks of wheat, are still operating at capacity; several mills, however, have slowed down their activities. Black market operations are reported, with flour being sold at Cr\$1,350 the bag, instead of at the controlled price of Cr\$824.

According to the Wheat Expansion Service of the State of São Paulo, 283,000 tons of wheat destined to the state have already been shipped out of the United States. This shipment will help to alleviate the present shortage of wheat.

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Page 3 of
End. No.
Disp. No. 314
From. Amcogen São Paulo

6. Brazilian Motor Vehicles for Export.

Two São Paulo manufacturers of motor vehicles are planning to export passenger cars to Spain: Vemag S. A. Veículos e Máquinas Agrícolas--manufacturers of DKW station wagons and passenger cars--announced their intent to export DKW vehicles and components to Industria del Motor S. A. of Madrid in an initial transaction worth US\$3 million under the payments agreement between Brazil and Spain. The project will be submitted to the Minister of Finance for his approval. Volkswagen do Brasil S. A.'s project to export 1,500 to 2,000 passenger cars to Spain within the next six months is already being studied by the Minister of Finance. A decision in the matter is expected before the end of February.

It is expected that both projects will be approved inasmuch as the exportation of Brazilian motor vehicles to Spain will help to balance the balance of payment between the two countries, now reported in favor of Spain in the amount of US\$12 million.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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LIMITED OFFICIAL USE

Encls D318 São Paulo

OPERATIONS MEMORANDUM

TO: American Consulate General, São Paulo Date: February 24, 1961
 FROM: American Consulate SANTOS, Brazil VPRM
 SUBJECT: Weekly Comment on Events in Santos
 REF:

I POLITICAL

1. Santos Mayorality Campaign (UNCLASSIFIED)

Carnival having run its course, the local politicians are increasing their efforts in the four-way Santos mayorality race. The local PTB, plagued with internal dissension (its municipal organization is not recognized by the party's Regional Directorate) and having nowhere else to go, has come out in support of the PSP's Luiz La Scala, Jr. for Mayor and for José Gomes, PTB Vice President of the Santos City Council, for Vice Mayor. Thus there are apparently two PTB candidates for Vice Mayor, since Arthur Alves de Amorim Jr., Secretary General of the local PTB and City Councillor, is also running for Vice Mayor. José Gomes was already the PSP's nominee for Vice Mayor.

Luiz La Scala Jr. now has the support of the PSP, PTB, PR and PL. The PL has nominated Nelson Antunes Matos for Vice Mayor, while the PR has nominated Nelson Noschese for that office. This week Mayor Silvio Fernandes Lopes, who has master-minded Luiz La Scala's campaign, took large advertisements in the local press urging his followers to vote for his protégé La Scala and also for José Gomes, both of whom are energetically campaigning in their own behalf.

Athís Jorge Coury, "orthodox" janista-carvalhista candidate (who is backed only by the PDC, PRP, PRT and Ação Socialista), is spending most of his time denying that he will quit the race in favor of his young rival Mario Covas Jr., who is aggressively pursuing his own campaign and who has managed to steal away from Coury the UDN, PST and PTN nominations. The UDN and PTN had nominated ex-City Councilman José Carlos Junior as their candidate for Vice Mayor (Carlos heads the local PTN). But on February 22 it became known that Carlos has withdrawn his candidacy, reportedly because he did not wish to spend his own money on electioneering. Covas has no large organization nor a large campaign fund to help him. The running mate of Athís Jorge Coury, on the other hand, is the current Vice Mayor of Santos, Jaime Peres, a communist.

AMERICAN CONSULATE GENERAL

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FEB 27 1961

★ U. S. GOVERNMENT PRINTING OFFICE: 1959-500128

SÃO PAULO, BRAZIL

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p 2

This leaves ex-Mayor Antônio Feliciano, PSD boss, as that party's candidate. He too has been energetically pushing his campaign, but as yet no vice mayoralty candidate has teamed up with him.

Comment: (OFFICIAL USE ONLY)

The reporting officer holds to his opinion that La Scala and Gomes will be elected Mayor and Vice Mayor respectively next month.

2. Santos Tourist Council Chief Resigns (UNCLASSIFIED)

During carnival it was made known that Atila Cazal had resigned as President of the Santos Tourist Council. Cazal had held the job for nearly four years and is credited with having done much to promote Santos as a tourist center.

Comment: (OFFICIAL USE ONLY)

Cazal, a successful coffee-sack manufacturer, was an ally of Mayor Fernandes Lopes during his 1957 candidacy, and was rewarded with his position as Tourist Council Chief. Since then Cazal has been the most photographed man in Santos, which has helped prick his ambitions for elective office. For years now he has been nursing hopes that he would gain the Mayor's support for City Councilman, Mayor, or certainly Vice Mayor. But Fernandes Lopes, publicly praising him for his tourist promotion work, privately side-tracked Cazal's political aspirations. Cazal, with faulty perspicacity, held onto his job, attended endless public functions, and only finally realized he was being used by the Mayor, who had no intention of supporting him for any office at all. Disappointed and embittered, Cazal resigned. But now it is too late for him to obtain the backing of any political party or launch his own independent campaign for an available office, since the mayoralty and vice mayoralty fields are crowded.

Although after the break between Cazal and Fernandes Lopes the Mayor demanded an auditing of the Tourist Council's accounts, the Santos City Council voted its congratulations to the former for a job well done.

3. Captain of the Port of Santos Fired (UNCLASSIFIED)

Capitão de Mar e Guerra Ernesto de Mello Jr., a native of Santos who had served as Captain of the Port of Santos for 364 days, has been relieved of his job by President Jânio Quadros, to be replaced by Captain Aureo Dantas Torres.

Comment: (UNCLASSIFIED)

This move has stirred up a hornet's nest of protest. Both A Tribu-
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Encls. D318 São Paulo

P 3

na and O Diaric have protested Mello's removal, praising him for his fairness and efficiency. Even the local labor unions have joined in the chorus, and the President of the Forum Sindical de Debates, Expedito Guedes Rodrigues, has sent a telegram to President Quadros asking for his reinstatement.

The reporting officer also knows him as an able, honest and conscientious officer.

II LABOR

1. Metallurgical Workers Demand Pay Increase (UNCLASSIFIED)

Representatives from the Sindicato dos Trabalhadores nas Industrias Metalurgicas, Mecanicas e de Material Elétrico de Santos e Cubatão participated in a roundtable discussion held in São Paulo February 23 between labor (21 unions in the State of São Paulo) and management over the State's metallurgical workers' demand for a 60% general wage increase. If a favorable decision is not forthcoming, the workers will consider a strike.

III ECONOMIC

1. Port of Santos Congested (UNCLASSIFIED)

The port of Santos continued congested, with more than a dozen and a half freighters waiting to berth alongside. The waiting period for freighters may now run up to one week. (See Weekly Comment of February 9, 1961, Economic item 4.)

Comment: (UNCLASSIFIED)

Port congestion is likely to worsen in March, according to local shipping circles.

2. Coffee-Trade Gossip (LIMITED OFFICIAL USE)

At lunch this week with Messrs. Frank Bradley of the American Coffee Corporation in New York and Alexander Grieg of the Agência Marítima Grieg of this city, it was mentioned to the reporting officer that (1) the German-owned Columbus Line is still apparently granting rebates on the shipment of coffee to the United States (2) coffee is now moving out of Brazil to the U. S. in increased quantities, due to low inventories occasioned by year-end delays in ordering caused by uncertainty in the U. S. as to the policies of the Quadros administration and (3) that if the new President of the Instituto Brasileiro de Café (IBC), Sergio Armando Frassão, "isn't already dishonest, he soon will be."

Comment:

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Comment: (UNCLASSIFIED)

The S/S "Brasil" carried 40,000 sacks of coffee from Santos on February 23.

Frazão of the IBC is not at all well known in Santos.

3. Wheat Shortage in Santos (UNCLASSIFIED)

Local wheat stocks are practically exhausted. The Moimho Paulista here has suspended operations, while the Moimho Santista continues at $\frac{1}{2}$ capacity. Two ships are expected shortly with 15,000 tons of wheat for Santos and São Paulo, which will be enough only for immediate needs.

4. New Schedule for Customs House Employees (UNCLASSIFIED)

The new work schedule decreed by President Jânio Quadros for Brazilian Government employees, which provides for a 38-hour work-week, has resulted in the Santos Customs House now being open in the mornings, which ought to speed up considerably the clearance of goods through this port.

Comment: (UNCLASSIFIED)

Both labor and management in Santos agree that the new work schedule is a long-overdue measure.

5. Port Statistics (UNCLASSIFIED)

During the year 1960, 49,579 passengers disembarked in Santos, and 28,957 embarked here. Some 115,282 passengers in transit passed through the port. The Immigration Service counted 9,804 immigrants to Brazil arriving through the port.

IV CONSULAR

1. General (UNCLASSIFIED)

Consular operations have continued normally during the past week, and there is nothing especial to report.

V ADMINISTRATIVE

1. Reporting Officer Sworn in as Consul (UNCLASSIFIED)

On February 21 the reporting officer executed his Appointment Affidavit at the Consulate General in São Paulo in connection with his recent promotion to FSO-5 and Consul.

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AIR PRIORITY

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FOREIGN SERVICE DESPATCH

832.00/2-2761

FROM : **Amembassy RIO DE JANEIRO**

747
DESP. NO.

MAR 3 1961

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

February 27, 1961

REF : **CERP C-2**

25- FOR DEPT. Use Only	ACTION REC'D	DEPT. IN OTHER	25- FOR DEPT. Use Only
3-6	*TR-3	FEB-3	Tan-2

SUBJECT: **MONTHLY ECONOMIC SUMMARY - JANUARY 1961**
INT-7 OSD-5 Army-8 Navy-4 XMB-3 USIA-10
Summary:
WH-MeS-1

Economic conditions and developments during January differed little from the pattern of recent months. There was considerable activity by the outgoing administration, but attention was centered upon the inauguration of the new President of Brazil on the last day of the month. Highlighting all was the inauguration address when the new President stressed the seriousness of the country's economic and financial situation. Promising to attack inflation and meet all obligations, he placed special emphasis upon the difficult foreign exchange outlook and foreign indebtedness already totalling \$3,802 million dollars. Specific plans were yet to be developed, but the appraisal of problems seen was generally well received in the business community. Meanwhile, in the last thirty days of the old administration, numerous public projects were inaugurated and additions were made to the country's industrial facilities.

Finance:

During the exchange auctions held in January, \$25,600,000 of regular offerings and \$36,127,000 of supplementary offerings under the provisions of SUMOC Instruction 193 were purchased by Brazilian importers. The corresponding figures for December were \$26,156,000 for the regular offerings and \$25,322,000 for the supplementary offerings. Total supplementary sales of U.S. dollars purchased under Instruction 193, since its inception amounted to \$106,297,000 by the end of December 1960, more than half of this amount in the last three months.

EJBash/jw with contributions by
 FFWilam, JRGrimms, EIBrowa,
 DPMann, WBlomeyer, JWiegertok, UNCLASSIFIED
 SJEmliano

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R file with an endorsement of action taken.

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UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. 747
Dep. No. 747
From Rio de Janeiro

It should be noted that only four auctions were held in January; the fifth, which was to have taken place on inauguration day was canceled. As of this writing, the auctions have not been resumed although the new Finance Minister announced his intentions to do so at an early date.

Also of interest is the fact that in the last auction held (January 24), the total of exchange offerings was taken up in both Rio and Sao Paulo for the first time, the increase in demand probably being attributable largely to uncertainty on the part of importers as to the foreign exchange policy the new administration would adopt.

Throughout the month in the regular auctions, considering Brazil as a whole, in the general category, the agio rate fluctuated between a low of Cr\$160.00, recorded in Belo Horizonte in one single auction (and therefore not representative), and the high of Cr\$210.00 in the largest markets - Rio and Sao Paulo. The agio rate in the general category has remained constant at Cr\$210.00 in Rio and Sao Paulo since July 19, 1960.

In the special category the rate fluctuated widely between Cr\$575.50 and Cr\$719.00, the latter being recorded in the Rio de Janeiro market on January 24, the last auction held. In Rio and Sao Paulo rates moved between Cr\$627.00 and Cr\$719.00 in the special category with the trend up at the end of the month. Fertilizers varied between Cr\$81.08 and Cr\$116.10 and for insecticides the high and low were respectively Cr\$83.00 and Cr\$115.40.

Other bilateral accounts denominated in dollars were sold in substantial amounts at the uniform rate of Cr\$178.00, with no change over the previous month.

During January paper money issued decreased by Cr\$4.5 billion or 2.2% over the previous month. For January-December there was an increase of Cr\$51.5 billion or 33.3%. For the comparable period of 1959, the corresponding figures were respectively Cr\$34.8 billion and 28%.

The press (attributing their story to sources in the new administration) reported that the decrease in the money in circulation was "artificial" and only made possible by the postponement of a federal payday from the last week of January to February. According to these press accounts, the outgoing administration explained the postponement of the payday on "technical bookkeeping grounds" but the pro-Quadros press read into this action a move to

UNCLASSIFIED

0358

UNCLASSIFIED

(Classification)

Page 3 of

End. No. 747

Disp. No.

From Rio de Janeiro

forces the new administration, which has pledged an end to "reckless financial policies" to begin its term by further currency worries.

The cost of living index of the Getulio Vargas Foundation indicated an increase of +2.7% for January 1961. For the comparable period of 1959, the corresponding figure was +1.0%.

The average check buying rate in the free market for December was Cr\$216.47 which compares with Cr\$201.47 in the previous month. For the comparable months of 1959 the corresponding figures were respectively Cr\$187.34 and Cr\$199.54.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market deteriorated on the 18th of January from Cr\$227.90 to Cr\$237.90 to the \$1.00. On the 21st it recovered and fluctuated between Cr\$220.61 and Cr\$229.73 during the rest of the month. The average rate was Cr\$230.10 on January 31, 1961.

Trade and Industry:

In the field of trade and industry, few events of major importance took place during the month. Production and merchandising continued at much the same rate as during the past few months. Numerous inaugurations of facilities initiated during the administration of President Kubitschek drew attention, as did developments in the electric power field.

On January 14, the Três Marias dam was officially inaugurated by President Kubitschek. The plant, situated on the upper Sao Francisco River in the state of Minas Gerais, includes a large earth-filled dam and a power plant with an installed capacity of 520,000 KW. In São Paulo, an organization was formed, to be known as CELUSA (Centrais Elétricas de Urubupunga, S.A.). The purpose of CELUSA is to administer the construction of the projected Urubupunga power plants, with a total capacity of about 3,000,000 KW at a cost of close to Cr\$90 billion. The power is to be distributed over a large area of the states of São Paulo, Minas Gerais, Goiás, Mato Grosso and Paraná.

The National Economic Development Bank signed a contract with the government of Bahia for a loan of Cr\$647,000,000 to Centrais Elétricas do Rio das Contas (CERC) for the construction of the Fumil power plant. The Bank has already extended a credit of approximately Cr\$223,000,000 to CERC and acquired Cr\$160,000,000 worth of shares, the latest loan making a total of Cr\$925,000,000 in

UNCLASSIFIED

0359

UNCLASSIFIED

(Classification)

Page 4 of

Encl. No.

Disp. No. 747

From Rio de Janeiro

financial aid to the project. The project is to utilize hydro-electric power obtained from Funil Waterfalls, installing two generators with a capacity of 10,000 KW each, with transmission lines to and substations in the cities of Ilheus, Itabuna, Itapiau and Jequié.

In a recent broadcast, an official of the Automobile Industry's Executive Group (GEIA), stated that Brazil consumed over 200,000 tons of steel products in 1960. He added that more than 130,000 automobiles were manufactured in Brazil during 1960, placing the country among the leading automobile manufacturing countries. He also spoke of the increase in the "nationalization" index of these vehicles, stating that by the end of 1961 automobiles with 100% domestically produced parts will be leaving the production lines.

An exhibit was opened in a pavilion of the Museum of Modern Art in Rio de Janeiro, displaying all the different types of motor vehicles and parts manufactured in Brazil. The first tractor manufactured in Minas Gerais by DEMISA DEUTZ was recently exhibited to the public.

The "Fabrica de Borracha Sintética de Pernambuco", COPERBO, reportedly has concluded negotiations with Firestone & Lumma Co. on the preliminary engineering work for the manufacture of 30,000 tons of polybutadiene type synthetic rubber.

A bill was presented to the State of Guanabara Legislative Assembly by Governor Carlos Lacerda granting state tax exemption for ten years to all industrial firms that install factories. The exemption covers payment of the property transfer tax during the construction and installation period, including license for private construction and installations.

The Mayor of Belo Horizonte appointed a commission to draft the statutes of FERROBEL, a mixed economy corporation for the exportation of iron ore. Representatives from Czechoslovakian, Polish and German concerns have announced their interest in purchasing ore.

Many local newspapers carried stories on the achievements of retiring President Kubitschek who, when starting his term of office, had promised to attain 30 targets before the end of his term. Favorable attention was given to attainments in petroleum production, highway construction and paving, mechanization of agriculture, production of fertilizers and development of the steel and automobile industry, and the cement and shipbuilding industries.

UNCLASSIFIED

0360

UNCLASSIFIED

(Classification)

Page 5 of

Encl. No.

Disp. No. 747

From Rio de Janeiro

On the 20th of January, PETROBRAS inaugurated the first units of the Duque de Caxias Refinery and the Guanabara Maritime Terminal. After concluding the necessary preliminary tests, and after all the units are installed and tested, it is expected that 90,000 barrels of crude can be processed per day. An agreement was signed between Petrobras and the Companhia de Carbonos Coloidais, for the supply of raw materials by the Landulpho Alves Refinery in Mataripe to Carbonos Coloidais which intends to produce carbon black in Bahia. The Refinery has agreed to supply up to 1,100 barrels a day of residual oils. At the last meeting before the change in Brazilian administration of the National Petroleum Council, it was decided to approve PETROBRAS' proposal to increase Brazil's capacity for petroleum refining, by the construction of two new refineries in Belo Horizonte and Porto Alegre. At the same meeting, the Council decided to grant permission to increase the production capacity of the Landulpho Alves Refinery in Mataripe to 52,000 barrels per day.

Heavy rains with severe damage to roads by landslides and washouts deterred mining activity in Minas Gerais. While the effects will be evident for some time, iron ore continued to move to the ports of Rio and Vitória on a reduced scale.

Agriculture:

Coffee: The current estimate for the 1961 coffee crop to be harvested from March through September, is 40 million bags of 60 kilograms each, with quality expected to be somewhat better than the 1960 crop. This coffee will be marketed under new regulations to be issued in June by the Brazilian Coffee Institute. The new coffee regulations will apply during the coffee marketing year running from July 1, 1961 through June 30, 1962. While substantial changes may be made in the regulations to be drafted by the new Brazilian administration, the Minister of Finance has announced that Brazil will adhere to the International Coffee Agreement.

Coffee exports during calendar year 1960 totalled 16.8 million bags, compared with 17.4 million during 1959.

During recent years Brazil has exported 40 percent of its year's total during the first half of the calendar year and the remaining 60 percent from July through December. On this basis it has been estimated that January-June 1961 exports will amount to seven to eight million bags. While eight million bags is given as a minimum estimate for the second half year, accurate predictions cannot be made at this time. The exact quantity to be exported will be dependent on the program and regulations to be

UNCLASSIFIED

0361

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. 747
Desp. No.
From Rio de Janeiro

announced by the new administration. The Brazilian Coffee Institute is expected to be placed organizationally within the newly established Trade and Industry Ministry.

Sugar: Sugar production during 1960 was 53 million 60-kilo bags, or 3.8 million metric tons. The 1961 forecast is 56 million bags, or 3.36 million tons.

No change is expected for 1961 in Brazil's quota of 550,000 metric tons for sale on the world sugar market. Industry sources indicate that total export availabilities from 1961 production will be about one million metric tons.

Cocoa: The preliminary cocoa production estimate for the marketing year October 1960-September 1961 is 2.6 million bags of 60 kilos each. Cocoa exports in terms of bean equivalent during 1960 through September were 140,000 metric tons compared to 137,000 metric tons exported during the entire year of 1959. Cocoa exports during 1961 will depend in large degree on the new cocoa marketing policy to be developed by Brazil's new administration.

Cotton: Brazil's cotton production, consumption and exports are continuing to increase. Total 1960-61 production is expected to be up 10% from 1959-60, with most of the increase resulting from expanding plantings in the State of Paraná and more favorable growing conditions in the northeast. Present planting trends indicate an area increase of 15% in the south of Brazil, mostly in Paraná, and this increase promises a substantial overall increase in Brazil's total production for the 1961-62 cotton year.

Corn: The revised 1960 production estimate is 8,554,000 metric tons, with a forecast of over 8,000,000 metric tons for 1961. Corn is produced in most of the Brazilian states and territories, but the production is centered in Minas, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul. Most of the production is consumed within the country as livestock feed and human food.

Rice: The revised estimate for the calendar year 1960 harvest of paddy rice in Brazil is 4,915,000 metric tons. It is believed that the 1961 crop will be about the same size as that of 1960.

The Rio Grande do Sul Rice Institute has been authorized, since July 1960, to export 120,000 metric tons of unmilled rice, but there have not been any significant exports to date.

Wheat: Brazil's wheat supply for calendar year 1961 is very uncertain. With the recent extension of the December 1956 Public Law 480, Title I Agreement for 500,000 metric tons,

UNCLASSIFIED

0362

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No.
Disp. No. 747
From Rio de Janeiro

Brazil has about 1,000,000 tons in sight. This includes 300,000 tons of national wheat.

The present estimate for the 1960-61 wheat crop is 350,000 tons. Wheat acreage will probably be down further during 1961 due to the competition of flaxseed, soybean and pasture. The heavy losses which wheat farmers have taken since 1957 will make a return to a large acreage a very slow process even with good varieties and higher yields. High government subsidies might overcome this problem somewhat. It has been reported that the Ministry of Agriculture made 500 million cruzeiros available to the wheat growers in Rio Grande do Sul for the 1961 crop.

Labor:

The principal strikes during January were by public employees, at both the national and state level. Rail traffic on the Government-owned Leopoldina Railway which serves a four-state area of central Brazil, as well as on some federal railroads in the southern and northeastern states, was halted by strikes of varying duration. They were caused by the inability of the financially weak Federal Railway System to pay all of its workers on schedule, and did not involve any demands for new wage increases. The strikers returned to work when Federal Railway officials managed to pay them their overdue wages. On the other hand, the demonstrations and disturbances by some of the state of Rio's military police and the Sao Paulo firemen (a branch of the militarized "Força Publica") both centered on wage demands which both states declared they were unable to meet. These employees returned to work without new wage increases being granted to them. A threatened strike by stevedores and other workers in a number of ports, some of which are operated by private companies and others by public "port authorities", was averted by the granting of wage increases, the amounts of which varied from port to port.

Other wage increases during January included Rio's warehouse workers, 35%; and Rio's perfume and cosmetics industry workers, 40%.

Transportation and Communications:

In the field of transportation and communications, the month of January was characterized principally by end-of-term inaugurations (many essentially symbolic) of public works and other projects by President Kubitschek and his representatives, by stocktaking of the accomplishments and failures of the Kubitschek administration, and by an attitude of hopeful anticipation that the incoming Quadros

UNCLASSIFIED

0363

UNCLASSIFIED

(Classification)

Page 8 of

Encl. No.

Disp. No. 747

From Rio de Janeiro

government would be able to overcome the serious difficulties in some sectors which it would inherit on January 31.

Much of the activity devoted to inaugurating transportation facilities was concentrated on highways, which have consistently been the special concern of President Kubitschek. During January, ceremonies were held marking the opening—at least symbolic—of (a) a highway between Goiânia and Jataí (which is part of the Brasília-Acre road and the first segment of a planned major north-south connection from Goiás to Rio Grande do Sul); (b) the Brasília-Acre road itself (still far from trafficable except on certain segments); (c) the new São Paulo-Curitiba stretch of Federal Highway BR-2 (still two-three months away from full use); (d) the Lajes (Santa Catarina) to Caxias do Sul (Rio Grande do Sul) part of the same highway; and (e) the very large International Bridge between Brazil and Paraguay over the Paraná River at Foz de Iguaçu (which probably will not be ready to receive traffic for another year).

Despite the incomplete status of several of these projects, the highway sector is a part of the Kubitschek development program which has exceeded its goals. On the basis of figures recently cited by the Director General of the National Highway Department (DNHR), the extent of all federal roads increased by nearly 70 percent (from 22,250 to 37,220 km) in the past five years and federal paved kilometrage jumped nearly 260 percent (from 2380 to 8470 km) in the same period. These figures should be compared with the revised five-year federal highway goal of 12,600 km of new construction and 5600 km of paved roads. It should be noted that the cost of the five-year program has been, according to the Director, Cr\$70 billion. This is more than twice the Cr\$30 billion programmed in 1957 for the original five-year highway construction and paving plan (which did not provide for the approaches to Brasília and certain other important works) and it has raised in the minds of some Brazilian observers engaged in casting a balance of the Kubitschek administration the important but difficult question of whether the large expenditures on highways had not unwisely deprived other sectors, notably the railroads, of badly needed investment funds.

In the railroad sector, there were plusses and minuses during the month. On the plus side—though rather heavily qualified—the immediate financial difficulties of the Federal Railway were alleviated with the passage by Congress of a bill opening a special credit of Cr\$4.4 billion earmarked by the legislature for the specific purpose of meeting the cost of recent wage increases. The delays by the Rêde in making wage payments at the new rates had led

UNCLASSIFIED

0364

UNCLASSIFIED
(Classification)

Page 9 of
Encl. No. 747
Disp. No.
From Rio de Janeiro

to a series of strikes in recent months (see Labor). Although the strikes continued during January and there was a major work stoppage on the Parana-Santa Catarina Railroad in effect at the end of the month, the availability of the new funds should stave off for a time the danger of system-wide strikes on the Rede. The failure of Congress to approve the full Cr\$5.78 billion requested by the Rede means that the investment capital included in the original sum will not be available to the Rede and that the suppliers of the Rede will probably have to wait further for the payment of their long-overdue bills. The approval of the credit represented a limited, stop-gap measure and in no way constituted an attack on the fundamental problems of the Rede. It was evident that such an attack, if it were to be made, would have to wait upon the installation of the new railroad leadership in the incoming Quadros government.

A more clearly positive development was the extension by the Economic Development Bank (BNDE) of loans--its first of 1961--to the São Paulo State-owned Sorocabana and Araraquara Railroads of Cr\$975.6 million and Cr\$76 million, respectively, for rolling stock, equipment and rails. The two roads play a significant rôle in the economy of São Paulo and, in the case of the Sorocabana, of northern Paraná. They are relatively quite efficient and the BNDE assistance should produce good results.

On the minus side was the early January decision of the National Petroleum Council, taken over the objections of the Transport Ministry members, to authorize the construction of an oil pipeline, with an eventual capacity of 50,000 barrels per day, between Duque de Caxias (outside Rio) and Santa Luzia (outside Belo Horizonte) to supply the refinery in Belo Horizonte whose construction had been approved earlier. The Rede Ferroviária had opposed the building of the pipeline on the grounds that the Central do Brasil, which currently transports petroleum products to the Minas Gerais region, could handle crude oil movements to the projected refinery. The Rede pointed out that its deficit was caused in large part by low traffic density and that this situation would only be aggravated by the pipeline. The question of the pipeline, whose authorization was given by the CNP after some rather pointed public hints by President Kubitschek, will undoubtedly be reviewed by the new administration; it is an example of the dilemmas in transportation policy which the Quadros government will have to seek to resolve.

Inaugurations of new facilities and the launchings in Brazil and abroad, of new vessels to add to the merchant fleet dominated the maritime scene during January. Higher freight rates and

UNCLASSIFIED

0365

UNCLASSIFIED
(Classification)

Page 10 of
Enc. No.
Dep. No. 747
From Rio de Janeiro

operational subsidies for coastal shipping and higher port use charges were granted to meet increased labor costs. On January 20, President Kubitschek inaugurated, as part of the Duque de Caxias refinery, the Petrobras maritime terminal in Guanabara Bay. The terminal will be able to discharge 20,000 barrels of crude per hour and load 7300 barrels of fuel oil or light products. According to PETROBRAS information, the terminal will be able to handle tankers of from 10,000 to 105,000 DWT. Three days later, the cornerstone of the Ellicott do Brasil Shipyard in Niteroi was laid. The yard, which is associated with the Ellicott Machine Corporation of Baltimore, will specialize in the construction of dredges as part of the Brazilian Government's program to install a shipbuilding industry and to improve the country's ports.

On the last full day of President Kubitschek's term, January 30, the Ishikawajima shipyard in Rio de Janeiro launched its first vessel, the Volta Redonda, of 5600 DWT and a speed of 14 knots. The vessel, the first of five ordered by the Merchant Marine Commission from Ishikawajima--three are under construction at present-- and reported to be the largest ship ever launched in Latin America, will be used with its sister ships in the long-haul coastal service. Meanwhile, in Europe, the last of six 10,000 DWT tankers being constructed in Denmark for PETROBRAS was launched, and, in Balboa, Spain, the first of four 500-550 passenger vessels being built in Spain and Yugoslavia (two each) for the coastwise service was launched.

In another development connected with the European construction program, the private ship operators in Brazil were given, by means of a Merchant Marine Commission invitation to bid published on January 6, an opportunity to purchase six freighters built and being built in Polish shipyards. The call for bids stipulated that no offer under Cr\$200 million per unit would be considered. In addition to private companies, shipping lines already organized by the states were eligible to participate. The ships in question are all 5000 DWT coastal vessels. Private interests in Brazil have been interested for some time in getting all or some of the new Polish and Finnish construction, and the Merchant Marine Commission's action is the first effective step in making this possible. This flurry of activity in the fleet expansion and shipbuilding components of his maritime program was fitting for President Kubitschek's final month in power since there had been a reasonable amount of success in meeting in those two areas the goals established for the five-year period. The darker side of the picture was exemplified, however, by increases in freight rates and operational subsidies in coastal shipping which went partially into effect in late January and by Ministry of Transportation authorization in mid-month of increases

UNCLASSIFIED

0366

UNCLASSIFIED
(Classification)

Page 11 of
Encl. No.
Disp. No. 747
From Rio de Janeiro

in port charges at Recife. In both instances the higher rates were granted to meet increased labor costs. The 20 centavo per liter increase in the retail price of gasoline was in part caused by the rise in freight rates.

In aviation, the month witnessed the beginning of what could be serious complications in Brazilian international aviation activities. It became generally known that, in response to the authorization given REAL to operate into New York via Lima, VARIQ had petitioned for routes into Europe paralleling Panair do Brasil's existing structure and that Panair in retaliation might seek permission to provide service to New York. This prospect that the route duplication and excess capacity which have plagued the domestic side of Brazilian aviation might be carried over into the field of Brazilian international operations is causing real concern among some members of the aviation community and the press. It is another inherited problem which the Quadros administration must act upon soon, and there is widespread sentiment that its solution should be found within the framework of a long-overdue, major revision of government aviation policy.

For the Ambassador,

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs.

Enclosure: *AK* Economic Indicators

UNCLASSIFIED

0367

UNCLASSIFIED

(Classification)

Page 3 of

Encl. No. 1

Dep. No. 747

From Rio de Janeiro

ECONOMIC INDICATORS:Cost of Living in Rio de Janeiro
(1948=100)

	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Publ. Serv.	Index	% Change
1960 Jan.	809	476	601	488	523	632	767	691	.8
1961 Jan.	976	654	705	642	846	905	997	866	2.1

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (US\$1,000,000)

Imports	Sept.	Oct.	Jan-Oct.	Sept.	Oct.	Jan-Oct.
Total	147.2	120.1	1,193.7	100%	100%	100%
USA	53.3	29.4	361.5	36	24	30
C.B. *)	9.1	4.3	57.5	6	4	5
Exports						
Total	115.4	106.4	1,057.1	100%	100%	100%
USA	51.9	46.8	484.2	45	44	46
C.B. *)	4.4	4.0	57.9	4	4	6

*) 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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AIR PRIORITY
PRIORITY

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FOREIGN SERVICE DESPATCH

FROM : Embassy RIO DE JANEIRO

749
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 28, 1961

REF

ACTION	DEPT.
55 For Dept. Use Only	1 IN 2 OTHER
ARR-5 REC'D 3/6	ARMY-2 RAC-1 INR-10 E-6 ICAH 5/2 USIA-10 OSD-2 Army-35 Navy-20 CIA-20

SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered February 10-24) 155-4 STAG-16
COM-12 TRA-2 TA-3 FRD-DEPARTMENT OF STATE
INT-7 WAR-6 DAF-7 FAS-5 BUREAU OF AGRICULTURE
INTER-AMERICAN CENTER

1. Coffee Statistics
2. New Coffee Institute Head
3. Creation of Latin American Free Trade Association (LAFTA) Commission
4. Civil Service Appointments after September 1960 Cancelled; Freeze on New Appointments
5. New Work Schedule for Civil Servants
6. Military Commercial Staff Abroad to be Reduced; Diplomats Pay May Be Cut
7. Jenio Quadros Makes New Appointments in the Financial Field
8. Exchange Auctions of U. S. Dollars
9. Proposal for Mixed Corporation to Take Over Blast Furnaces
10. Recommendation for Public Shares in National Steel Mill
11. President Calls for Absolute Priority for Transportation of Foodstuffs
12. Committee Appointed to Study Deficits in Government Shipping Lines
13. Establishment of Executive Group for Motion Picture Industry
14. Plans for Investigation and Reorganization of RFFSA
15. New Director General of Civil Aeronautics Takes Over
16. Quadros Seeks Trade With East Germany
17. Seizure of Vessel Engaged in Smuggling
18. Extension of Time for Submission of Rail Bids

1. Coffee Statistics:

Coffee exports (July 1, 1960-February 20, 1961) were 10,740,905 bags compared to 11,976,274 bags exported during the same period of the 1959-60 marketing year.

Exports during the month of February 1961 through the 20th were 820,452 bags. During the same period last year exports were 919,955 bags.

Coffee registration during the month of January 1961 were 1.2 million bags which bring total registration July 1, 1960-January 31, 1961 to 26.5 million bags.

ECOM:RASoldstein:abg

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0369

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Page 2 of
Encl. No. _____
Disp. No. 749
From RIO DE JANEIRO

2. New Coffee Institute Head:

President Quadros has appointed Minister Sergio Armando Fresco, presently president of the International Coffee Agreement Board, to be president of the Brazilian Coffee Institute. (UNCLASSIFIED)

3. Creation of Latin American Free Trade Association (LAFTA) Commission:

Presidential Decree No. 50,143 of January 7, 1961 (published in the Diário Oficial of February 11, 1961) provides for a National Commission to deal with LAFTA matters. The Commission, created within the Foreign Ministry, is composed of a representative of each of the following: Economic Council, Department of the Ministry of Foreign Affairs; National Economic Council; Economic Development Bank; Superintendency of Money and Credit; Department of the Bank of Brazil; Exchange Department of the National Treasury; Customs Policy Council; National Confederation of Industries; Brazilian Rural Confederation; and the National Confederation of Commerce. (See Embassy 750 of February 28, 1961.) (UNCLASSIFIED)

4. Civil Service Appointments after September 1, 1960 Cancelled; Freeze on New Appointments:

President Janio Quadros ordered the dismissal of all civil servants appointed after September 1, 1960 and decreed that no new appointments shall be made for the next 365 days. (UNCLASSIFIED)

Comment: The cancellation of the nominations made after September 1960 represents a move not only to reduce personnel expenditures (civilian personnel costs amount to about 26% of total Federal budget), but to get rid of certain key personnel appointed by President Kubitschek in the last months of his administration. It is not yet clear, however, whether the decree will affect those appointed for fixed terms. At least one recent appointee, Tancredo Neves, Director of the National Economic Development Bank, has said that the decree does not apply to those with fixed terms and that he intends to remain in his position until his term expires. (OFFICIAL USE ONLY)

5. New Work Schedule for Civil Servants:

A flood of protests greeted President Quadros' decree increasing the civil service work week from 35 to 38 hours and requiring that all civil servants begin their workday at 8:30 a.m. (with 2-1/2 hours for lunch) instead of 11:00 a.m. (with no "official" lunch hour). Scarcely any newspapers supported the President and most were severely critical claiming that the new schedule (1) bottled up the transportation system in Rio; (2) made life difficult for mothers in the employ of the Federal Government who had to get children off to school before going to work; (3) added a financial burden to the lower grade civil servants (who live for the

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Page 3 of
Encl. No. 749
Desp. No. 749
From RIO DE JANEIRO

most part in the suburbs) by forcing them to eat lunch in town rather than at home; and (4) made it difficult, if not impossible, for civil servants to supplement their incomes by holding "second" jobs in the mornings.

So strong was the criticism that by the end of last week the President agreed to reconsider and announce on March 2 whether the decree will stick, whether to return to the old schedule, or whether still another schedule will be tried increasing the workday but maintaining a single shift instead of the present double shift with time off for lunch. (UNCLASSIFIED)

Comment: This move was probably less motivated by a desire to increase the output of the civil service (the bureaucracy is believed to be already more than adequate for the workload) than by a desire to force the resignation of those who consider their government positions as "secondary" sources of income. It should be noted that some of the criticisms of the new work schedule have much validity. Transportation schedules can be adjusted, and as to the question of "financial burden" on low-grade employees or the need for secondary incomes, it should be pointed out that with the recent pay raises, civil service salaries are quite adequate. The development is an interesting indication, however, of how well entrenched the civil service is and how difficult it will be to make any appreciable budgetary savings by reducing personnel. (See Hdsheet 588.) (OFFICIAL USE ONLY)

6. Military Commercial Staff Abroad to be Reduced; Diplomats Pay May Be Cut:

In an effort to save foreign exchange, new President Juscelino Kubitschek ordered a study of Brazil's Commercial, Economic and Military missions abroad with a view toward determining the amounts in dollars that these personnel receive in salaries and allowances and the essentiality of the services they perform. Also, the press reported that according to sources in the Foreign Office, a reduction of some 50% in the salaries of members of the diplomatic service stationed abroad is being contemplated. (UNCLASSIFIED)

Comment: Brazilian military and commercial staffs abroad have often been criticized as being a gigantic "boonstogie" and are widely believed to be much larger than necessary. At least part of the criticism stems from the belief that these personnel, on returning to Brazil, bring back duty free large quantities of appliances, automobiles, etc., which they are able to sell in Brazil at large profits. The Embassy and consular personnel are among the highest paid in the world and are paid entirely in dollars at all foreign posts. (OFFICIAL USE ONLY)

7. Juscelino Kubitschek Makes New Appointments in the Financial Field:

Wensther Teixeira de Araujo, Julio de Souza Avelar and Antonio Arnaldo Gomes Teixeira were appointed respectively directors of the Exchange Bureau, the Ministry of Finance and the Foreign Trade Bureau, all departments of the Bank of Brazil. The outgoing officials are Paulo Pessach Correa, Jose Antonio da Silva Lima and Ignacio Teate Filho.

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0371

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Page 4 of
Encl. No.
Disp. No. 759
From RIO DE JANEIRO

Azevedo, the new Director of the Exchange Bureau, is a physician by profession but has had several years experience in the bank business. He served for many years in private banks in the capacity of exchange manager and in recent years was manager of the Buenos Aires branch of the Bank of Brazil. Arnaldo Taveira is an industrialist and director of the Rio de Janeiro Business Association, and Julie Avelar is currently a director of the Banco Moreira Salles S. A.

(UNCLASSIFIED)

8. Exchange Auctions of U. S. Dollars:

On February 18 Finance Minister Mariani announced that the dollar auctions which he earlier announced would be resumed on February 21, would again be postponed pending completion of a study now underway of the internal and external financial situation. The announcement gave no inkling as to how long this would be but the press speculated that dollar auctions would not be resumed until a new exchange policy had been decided upon and was ready to be put into effect.

(UNCLASSIFIED)

9. Proposal for Mixed Corporation to Take Over Blast Furnaces:

Brazilian Senator Gaspar Veloso (PTB, Paraná) has proposed establishing a mixed corporation, 51% to be held by the State of Minas Gerais, to take over the 85 small (10-ton to 50-ton per day) charcoal blast furnaces in Western Minas Gerais which are now shut down because there is no market for their pig at the price they must charge.

(UNCLASSIFIED)

Comment: General Euráclio Macêdo Soares, Brazil's leading authority on the steel industry, whose advice is sought by all other South American countries, predicted several years ago that the establishment of these small furnaces was antieconomic. It seems doubtful that a superorganization could effect worthwhile economies.

(UNCLASSIFIED)

10. Recommendation for Public Shares in National Steel Mill:

The Commercial Association of Rio de Janeiro has recommended that Governor Lacerda (State of Guanabara) should suggest to President Quadros that he permit the sale to the public of shares in the National Steel Mill (Cia. Siderúrgica Nacional) as a means of financing the construction of a steel mill by the State of Guanabara (former Federal District). The Federal Government controls 80% of the total shares of Cia. Siderúrgica Nacional and could sell nearly 20% (of the total) without losing majority control.

(UNCLASSIFIED)

11. President Calls for Absolute Priority for Transportation of Foodstuffs:

In a memorandum of February 20, President Quadros instructed the Minister of

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Page 5 of
Encl. No. 749
Disp. No.
From RIO DE JANEIRO

Transport to consult with the Minister of Agriculture in order that absolute priority be given to the transportation of foodstuffs, including cattle on the hoof, by rail and ship. In the memorandum the President authorized the Transport Minister to deal with other government authorities so that "drastic measures" might be adopted. Almost simultaneously with this action by the President, a group of shippers in Rio Grande do Sul addressed a memorial to the President complaining that the priority given the shipment of wheat in the ports of that State was seriously harming the orderly movement of other goods to markets in Brazil.

(UNCLASSIFIED)

Comment: The two developments outlined above reflect the chronically tight transport situation in the country. The necessity, recognized in the President's memorandum, to move food products, a substantial percentage of which normally is lost because of shortages of transport storage facilities, will inevitably mean that other goods will not be shipped.

(UNCLASSIFIED)

12. Committee Appointed to Study Deficits in Government Shipping Lines:

President Quadros on February 23 directed that a committee be established to determine the causes of the deficits in the official shipping lines. In his memorandum to the Minister of Transport calling for the creation of the committee, Quadros pointed out that the 1961 deficit of the shipping lines would surpass Cr\$21 billion, with Lloyd Brasileiro accounting for Cr\$7 billion; The Costeira (the government coastwise shipping service) Cr\$5 billion; the Amazon Shipping Service Cr\$1.5 billion; and the Plate Basin Shipping Service Cr\$1.2 billion. The President instructed the committee, whose period of existence was set at thirty days, to propose the revision of the tariffs and freight rates of all the shipping lines for the purpose of reducing the deficit by means of increased receipts.

In earlier instructions, Quadros had ordered the establishment of committees of investigation to examine the operations of Lloyd Brasileiro and SHAF.

(UNCLASSIFIED)

Comment: The terms of reference for the committee established by the President made no mention of a reduction in the extremely high personnel costs of the government shipping lines, which most observers consider to be the principal cause of their steadily increasing deficits.

(UNCLASSIFIED)

13. Establishment of Executive Group for Motion Picture Industry:

In a decree of February 17, President Quadros created the Executive Group for the Motion Picture Industry (Grupo Executivo da Indústria Cinematográfica--GEICIN) to promote and foster the Brazilian motion picture industry. GEICIN will be headed by a representative of the President and will have as its other members representatives of the Foreign Ministry, the Ministry of Education and Culture, the Ministry of Justice, the National Economic Development Bank, the Agricultural and Industrial Credit Department of the Bank of Brazil, the Superintendency of

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0373

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Page 6 of
Encl. No.
Disp. No. 749
From RIO DE JANEIRO

Money and Credit (SUMOC), the Foreign Trade Department of the Bank of Brazil (CACEX), the Exchange Department of the Bank of Brazil, and the Customs Policy Council. As described in the decree, GEICINE will, among other things: guide the execution of national plans for the Brazilian motion picture production; forward to official entities specifically responsible for providing credits for economic development proposals of the motion picture industry approved by GEICINE; collect and coordinate data and reports concerning customs nomenclature, revision of tariffs, and classification of merchandise by import category; and stimulate studies concerning the technical and financial conditions of motion picture studios and laboratories in the country with a view to proposing the measures required for their development within the national plans for the motion picture industry. With the establishment of GEICINE the earlier entity GECI (Study Group for the Motion Picture Industry)--which had done very little--was abolished.

(UNCLASSIFIED)

Comment: During his term as Governor of the State of São Paulo, Quadros took a very active and effective interest in stimulating the national motion picture industry, which is centered in the city of São Paulo. The creation of GEICINE is indicative of his intention to continue to foster the expansion and improvement of national film production. The establishment of the new group would seem to forebode increasing difficulties for foreign films in the Brazilian market; the reference to studies on customs and importation matters may indicate not only a desire to facilitate the importation of raw material and equipment for the national industry, but also an intention to restrict the entry of the foreign finished product.

(OFFICIAL USE ONLY)

14. Plans for Investigation and Reorganization of RFFSA:

On February 18 President Quadros set up, by means of one of his bilhetinhos, a three-man investigating committee to examine the activities of the Federal Railway System (RFFSA - Ferrovias Federais SA - RFFSA) and to report within 45 days. Three days later, on February 21, it was announced that the new President of the RFFSA, Hernando Amaral Junior, as his first official act, had appointed a working group to revise the administrative statutes of the RFFSA, with a view to providing administration patterned on business methods, and to study the desirability of amendments to the basic law of March 1957 setting up the RFFSA. The group was to finish its work in 15 days. Amaral was reported to be convinced that the deficiencies of the RFFSA were caused in large part by errors in its administrative structure. In other bilhetinhos of February 23, Quadros instructed the Ministers of Transport and Finance and Amaral to put the payment of salaries to RFFSA employees on a regular footing immediately. The President noted that being up to date on these payments was a point of honor with the government, which did not want "disturbances in that sector, under penalty of terrible injury to the RFFSA and the national economy." Quadros also requested urgent steps by the RFFSA to (a) review its tariffs and the costs of its services; (b) reduce courageously expenditures on personnel, material and maintenance; and (c) improve service in general, especially on the Central de Brasil and the Leopoldina Railroads. He laid special emphasis on points (a) and (b), which, he

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0374

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Page 7 of
Encl. No.
Disp. No. 749
From RIO DE JANEIRO

stated, did not admit of delays or hesitations.

(UNCLASSIFIED)

Comment: The shortcomings and failures of the H&A have been the subject of a variety of studies made within and without the H&A, during the past year, and it is doubtful that the committees being set up now will add a great deal to the available literature. Indeed, the short period of time given the committee on administrative reform to report seems to be a recognition that there are competent analyses of the situation already available. It is not yet clear how broadly Amorim interprets administrative reform. If he intends to include, in addition to the modification of the collegial directorates in favor of concentration of authority, major across-the-board reductions in H&A personnel and the appointment of technically qualified persons in critical jobs now held by political appointees, substantial progress could be made. Even so, the H&A's difficulties will not be resolved by administrative reforms alone. The tariff review stressed by Quadros points to another area requiring prompt attention. As for the reductions in expenditures directed by the President, a critical point of course is to avoid cuts of the most-une variety in material and maintenance costs. The H&A's maintenance situation in particular is not so good as to permit anything but careful action, especially if improved service which the President also demands is to be provided.

There has still not been a Presidential directive calling for a broad, serious study of the Brazilian transportation system as a whole. The compartmented approach continues to characterize the new Administration as it did its predecessors.

(OFFICIAL USE ONLY)

15. New Director General of Civil Aeronautics Takes Over:

Brigadier Clóvis Monteiro Travassos took office as Director General of the Civil Aeronautics Directorate (DAC), replacing Brigadier João Mendes da Silva, on February 20. In his statement made at the swearing in ceremony, Travassos said, among other things, that it was essential that steps be taken to regulate traffic by preventing harmful competition among Brazilian carriers on international lines and by controlling the capacity offered on domestic lines. He added that deficiencies must be corrected, abuses eliminated, and the aviation industry organized on a solid basis in order that the great possibilities which were available to the Brazilian industry in the national and international sectors could be taken advantage of "by utilizing private initiative, stimulated by equitable traffic concessions and subsidies, provided that they are in the public interest."

(UNCLASSIFIED)

Comment: Travassos has had a very distinguished career and enjoys an excellent reputation. He was trained at Randolph Field in 1935, served as Air Attache in Washington in 1944, and his most recent post was that of chairman of the Brazilian delegation to the Joint Brazil-US Military Commission. He is considered to be friendly to the United States. He assumes charge of DAC at a time when some sectors of the press, stimulated by the prospect of increased competition among Brazilian carriers on international routes (BMM's Embraer 300, 350, 607) have been calling for action by the Government to put Brazilian civil

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Page 8 of
Encl. No.
Disp. No. 749
From RIO DE JANEIRO

aviation, domestic as well as international, on a sounder footing. The Kubitschek administration has come in for heavy criticism, particularly by the *Jornal do Brasil*, for having failed, first, to act during its tenure to curb the domestic cut-throat competition which gave rise to route duplication and substantial excess capacity, and, second, to prevent the carry-over of these abuses to the international field.

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16. Quadros Seeks Trade with East Germany:

In a memorandum sent on February 25 to the Foreign Minister, President Quadros requested a thorough and rapid study of trade possibilities between Brazil and East Germany. Quadros authorized, if necessary, the establishment of a working group with representation from the Ministry of Industry and Commerce, and he requested that priority be given to implementing the importation into Brazil of equipment and machinery for the extractive industries and for the processing of iron and manganese ore and rock crystal to be exchanged for tobacco and oranges. Although not mentioned in the memorandum, coffee will also figure prominently in planning for future trading, according to information from reliable sources.

This development confirms the optimism regarding future trade possibilities, as expressed in a press interview a few days earlier by Hart Ulrich, Commercial Counselor of East Germany, on the occasion of opening new offices in East Germany's Commercial Office in Rio. Although speaking principally of the significance of the Leipzig Fair (March 5 to 14) at which Brazil will be represented and which Ulrich called the most important fair in the world and "the central bridge of trade between East and West", Ulrich did reflect on the good prospects now open for trade between Brazil and East Germany. Of special interest are the East German Commercial Counselor's comments that trade with East Germany is made without political conditions; the claim that in 1969 the increase in East Germany's exports to Brazil was 480% when compared with 1950; the estimate that the amount of coffee imported from Brazil in 1979 could be tripled for 1961; and the fact that East Germany is interested in trade agreements of long term.

(UNCLASSIFIED)

17. Seizure of Vessel Engaged in Smuggling:

As a result of the direct action of Guanabara Governor Lacerda, the Navy, on February 22, seized the small vessel "Albatroz" in coastal waters off the states of Guanabara and Rio, and opened the way to the break-up of an elaborate smuggling operation, involving luxury goods from the United States and contraband coffee from Brazil to the United States.

Replying to objections that were raised questioning the legality of his action, Lacerda pointed out that this was not a matter limited to the seizure of simple contraband, but involved the discovery of a secret port and a fleet of contraband vessels. He charged that the operations of the ring represented the

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0376

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Page 9 of
Encl. No. 749
Desp. No. 749
From RIO DE JANEIRO

defunding of the state treasury in the amount of two billion cruzeiros. Lacerda further indicated that prominent figures in government and in commercial circles are involved in the contraband organization.

A complete report on the case is now being prepared by Lacerda, to be submitted to President Quadros. Pending the completion of investigations, the "Alates" is being held in Guanabara Bay, under police surveillance.

(UNCLASSIFIED)

18. Extension of Time for Submission of Rail Bids:

The deadline for submitting bids for rails (ENRR Subdesp 607 of January 17, 1961, and Subdesp 791 of January 13, 1961) has been extended from February 28 to April 28, 1961.

(UNCLASSIFIED)

For the Ambassador:

Edward J. Bush
Edward J. Bush
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Contributors:

Items 1, 2 - LYellow
Items 3, 16, 17, 18 - MGoldstein
Items 4, 5, 6, 7, 8 - JKrisay
Items 9, 10 - NHarva
Items 11, 12, 13, 14, 15 - JWCrimmins
TC-38

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FN 832.00 / 3-361

I have your letter of March 3, 1961, in which you requested information about the economic future of Hawaii.

While this office does not prepare the kind of accounts estimated to which you refer, the Executive Branch at Washington has published a very useful series of the Executive Branch, which have been partly or more furnished by the United States Government of Congress, which you may obtain by writing directly to the Bureau at 3007 Independence Street, Northwest, Washington 2, D.C. The Bureau of Foreign Commerce of the Department of Commerce may also be able to provide you with the type of information you need.

I would be happy to see you whenever you are in Washington. If you wish to call to make an appointment, I may be reached at DDLEY 3-3441 or 3443.

Sincerely yours,

J. M. Wilson
Officer in Charge, Russian Affairs

Mr. [redacted] b6
[redacted] b7C
[redacted] b7D
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[redacted] b7D

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WASHINGTON, D.C.



UNITED RESEARCH
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808 MEMORIAL DRIVE
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UN 5-7010

March 3, 1961

Mr. Jackson W. Wilson
U. S. Department of State
2201 Connecticut Avenue, N.W.
Washington 25, D. C.

Dear Mr. Wilson:

This company is engaged in a study for the Civil Aeronautics Board of the economic feasibility of air routes to and across Antarctica. The need for such routes depends to some extent on the rate of development of the various countries in the Southern Hemisphere which such routes would serve. For this reason I am writing to you to see if I could get some information about Brazil.

Specifically, what I would like is a general appraisal of the future economic strength of Brazil. This could take several forms--a GNP forecast, a per capita income forecast, a production forecast, an international trade forecast, or a number of other possible indicators. These factors would be used as ingredients in a traffic forecast. Even if actual figures were not available, it would be useful to know what direction the country appears to be taking, generally speaking.

If you do, in fact, make such estimates of the future of Brazil, in whatever form, I should be very glad to have what information may be available. In the course of this project, I may well be in Washington again and could call on you; on the other hand, I would much prefer, if possible, to be able to get hold of this data by mail.

Any information you can give me would be very much appreciated.

Sincerely,

UNITED RESEARCH INC.

Michael D. Dawson
Senior Associate

RM/R	28
Anal.	
Rev.	
Det.	

MDD:njh

FILED
MAR 28 1961

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Air Pouch

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

15
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 6, 1961

REF : CERP Requirements: Section C, Item 2

MAR 7 - 1961

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			COM-12	REF-1	INR-7	E-3 *ARA-4 *CA-11
			3-13-61	CA-10	TAR-2	*TR-3 FRB-3 XMB-4 AGR-8 *HAB-6 INT-7

Q51A-10

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - February 1961

NSA-4 ARMY-6 NAVY-4

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

FILED
MAR 24 1961

832.00/3-661

SUMMARY:

The weather in February continued dry for agriculture and pasturelands, although not unfavorable for the coming large rice crop. Lower international beef prices caused apprehension to beef exporters. Porto Alegre wheat supplies reported low. São Paulo textile mills are buying more of Rio Grande do Sul's current wool crop than last season. General business seasonally low. New President promises tractor factory for Rio Grande do Sul, and ample assistance to help State overcome present economic difficulties. The free market cruzeiro remained weak during February. Little change reported in money conditions. "Brizolotas" redeemed punctually by state government. Real estate taxes substantially increased in Porto Alegre to avoid deterioration of public services. Management-labor relations remained relatively quiet. Price levels, particularly of food items, continued to rise.

1. AGRICULTURAL DEVELOPMENTS:

Rice - No definite move has been made to free the price of local rice on the domestic market, and some sources feel that such action will come about only if the new federal government takes steps to dissolve COFAP and other similar price control agencies. Despite the general unfavorable prospects of the current rice market there are some dealers who appear optimistic as to the future and indicate that sales are proceeding normally.

AKK Kirchhof/Heloom/zms
REPORTER

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0380

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Page 2 of
Encl. No. 45
Desp. No. 45
From PORTO ALEGRE

The weather is reported favorable for the expected large rice crop the harvesting of which is to begin in March. At present the local Rice Institute (IRGA) is making a survey to determine the production costs of the 1960-61 crop for the fixing of a minimum price to the grower. A profit of 25 percent for the producer will be included in the calculations covering unhulled rice. The last crop minimum prices were as follows: \$600.00 for 50 kilos of Japanese rice; \$620.00 for 50 kilos of Blue Rose; \$660.00 for 50 kilos of Agulha (long grain rice), delivered at points in the interior of the State.

Grapes - The grape harvest, now in full swing, is expected to be completed by mid-March. A yield of 10 to 15 percent less than the previous year is forecast, and purchases are being made by wineries on the basis of \$6.00 per kilo.

The Ninth Grape Festival at Caxias do Sul was officially inaugurated with great fanfare on February 25 by the President of Brazil in person. The exposition, in addition to the exhibiting of the many varieties of fine grapes, includes an exhibit of the industrial products manufactured in the region which, it is reported, favorably impressed President Quadros.

Beef (frozen, canned and jerked) - Lower world beef prices are causing apprehension in the State's cattle industry, as approximately 250,000 head of cattle are killed for export every year from this area by meat packers. It has been agreed between the packers and the local Meat Institute that, for 1961, slaughterings will number 261,000 head of cattle for frozen and canned beef, and 161,000 head for jerked beef, or a total of 422,000 head.

Wheat - Wheat supplies in Porto Alegre are low and will continue so until expected shipments arrive from the United States. Meanwhile, an emergency shipment of 80 metric tons of wheat is to be received from Argentine sources according to the Minister of Agriculture.

While official data regarding the recently completed wheat harvest have not yet been released, trade estimates place the state's total production at 300,000 metric tons, against a total for the country of 340,000 metric tons. The quality of the crop is not considered good. Bread prices were recently increased as a result of higher wheat prices. Wheat shipments from this state to other domestic consuming markets are proceeding slowly due to the lack of coastwise shipping facilities.

Wool - Statistics just released by the local Department of Statistics indicate that during the period October-December, 1960 (clip started in October) more wool was purchased by domestic mills than in the like period of 1959, or 3,246 metric tons against 2,470 metric tons respectively, reflecting an increase in demand. The

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Page 3 of
Encl. No. 45
Desp. No. 45
From PORTO ALEGRE

state of São Paulo took 68 percent of the above total of 3,246 tons, or 2,221 metric tons; Rio Grande do Sul retained 30 percent, or 960 tons; the remaining 2 percent, or 65 tons, were taken by other domestic markets.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Sales are reported to be seasonally slow, the volume stated to be approximately equal to the same period last year, although the cruzeiro value is considerably higher this year, reflecting the inflationary pressure. Banking sources report that an improvement has been noted in collections of trade bills, both locally and in the interior.

Comparative figures of total state sales for January 1961 (latest figure available) and December 1960, and January 1960, were as follows:

(In thousands of cruzeiros)

January 1961	December 1960	January 1960
25,062,470	28,304,525	15,453,835

Source: Budget Bureau, State Treasury

Protests of trade bills for January 1961 (latest figure available), amounted to \$19,468,597.00, a substantial drop from high December protests amounting to \$12,237,526.00.

3. FOREIGN TRADE:

Rice - The local Rice Institute signed a contract for the sale of 132,000 metric tons of milled rice to the Bank of Brazil's Foreign Department (CACEX) in Rio de Janeiro, representing Rio Grande do Sul's exportable surplus. Due to the current saturation of world rice markets, it is believed that the exportation of this surplus can only be made at a loss.

Wool - According to local official statistics no wool was exported from Rio Grande do Sul during the quarter October-December, 1960. During the like period of 1959, exports of wool totaled 1,298 metric tons as follows: 577 tons to U.S.A.; 224 tons to Great Britain; 220 tons to West Germany; 165 tons to the Netherlands; 67 tons to Japan; 35 tons to Belgium; 10 tons to Italy.

Trade with Paraguay - A Paraguayan delegation visited Rio Grande do Sul late in February, and included the Ministers of Finance, Defense, Education and Culture, and Agriculture. The visitors declared that they aimed at closer friendly and commercial

UNCLASSIFIED

0382

UNCLASSIFIED

(Classification)

Page 4 of
Enc. No. _____
Desp. No. 45
From PORTO ALEGRE

relations between Brazil and Paraguay under the Montevideo Treaty. Rio Grande do Sul is at present exhibiting its products in Paraguay at the Assuncion Exposition which was recently inaugurated.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Tractor Factory - It is reported that President Quadros is in favor of a tractor factory being installed in Rio Grande do Sul and that he has recommended this proposition to his Minister of Transportation. The Consulate will report further details as they become available.

German Investment - (See Consulate's despatch 42, of January 31, 1961). Ictron S.A., subsidiary of Siemens do Brasil S.A. in Rio Grande do Sul, has begun the construction of a factory for electronic condensers and parts in Gravataí, near Porto Alegre. It is reported that the new installations, to be inaugurated in July, represent an investment of 200 million.

Textile Industry - (See Consulate's despatch 42, of January 31, 1961). Pressure exerted by Sao Paulo and Rio Grande do Sul textile manufacturers on federal authorities has halted the importation of equipment, without exchange cover, destined for the Japanese Kurashiki textile plant being installed in Rio Grande do Sul. The Minister of Finance is trying to solve this problem. Further developments will be reported by the Consulate.

5. TRANSPORTATION AND COMMUNICATIONS:

Secretary of Energy and Communications - On February 20, 1961 Mr. Osmar Grafulha (PTB party) was appointed to replace Mr. Wilson Vargas in this important position. Favorable press comments were noted and the appointment seems to have been generally well received.

Federal Funds - President Quadros has promised economic aid to Rio Grande do Sul. His Minister of Transportation, Clovis Pestana, stated that \$3 billion has been allocated for such works as highways, dams, waterways, dredging, and port facilities.

Telephone Rates - Due to a salary increase of 40 percent granted recently to employees of the local American owned telephone company, its rates have been increased 23 percent.

6. FINANCE:

Exchange - The free-market cruzeiro remained weak during the month under review, averaging \$225.82 per U.S. dollar (check buying rate) against \$220.46 in January 1961.

No exchange auctions of U.S. dollars took place in Porto Alegre

UNCLASSIFIED

0383

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 45
From PORTO ALEGRE

for commercial imports during February. As of January 31, dollar auctions were suspended throughout the country by the Exchange Bureau of the Bank of Brazil. This action was taken under the old Administration, with no reason given. Premiums for Soviet Bloc agreement dollars during February stood at \$178.00 in the general category. A small amount of special category Czech agreement dollars was auctioned at \$578.00 per dollar.

Money Conditions - Local banking sources reported little change in money conditions since January. Demand for credit remained strong, and banks, awaiting the new government's policies regarding credit and financing, are holding to short-term operations for selected clients.

State Finance - The Secretary of Finance declared to the press that the State's original deficit for the 1960 budget has been reduced from \$8,925 million to \$95 million. Estimated receipts increased from \$18,183 million to actually \$22,447 million; expenditures decreased from \$27,108 million to \$22,542. Successful credit operations, bonds issued, and implementation of tax collection were reported responsible for this improvement.

"Brizoletas" - Late in February, a total of \$1,807,492,100 redeemed "Brizoletas" were incinerated by local authorities. Of this total, \$90,170,930 corresponds to "Brizoletas" issued during 1959, and \$1,717,321,150 during 1960. "Brizoletas" apparently continue to be generally accepted owing to the State's punctuality in redeeming them and their use for payment of taxes and other government debts.

Municipal Government - Property taxes for 1961 have been considerably increased in Porto Alegre, ranging from 35 to 150 percent. The Mayor declared that this adjustment in taxes was necessary in order to avoid deterioration of public services and to pay overdue salaries of civil servants.

7. LABOR:

Management-labor relations remained relatively quiet during the period under review. An upward movement in price levels, particularly food items, caused some unrest among workers. Local coal mine workers have demanded salary increases of about 90 percent. Leaders of local workers' unions are watching the new Administration which has just taken office before making any specific demands.

8. MISCELLANEOUS:

Rio Grande do Sul Population - The Institute of Geography and Statistics (IBGE) has announced the results of its findings in

UNCLASSIFIED

0384

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. 45
Dep. No. 45
From PORTO ALEGRE

the recent census conducted in Rio Grande do Sul as follows:
5,400,000 inhabitants in the state, of which 640,000 live in
Porto Alegre.

Percy Warner
Percy Warner
American Consul

cc. Amembassy RIO

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AIR POUCH

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MAR 10 1961

FOREIGN SERVICE DESPATCH

FROM : Amconsulate, RECIFE, BRASIL. 41
TO : THE DEPARTMENT OF STATE, WASHINGTON.
REF : GERP 0-2.

March 7, 1961.

ACTION	DEPT.
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3/16	CIA-10 TAR-2 *TR-3 PRO-3 XMB-4 AG

SUBJECT: ECONOMIC SUMMARY FOR JANUARY 1961. DOC-4 USEA-10 HE
DAF-7 INT-7 LAB-6 OSD-4 Army-6 Navy-4 NS

INDEX

- I. SUMMARY
- II. AGRICULTURAL DEVELOPMENTS
A. Sugar Revenues
- III. LABOR
A. Railway Strike
B. New Wages And Port Charges In Recife
- IV. INDUSTRY
A. New Alagoas Distillery
B. Pernambuco Center of Industrial Productivity
C. SUDENE - Approved Industrial Projects
- V. FINANCE
A. Pernambuco Tax Problems (Continued)
- VI. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
A. Contraband Activities In Ceara
- VII. FOREIGN TRADE
A. Chinese Trade Mission Visits Recife
- VIII. SOCIO-ECONOMIC
A. Pernambuco Census (Continued)
B. Geology School Resists Transfer
- IX. POLITICAL-ECONOMIC
A. Ligas Activities
B. Deputy Cleofas Attacks Ligas Camponesas
- X. MISCELLANEOUS
A. Grés Dam Completed and Inaugurated
B. Economic Indicators

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Page two of
End. No. --
Dep. No. 41
From Recife, Brasil.

I. SUMMARY

Unseasonal rains in Pernambuco, Alagoas, Paraiba, and Rio Grande do Norte, as well as normal rains in Ceara, have turned the Northeast green again two to three months in advance of the normal winter (rainy) seasons. The rains were beneficial for the early planting of general food crops. Water reservoirs were filled in most areas. The regional cotton crop has been picked and most of it sold; the crop, originally predicted to be 120,000 tons, will probably be closer to 135,000 tons. Cotton quality has been good this year. The sisal market was termed "dead", both for domestic and foreign sales.

Retail sales slowed somewhat as commerce paused to catch its breath following the busy December season. The area was hit by a railroad strike from January 6-13. Pernambuco Governor Sampaio continued to experience financing difficulties as the courts issued restraining orders against the implementing of new state taxes until their constitutionality is determined. In Ceara, after 40 years of intermittent labor, the earthen dam at Orós was finally completed.

II. AGRICULTURAL DEVELOPMENTS

A. Sugar Revenues

The Pernambuco Secretary of Finance, on January 10, got tough with the National Institute of Sugar and Alcohol when he demanded prompt payment of the state sales tax on the million sacks of sugar exported from the port of Recife since December 1, 1960. The Institute was notified that further sugar shipments might be prohibited from Recife if the Cr\$100 million (\$50,000) due was not promptly forthcoming. The Institute's reply on January 11, while courteous, implied that the Institute could do just as well, or better, without the Pernambuco sugar. While on one hand the Bank of Brasil was blamed for the normal delay in the sugar receipts, it was pointed out that São Paulo, which charges no such taxes, had sufficient export stock on hand at Santos to replace the Pernambuco quota. The Institute's President noted that such a move, while beneficial to the Institute, would be a serious blow to the Pernambuco economy and therefore was not being seriously considered. (Jornal do Comercio, January 11, 1961; personal contacts.)

COMMENT: The UDN Pernambuco State administration, in addition to needing the funds, was not adverse to criticizing the PSD controlled Institute. The Institute President, Gomes Maranhão, also of Pernambuco but an appointee of President Juscelino Kubitschek, appeared to be the winner of the verbal duel.

UNCLASSIFIED

0387

UNCLASSIFIED
(Classification)

Page three of
Encl. No. --
Disp. No. 41
From Recife, Brazil.

III. LABOR

A. Railway Strike

Just settling back into a work routine following the November nationwide railroad strike, the workers of the Rede Ferroviaria do Nordeste (the Northeastern Railway System) discovered that their salary and benefits gains were proportionally less than their southern colleagues. On January 2, following a union conference, the cry of discrimination was sounded with a plea for immediate company action to remedy the lack of parity. The workers specifically called for the back payment of the new hourly wage (increased 44%) based on the new minimum salary and increased "family-allowances." The railway had been hit by 12 hour working strike on December 25, 1960, because of the non-receipt of the back wages.

Receiving no satisfactory reply to their demands, the 12,000 laborers walked off their jobs on January 6; 156 passenger trains and 35 freight trains were halted. The workers were finally successful in their efforts to obtain the calculation of their 44% pay increase based upon the new minimum salary (Cr\$7,200) instead of the former one (Cr\$3,800) and the strike was terminated on January 13.

COMMENT: Although military police were on hand, there was no violence displayed during the strike. Commerce in the cities serviced by the railroad did suffer certain critical shortages (foodstuffs) as the strike continued. No calculations of how expensive the strike had been were made. The railway lost - directly - some \$10,000 per day in freight and passenger revenues. Within a week the railway was threatened with a second expensive shut down because of no fuel. Esso turned off the supply of diesel fuel for the entire national rail network because of their refusal to pay any of their \$300,000 fuel bill outstanding for several months.

B. New Wages And Port Charges In Recife

On January 20, the Federal Ministry of Transport and Public Works made the Recife stevedores happy by ordering the State of Pernambuco to grant a salary increase of 75% to the dockworkers. Several days earlier, the Ministry had boosted by 35% the service fees to be charged by the port. Based on the expected elevation of port receipts, the State had offered a 50% wage increase. The 75% jump was termed absurd by State Secretary of Transport Lael Sampaio.

COMMENT: In conversation with the reporter, Dr.

UNCLASSIFIED

0388

UNCLASSIFIED

(Classification)

Page four of

End. No. ---

Dep. No. 41

From Recife, Brazil.

Sampaio reported that economies in overtime pay and more efficient handling of material (and manpower) may allow the port to operate relatively economically despite the 75% wage boost. An additional increase in port charges may have to be requested.

IV. INDUSTRY

A. New Alagoas Distillery

With full honors bestowed with the presence of political, industrial, and religious leaders, the Institute of Sugar and Alcohol (IAA) inaugurated the new Central Distillery of Alagoas in Rio Largo. Described as not the biggest but the best, the German designed plant and equipment will distill 60,000 liters of alcohol daily. The IAA has invested \$1 million in the distillery. Next to the distillery, construction has started on a factory which will use the waste products from the distillation processes to manufacture high protein livestock feeds. (Mário de Pernambuco, January 22 and 24.)

B. Pernambuco Center Of Industrial Productivity

The Pernambuco Federation of Industries, with the assistance of USOM/Brazil and the National Council of Industry (CENI), opened on January 13 its own Center of Industrial Productivity. The new Center will be the recipient of a 400 volume library donated by USOM plus \$2,000 for the acquisition of additional technical publications.

C. SUDENE - Approved Industrial Projects

During the meeting of the SUDENE Deliberative Council, the following proposals were approved:

A. A recuperative program for the regional textile industry - primarily the smaller mill. An investment of more than \$4 billion was foreseen. Superintendent Celso Furtado was slated to discuss the subject with the Inter American Bank during his proposed early February trip to Washington.

COMMENT: The area textile industry is estimated to employ 60,000 employees in its 64 mills. French UN technician Roger Haour, a veteran in Latin America, has been the principal architect of this ambitious program to modernize and make efficient the industry.

B. Fosforita Olinda, Pernambuco phosphate mining company, was given permission to import, with a preferential exchange rate, additional equipment sufficient to increase its annual production from 250,000 to 350,000 tons per year.

UNCLASSIFIED

0389

UNCLASSIFIED

(Classification)

Page five of

Encl. No. ---

Disp. No. 41

From: Recife, Brasil.

C. The Carmen textile mill of the Othon Bezerra de Mello "via-
ção e Tecelagem" company, of Maceió, Alagoas, obtained a priority to
purchase equipment for plant modernization via a \$1 million Bank of
the Northeast loan. SUDENE concessions will save the company about
\$25,000.

D. SUDENE assistance was also granted to the installation of a
carbon black plant in Bahia and the expansion of a Pernambuco tile
factory.

V. FINANCE

A. Pernambuco Tax Problems (Continued)

Governor Sampaio's controversial 2.5% sales tax on goods pro-
duced (and already taxed) in other states, was quickly contested.
A Recife lawyer representing several southern firms obtained a ju-
dicial writ to restrain the State from collecting revenues from
the tax until its legality can be determined by the courts.
("Jornal do Comercio", January 20, 25.)

COMMENT: Opponents of the tax are certain
that the courts will accept their argument that it is
contrary to federal law (Federal Law 91) and even the
federal constitution (Article 27). Governor Sampaio
states that there are similar levies in the Brazilian
States of Bahia and Minas Gerais where the taxes have
been found to be legal by the courts.

VI. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

A. Contraband Activities Hit In Ceará

The historic industry of contraband in the Northeast became an
embarrassing subject to many Ceará politicians following the dis-
covery of the participation of state deputies in illegal coffee ex-
port operations in December. Practically all officials of the
State, including Governor Parsifal Barroso and his wife, were ac-
cused (and were accusing each other) of being contraband operators
before the tumult quieted.

COMMENT: The exposé of the Ceará contraband in-
dustry was engineered by the extremely unpopular Captain
of the Port of Maricuri (Fortaleza) who intercepted
a truck of illegal coffee complete with the abandoned
briefcase of Deputy Aniceto Rocha. The naval officer
has since been routinely transferred.

UNCLASSIFIED

0390

UNCLASSIFIED

(Classification)

Page six of
End. No. ---
Disp. No. 41
From Recife, Brazil.

VII. FOREIGN TRADE

A. Chinese Trade Mission Visits Recife

A Mission of Cooperation and Good Will, from Nationalist China, visited in Recife on January 5 and 6. Discussions were held with Federation of Industry, Commercial Association, and SUDENE officials. The Chinese group (5) consisted of a legislator, an economist, a university professor, and two industrialists. ("Diario de Pernambuco", January 6.)

VIII. SOCIO-ECONOMIC

A. Pernambuco Census (Continued)

The "official" results the 1960 census of the State of Pernambuco has revealed the following statistics:

State population: 4,161,684 - a 23% net increase since 1950.
Recife population: 783,960 - a 49% net increase since 1950.

Recife suburbs population increases ranged from 71% to 300% (for a town of 15,000). A few townships in the more arid interior regions reported net population decreases. (Source: "Censo Demografico do Estado de Pernambuco" 1960.)

COMMENT: The interesting statistic that is not available is the number of "Pernambucanos" that have emigrated to escape the harsh economic climate of the State.

B. Geology School Resists Transfer

Despite official denials, rumours still persisted that the federally supported geology course at the University of Recife would be transferred to Curitiba, Paraná in south Brazil. The rumours were persistent enough to stimulate a rash of promises to intervene by area politicians and petitions to the President "to prevent such an act of treason to the struggling Northeast."

COMMENT: The Recife geology course has been limping along since last year's student strike against the American professors which caused the subsequent withdrawal of the USOM personnel and equipment. The University's inability to discipline the student agitators gave the school such a reputation in international educational circles that the Federal body (CAGE - Campaign to Develop Geologists) has been unable to hire trained geology instructors to fill the vacancies left by rapidly departing foreign professors.

UNCLASSIFIED

0391

UNCLASSIFIED
(Classification)

Page Seven of
Encl. No. --
Desp. No. 41
From Recife, Brazil.

IX. POLITICAL-ECONOMIC

A. Ligas Activities

On January 9, 400 men, women, children (peasants with a sprinkling of school teachers and university students) launched an attempt to occupy, as squatters, the sugar plantation "Barra" recently purchased by the State of Pernambuco for its own program of agrarian reform. The peasant invasion, organized and led by elements of the "Ligas Camponesas", was peacefully but firmly throttled and dispersed by a platoon of State militia (23 men) which arrived within hours after the initial push by the group onto the state property. There was no violence. Arms confiscated - a few hunting rifles and knives - were considered normal apparel for the Pernambuco peasants.

"Ligas" leader Francisco Juliao, who publicly admitted planning the "Barra" invasion, discovered the following week that the 150 acre farm of his family had been similarly invaded by a group of 70 squatters. An accusing finger was immediately pointed at Governor Sampaio by Deputy Juliao who found himself in an uncomfortably embarrassing position for a land reform advocate. State officials acknowledged that they had aided the transient peasants to reach the Juliao farm where they had requested to go. Deputy Juliao warned Governor Sampaio that he had set a dangerous precedent and that the Sampaio estates could be similarly encroached upon.

B. Deputy Cleofas Attacks "Ligas Camponesas"

Federal Deputy Joao Cleofas (UDN), former Minister of Agriculture, announced candidate for the 1962 Pernambuco gubernatorial race, and author of a recently published book on agrarian reform, stated during a television interview on January 13 that he approved the idea of an institution which would work to better the welfare of the rural workers. However, in the case of the "Ligas Camponesas" of Pernambuco, he considers that the "Ligas" leaders are sowing discontent and are giving the peasants a false idea as to what agrarian reform should be. "No one denies . . . that communists and notorious agitators are behind the infamous 'Ligas', utilizing, criminally, the ignorance of the peasants in order to bring to Pernambuco and all of the Northeast a climate of permanent social agitation, ideal 'habitat' for the followers of Moscow."

X. MISCELLANEOUS

A. Ords Dam Completed And Inaugurated

In March last year the partial washout of the gigantic earthen dam Ords in Ceara provided the dramatic highpoint of the floods in the Northeast. The dam, still in construction, was nearly completed when hit by flooding rains last year. On January 6, with the

UNCLASSIFIED

0392

UNCLASSIFIED
(Classification)

Page eight of
Enc. No. 41
Desp. No. 41
From Recife, Brazil.

presence of President Kubitschek, the dam, in construction for more than 40 years (off and on), was officially inaugurated.

COMMENT: Orós is reported to be the largest dam in Latin America; it will contain 4 billion cubic meters of water behind the earthen wall which rises 60 yards above the bed of Jaguaribe River. Plans to utilize the potential - for power and irrigation - of the Orós - are still undefined.

Later in the month, as the copious rains of the season fell in interior Ceará, there arose the threat of the bursting of another dam still in construction - the Banabuiu Dam on the Banabuiu River. The Banabuiu will hold, if completed, 1 billion 200 million meters of water. Federal authorities denied the danger of another burst dam.

B. Economic Indicators

Attached as Enclosure No. 1 are comparative prices for basic commodities in Recife for the month of January in 1959, 1960, and 1961, and other economic indicators.

Ernest S. Guaderrama
Ernest S. Guaderrama
American Consul

AK
Enclosure: As stated.

- 1 cc - Counselor for Consular Affairs, Rio de Janeiro.
- 1 cc - Embassy, Rio de Janeiro.

UNCLASSIFIED

0343

UNCLASSIFIED

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Page one ofEncl. No. oneDisp. No. 41From Recife, Brazil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR JANUARY, 1961, WITH
COMPARATIVE FIGURES FROM JANUARY, 1960 AND 1959.
(All items are cruzeiro prices on the official commodity exchange
during the week indicated.)

COMMODITY		FIRST	SECOND	THIRD	FOURTH
		WEEK	WEEK	WEEK	WEEK
Sugar, Crystal, 60 kilos.	1959	574	574	720	720
	1960	700	700	700	700
	1961	970	970	970	970
Sugar, Granulated, Fine, 60 kilos.	1959	600	620	765	765
	1960	783	783	783	783
	1961	1,010	1,010	1,000	1,000
Cotton, <u>Sertão</u> , Type 5, 15 kilos.	1959	1,630	1,620	1,620	1,610
	1960	1,220	1,240	1,240	1,250
	1961	1,510	1,510	1,510	1,540
Cotton, <u>Sertão</u> , Type 4, 15 kilos.	1959	1,640	1,630	1,630	1,620
	1960	1,240	1,260	1,260	1,260
	1961	1,520	1,520	1,520	1,550
Cotton, <u>Mata</u> , Type 5, 15 kilos.	1959	1,365	1,315	1,290	1,290
	1960	1,140	1,160	1,150	1,150
	1961	1,370	1,370	1,370	1,380
Cotton, <u>Mata</u> , Type 4, 15 kilos.	1959	1,375	1,325	1,300	1,300
	1960	1,180	1,160	1,160	1,160
	1961	1,380	1,380	1,380	1,390
Castor beans, 15 kilos.	1959	102.50	100	100	100
	1960	155	155	165	175
	1961	230	230	230	225
Coffee beans, 15 kilos.	1959	400	400	400	400
	1960	250	250	250	250
	1961	250	250	250	250
Manioc flour, 50 kilos.	1959	475	475	475	475
	1960	375	375	400	400
	1961	500	500	500	500
Black beans, 60 kilos.	1959	825	825	825	825
	1960	2,200	2,100	2,000	2,000
	1961	2,000	2,000	2,000	1,800
Corn, 60 kilos.	1959	412.50	412.50	412.50	412.50
	1960	400	400	400	400
	1961	360	360	380	380

Source: Indicador Comercial, Recife, Brasil.

UNCLASSIFIED

0394

UNCLASSIFIED
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Page one of
Encl. No. two
Disp. No. 41
From Recife, Brasil.

II. COTTON EXPORTS AND SHIPMENTS FROM RECIFE, PERNAMBUCO.

	<u>Foreign Ports</u>	<u>Domestic Shipments</u>
1960	3,389,089 kilos	183,956 kilos
1959	577,906 kilos	266,463 kilos

SOURCE: Associação Commercial de Pernambuco

III. REGIONAL CONSUMPTION OF STEEL PRODUCTS OF COMPANHIA SIDERURGICA NACIONAL
(K i l o s)

<u>State</u>	<u>1 9 5 8</u>	<u>1 9 5 9</u>	<u>1 9 6 0</u>
Bahia	2,607,027	3,732,282	4,614,730
Sergipe	56,112	135,944	30,494
Alagoas	123,620	339,860	368,448
Pernambuco	3,214,748	6,179,275	14,737,929
Paraiba	120,557	292,179	122,450
Rio Grande do Norte .	105,314	203,916	331,804
Ceará	242,668	1,532,460	692,398

SOURCE: Jornal de Commercio, January 8, 1961.

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FOREIGN SERVICE DESPATCH		331	832.00/3-1061
FROM :	Amoongen S& Paulo	DESP. NO.	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	DATE	March 10, 1961
REF :	GERP C - General Interest	AMERICAN CONSULATE GENERAL	

20 For Dept. Use Only	ACTION REC'D 3-13-61	DEPT. I N RM/12 REPI INR-7 ICA-H E-7 O OTHER NSA-10 OSD-5 ARMY-4 NAVY-4 AIA-6 NSA-7 NSC-2 MAR 10 1961
SUBJECT: Biweekly Economic Review, February 24 - March 9, 1961		

INDEX

1. Shortages Alleged Caused by Suspension of Dollar Auctions
2. Congestion of the Port of Santos
3. Heavy Rainfall in S& Paulo State
4. No One Bid on Tenders for Garbage Treatment Plants
5. Metalworkers Reach Agreement

DEPARTMENT OF STATE
BUREAU OF D. Ventura
INTER-AMERICAN AFFAIRS
MAR 15 1961
R. E. Cahn
J. F. Shea

1. Shortages Alleged Caused by Suspension of Dollar Auctions

It is alleged that shortages of imported products are beginning to develop because of the failure to resume the auctioning of dollars for imports, since the suspension on January 31. Commodities mentioned as in short supply are zinc oxide, thinner for paints, special grade tinplate for tops and bottoms of cans, and chemicals needed by automobile tire manufacturers. More and more trade associations are appealing to the government to resume sales of dollars for imports.

Comment: Shortages so far are impending rather than actual, but speculators are already taking advantage of the situation, and shortages will develop if sales of hard currency for imports are not resumed soon.

2. Congestion of the Port of Santos

Another port congestion started in Santos in the last days in February, and has gotten progressively worse. On March 8 a total of 52 vessels were loading and unloading cargo, while 14 vessels were in the stream and 17 more were anchored at the bar awaiting dock space. Port authorities state that this congestion is caused by a number of factors, including bad weather; heavy movement of sugar, bulk wheat and oranges, which pose special loading and unloading problems; and an insufficient number of dock laborers. Because of this situation shipping companies

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0396

UNCLASSIFIED

(Classification)

Page 2 of

Encl. No.

Disp. No. 331

From Amcoengen São Paulo

which operate regular lines between the United States and Santos and are members of the River Plate & Brazil Conferences imposed a 25 percent surcharge on freight tariffs on cargo destined to Santos to take effect on May 15. Import-export trade circles are discontented with this measure and are discussing steps to be taken.

Because of the recurrent congestions of the port of Santos, the president of the Republic ordered that a committee, composed of representatives of the Ministry of Public Works and the Merchant Marine Commission, study conditions causing the port congestion, and submit a report within 30 days outlining possible port deficiencies and suggesting measures to correct them.

3. Heavy Rainfall in São Paulo State

Exceptionally heavy rainfall between February 27 and March 2 in many areas of the State of São Paulo was responsible for property and other damage, which has not yet been assessed. The Paraná River, which runs between São Paulo and Mato Grosso, overflowed at many points, destroying bridges and houses, and flooding localities on both river margins. The southern coast of the State of São Paulo was also seriously affected when coastal towns were partly flooded, roads were washed out and rail and highway connections were temporarily interrupted. Traffic on the Anchieta Highway, which links São Paulo and Santos, was interrupted for 12 hours while a 200-man road gang repaired the damage from land slides.

Comment: While there was considerable property damage in the affected areas, crop damage appears to be of a purely local nature and apparently will have no noticeable effect on the overall production of the State.

4. No One Bid on Tenders for Garbage Treatment Plants

Bids were to have been presented on March 9 to supply garbage treatment plants to the city of São Paulo (see despatch 272, January 13, 1961). No bids were entered, but two persons explained why it was impossible to comply with the call for tenders. Andersen S. A. Comercio e Industria of Rio, representing the Danish firm Dano Ingeniorforretning og Maskinfabrik, said it was uneconomic to incinerate garbage through utilization of thermic energy in electricity, also they knew of no mechanical equipment capable of automatically separating organic from cellulose material.

5. Metalworkers Reach Agreement

The São Paulo State Federation of Metalworkers and employers of metal, machine and electrical appliances reached an agreement providing a 40 percent increase in wages on February 27. The

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Page 3 of
Encl. No. 331
Disp. No. Amcongen São Paulo
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agreement covers an estimated 90,000 workers who are represented by 23 local union affiliates of the state federation, in suburban and interior cities of the State of São Paulo. The wage settlement covers workers employed by large American firms such as General Motors, General Electric, and Willys in the important A.B.C. triangle of Santo André, São Bernardo do Campo and São Caetano.

Comment: The agreement should go a long way towards insuring peaceful labor-management relations until September and October when most of the major agreements which are negotiated annually are reopened. The 40 percent wage increase is somewhat deceptive as the settlement has provisions stipulating maximum increases or cutoffs. In the A.B.C. triangle the maximum increase is Cr\$10,000 which means a highly skilled metalworker earning Cr\$30,000 a month will receive a percentage increase of 33 1/3 percent instead of 40 percent. For Santos a maximum of Cr\$8,000 is stipulated and maximum increases for metalworkers in interior cities range down to Cr\$6,000.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 39

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 10, 1961

REF : CERP-Section C 2.

B/DEA-1G-1 FE MAR 24 1961

19 For Dept. Use Only	ACTION	DEPT.
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4-1	KEP-1 ENR-7 AKA-3 FCA-11 E-3 D/ECG-3 FO-4 LA-6 TAK-2 TK-3 FKB-3 QAR-3 INF7 CIA-16 Dmg-Wary-4 XNB-4 DLF-7 NBA-4	

SUBJECT: Economic Summary for February, 1961.

INDEX

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:

Money has eased since January. Plenty of local buying interest spurred by encouraging exchange rate and surplus of cruzeiros forced upon tobacco exporters by certain banks. Prospects are favorable for larger castorseed and tobacco crops than usual, while the cocoa mid-crop, which should begin in May, is expected to be late due to lack of rain in many sections of the cocoa zone. Sisal fiber offerings continue steady as current exchange rate permits profitable sales to the United States and Germany. Banks report that collections continue to improve. However, retail business appears to be sluggish. Office buildings and warehouse construction show increased activity. Petrobras, which has for some months been slow with account payments, has received through the new Minister of Finance, Sr. Clemente Mariani (a Bahiano), the sum of 500 million cruzeiros. Of this amount, 240 million cruzeiros is reportedly earmarked for Salvador and should enable Petrobras to eliminate its debts in this area.

2. Industry and Investments

BY VINC
COMMENT RECORD
BNNB

(a) Mr. Felipe Herrera, President of the Banco Interamericano de Desarrollo (Interamerican Development Bank) recently visited Bahia to confer.

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Page _____ of
Encl. No. _____
Disp. No. _____
From _____

with the Governor and other State authorities. The Governor gave him a list containing the following projects, for which he has requested loans: electrification plan for the State of Bahia, which includes the extension of hydro-electric power from Paulo Afonso in the northeast of Bahia and the Funil hydro-electric project in the southern part of the State; development of agriculture - i.e., improvement in quality and production; construction of the Frigorifico da Bahia SA (cold storage plant) a combination private/government owned enterprise. The foregoing were the published projects - it is understood that other enterprises were mentioned by the governor. Technicians of the Interamerican Development Bank are expected to visit Salvador soon to gather complementary information concerning the financing of these enterprises. It is expected that the bank will announce its findings early in April as regards loan approval.

The Salvador Municipal Government has also applied for a loan through the Interamerican Development Bank in the amount of 213 million cruzeiros. The Servico Municipal de Transportes Coletivos is a public utility enterprise owned by the Municipal Government, which operates the buses, and elevator service within the city.

(b) Tsai Chang Iwan, a Chinese industrialist from the State of São Paulo, recently visited Salvador to study the possibility of installing a vegetable oil factory in this area. It is reported that he examined the land around the city of Feira de Santana, about 120 kilometers northwest of Salvador, with regard to possibility of growing castorseed, manioc root and denile trees. If soil tests prove satisfactory, his factory will probably be constructed on the outskirts of Feira de Santana.

(c) J. Harold Kolseth, Clyde S. Gischel, Paul C. Kimball and Philip A. Walker, American industrialists, arrived in Salvador March 3 to conduct a business administration seminar. The seminar was sponsored by Point IV Rio and the Federação das Industrias and was attended by more than 90 Brazilian businessmen from the States of Pernambuco, Sergipe and Bahia. The courses, which extended from March 6 through 10th, were well attended and received generous press coverage. The Governor, who is acutely interested in industrial development of the area, hosted a luncheon for the group at the Palace and personally thanked them for their contribution to the business community. Each of the 90 businessmen paid Cr\$5,000 (approximately \$20.00) for the week-long course.

(d) The Banco do Nordeste do Brasil has granted a loan of 14 million cruzeiros to Termolit do Brasil, Industria e Comercio da Bahia, to install a hydraulic floor tile factory in Salvador. The plant will have a daily capacity of 200 square meters and will have a capital of 15 million cruzeiros. A total of 29 million cruzeiros will be invested in this enterprise and all equipment will be of Brazilian manufacture.

(e) The Banco do Nordeste do Brasil has granted a loan of 45 million cruzeiros to the Cia. Siderurgica da Bahia (COSIBA), to purchase a tract of

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(Classification)

Page _____ of

Encl. No. _____

Disp. No. _____

From _____

land and construction of a steel rollingmill in the State of Bahia. It is reported that 100 million cruzeiros will be invested by COSIBA. The Consulate will watch for further developments concerning this project. First reports were heard several months ago that a steel mill would be constructed south of Ilheus but this is the first sign of definite action.

(f) The Banco do Nordeste do Brasil has granted a loan of 37 million cruzeiros to the GRESMEL SA Industria e Comercio, to purchase dry docking equipment. The company presently has a capital of 500 million cruzeiros and operates a welding, machine repair and forge shop. It is equipped to construct metallic structures such as bridges, towers, gasoline and kerosene tanks, etc.

(g) The Banco do Nordeste do Brasil has granted a loan of 35 million cruzeiros to the Industria Resegue de Oleos Vegetais, SA, of SMO Paulo, to install a castor oil factory in SMO Tomé de Paripé, 16 kilometers by railway and 19 kilometers by highway from Salvador. They will reportedly produce 3,500 metric tons of castor oil annually. The total amount to be invested in this enterprise will be over 86 million cruzeiros. (See Monthly Economic Summary for May, 1960).

(h) The Carteira Industrial e de Investimentos (CARIN) of the Northeast Bank has granted a loan of Cr\$79.5 million to Ceramica Sanyor do Bonfim Ltda, of Salvador, Bahia. The firm will carry out a project for modernizing their ceramics, including the introduction of new projection lines ceramic tiles, and refractory material. This expansion will increase the firm's production by 900 percent per year. The total investment will amount to Cr\$186 million with Cr\$181 as fixed capital and Cr\$5 million as permanent working capital.

3. Agricultural Development and Policy:

(a) Cocoa. The Total Bahia 1960-61 cocoa crop is still estimated at between 2,000,000 and 2,200,000 bags. Weather conditions have been dry in many different sections of the cocoa district. Should this situation continue through the months of March and April it will probably result in the delay of arrivals of cocoa beans to the shipping ports of Ilheus and Salvador. The present estimates of the Bahia mid-crop runs from 1,200,000 to 1,400,000 bags. Trade awaiting Testa's successor and announcement of new marketing plan to follow present FAO talks in Rome. Finance Minister favors minimum price if major producers go along.

(b) Castorseed and Castor Oil. Reports indicate that international market for oil has held steady for past month. Most producers have sold production through June/July. The interior is quiet, with the whole crop sold - and waiting for the mid-crop which should appear on the market in April. Expectations are for a crop larger than usual.

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UNCLASSIFIED

(Classification)

Page _____ of

Encl. No. _____

Disp. No. _____

From _____

(c) Tobacco Leaf. It is reported that there is a quickening interest from Germany and England for Bahia tobacco, but Holland is quiet, apparently still holding large stocks of relatively high priced tobaccos. Plenty of local buying interest spurred by encouraging exchange rate and surplus of cruzeiros forced early upon exporters by certain banks. The following shows the present prices per arroba of 15 kilograms by zones: Mata-Fina -Cr\$1,300 (few sales); Mata Sul -Cr\$1,150 (70% sold); Mata Norte and Feira -Cr\$900/1,200 (65% sold); Sertão C.-Cr\$700/850; Caatinga -Cr\$1,000/1,100. Crop estimates are between 360,000 and 370,000 bales of 75 kilograms compared with 340,000-350,000 bales last year. Quality expected to be slightly better than last year.

(d) Japanese Farmers. 12 more Japanese families are expected to arrive in Salvador sometime in March. As preceding groups, they are destined to the agricultural experimental station "Nucleo Colonia Presidente Juscelino Kubitschek", in Mata de São João, Bahia. This Colonia is about an hours drive from Salvador and has been in existence approximately four years. It is reported that about 500 Japanese farmers have settled there and the total will eventually be brought up to about 1,500 farmers. Each are entitled to bring in duty free, certain agricultural implements, including trucks, tractors and the Japanese "mechanical mule". The reporting officer has been invited to visit the Colonia in the near future and a further report on the progress of this project will be reported at that time.

4. Petroleum:

The appointment of Mr. Geonísio Barroso as President of Petrobras has materialized. (See Economic Summary for January, 1961). Barroso is a trained geologist and it is felt in certain quarters here that he will administer Petrobras with an eye towards early termination of foreign contract employees. Several renewal contracts are pending at this time and personnel concerned are still in doubt as to whether they will be returning to Brazil. It has been rumored that Barroso is of the opinion that Brazilian geologists are ready to take over the top positions which would mean a phase-out of foreign (mostly American) geologists and technicians.

On the other hand, Petrobras now has two foreign (American) drilling companies under contract, Brantley Drilling and Parker Drilling. A third is expected to be announced shortly. Two local groups, allied with United States firms are organizing to produce drilling bits and equipment in Bahia.

It has been reported that the Mataripe refinery has been shut down, almost a month, due to technical difficulties. However, the refinery has strongly denied these rumors and states that everything is running "normally". It has been observed that off-shore exploration is on the increase in the bay area.

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Page _____ of
Encl. No. _____
Dep. No. _____
From _____

5. Transportation and Communication:

(a) The Companhia Docas da Bahia (Bahia Dock Company) has announced that the new passenger station located at Warehouse No. 7 has been completely reconstructed and is ready to receive passengers calling at this port. Dock No. 7 is normally reserved for all foreign flag passenger vessels.

(b) The Base Naval de Aratu (Brazilian Naval Base) is presently building a dry dock which will be 230 meters long/37 meters wide. A new pier is also under construction. It is reported that in addition, a shipyard will be built at Aratu in which government and private capital is being invested. The total cost is estimated at 770 million cruzeiros. Up to the present time, 575 million cruzeiros has already been invested.

6. Labor:

Employees of the Viação Bahiana do São Francisco (a steamship company owned by the Bahia State Government) are demanding an increase of 60% in their salaries. The Secretary of Public Works and Transportation of Bahia reported to the local press that he had agreed to grant an increase of 50% to the Viação Bahiana do São Francisco employees.

7. Finance:

According to the State Internal Revenue Department Cr\$270,766,092 cruzeiros were collected during the first two months of 1961 which constitutes an increase of Cr\$28,740,531 cruzeiros over the same period in 1960.

8. East West Trade:

Exports to Soviet Bloc countries during the month of February 1961 were as follows: Poland, 1,033 metric tons of sisal fiber, 62 tons of cocoa powder, 13 tons of skins; Yugoslavia, 500 tons of sisal fiber; Russia, 114 tons of cocoa beans.

For the Consul:


Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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AIR POUCH		UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE 832,00/3-1061	
FOREIGN SERVICE DESPATCH					
FROM :	AmConsulate, CURITIBA		12		12
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DESP. NO.		DATE
REF :	CERT Section C-2		MAR 10 1961		MAR 10 1961
20 For Dept. Use Only	ACTION REC'D 3-18-61	DEPT. IN OTHER CIA-10 TAP-2 TR-3 FRB-3 XMB-4 AGR-2 LAB-6 INT-7	SUBJECT: ECONOMIC SUMMARY FOR FEBRUARY 1961		
			ARMY-6 NAVY-4 AIR-6		

I SUMMARY

February was the best month for coffee exports that Parana has had in a long time. Some 250,000 bags left Parana and there were signs that the pick-up would continue. The appointment of Frasso as director of the I.B.C. was a disappointment to Parana circles who had been hoping a local citizen would get the post.

Now road construction was paralyzed by rains and an absence of funds and many already-existing roads were put out of action by the same bad weather.

The credit situation remained tight, retail trade was brisk with end-of-season sales, and the threat of a wheat shortage continued as bread prices rose 30%.

II AGRICULTURE

1. Coffee

There was a time for sadness and a time for gladness in Parana coffee circles during February. Sadness because Jânio Quadros did not appoint a Paranaense as director of the I.B.C., gladness because there was a six-fold increase in coffee exports from Parana.

With the unrestrained optimism or gullibility, or both, which characterizes the Parana press, the appointment of someone from Parana as I.B.C. chief (ex-Governor Adolpho de Oliveira Franco was the favorite contender) was treated as if it were a fait accompli. Now that Jânio has deflated this balloon, the Parana-firsters are finding consolation in the fact that nominee Frasso is a diplomat, a characteristic which is alleged to exempt him from partisan, emotional thinking and to enhance him with the wisdom to lend a sympathetic ear to Parana's problems.

cc: Counselor of Embassy for Consular Affairs
Ambassy, Rio

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0404

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(Classification)

Page 2 of 5
Encl. No. 42
Desp. No.
From AmConsulate, Curitiba

A marked increase in coffee exports was as much of a surprise as Frazão's appointment. After months of almost total paralyzation Parana shipped 200,000 bags to foreign ports and another 50,000 to Brazilian ports. Exports in early March continued heavy and there is cautious optimism that the upswing will go on.

SOURCES: All papers.

2. Mate

The appointment of a Paranaense as director of the National Mate Institute was heartening to growers in this area whose problems are many. There was news that Argentine mate growers are increasing their production and demanding that the Argentine government curtail imports from Brazil. The Misiones province is reported to have produced 72.8 million kilos in 1960 and Argentine imports from Paraguay are on the increase. Argentina is Brazil's second largest market.

SOURCES: "Diário do Paraná"-Feb.24,25,1961
"Gazeta do Povo"-Feb.25,26,1961
"Tribuna do Paraná"-Feb.26, 1961

3. Cotton

Paraná's Secretary of Agriculture made a fruitful trip to São Paulo last month, returning with 200,000 bags of cotton seeds loaned by the São Paulo government. The seeds will eventually give a further boost to cotton cultivation in northern Paraná. The current harvest is expected to yield as much as 75,000 tons.

III LABOR

1. Railway Strike

The 10 day strike by workers on the "Roda Viçosa Paraná Santa Catarina" ended on February 3, the strikers claiming a complete victory. The railroad promised to pay the benefits of the parity law as quickly as possible and guaranteed that none of the strikers would be punished for participating in the movement. Credit for bringing the strike to an end is given to Governor Ney Braga and PTB mayor Iberê de Mattos, both of whom intervened in the strikers behalf.

SOURCES: "Diário do Paraná" - Feb.2,4,1961
"Estado do Paraná" - Feb.1,2,3,1961
"O Dia" - Feb.1,2,3,1961
"Gazeta do Povo" - Feb.2, 1,3,4,1961

2. Metal Workers

The Paraná metallurgical workers union is moving to associate itself with the São Paulo Federation of Metallurgical Workers. Miguel Krug, President of the Curitiba local, says the move would be made to take advantage of the superior benefits offered by the São Paulo Federation in terms of assistance to the workers.

UNCLASSIFIED

0405

UNCLASSIFIED
(Classification)

Page 3 of 5
Encl. No. _____
Dep. No. 42
From AmConsulate, Curitiba

The Londrina local is opposed because it feels the São Paulo union is not overly concerned about the laborer in Paraná.

COMMENT: The Paraná union's leaders came in for some criticism last year after giving in to their employers offer of a 25% increase in wages. The São Paulo union, on the other hand, held out longer and demanded a 35% increase. The movement to unify the two syndicates would presumably strengthen the Paraná section's bargaining position.

3. CONSTRUCTION WORKERS:

Construction workers are becoming increasingly recalcitrant in their demands for a new contract, the present contract having expired Dec. 31. A parade was held on Curitiba's main street and there were a great many speeches but with the close of the month no agreement had been reached. The union is demanding a minimum wage of Cr\$ 8,500 per month with salaries of Cr\$15,000 and more for skilled professionals.

SOURCES: "Diário do Paraná" - Feb. 24, 1961
"Estado do Paraná" - Feb. 12, 23, 24, 1961
"O Dia" - Feb. 5, 7, 16, 22, 23, 1961
"Última Hora" - Feb. 7, 9, 16, 23, 24, 1961

IV Transportation and Communications

1. Highways

Work on the Curitiba-São Paulo highway (BR-3) is bogged down as the result of heavy rains in the area separating Paraná from São Paulo. The Paraná Commercial Association has telegraphed Janio Quadros asking that the road be completed without delay. Despite innumerable predictions of opening dates it seems unlikely that the road will be ready until next year.

Janio is apparently interested in the so called "coffee-road", running from Paranaguá to Paranaval. One of his "Edictinhos" contained an urgent request for information about the progress being made. The road is a long way from being finished.

Construction of the Paranaguá-Curitiba road has been halted now that the money has run out. When the road will open is anybody's guess.

Rains washed out a number of roads in the north of Paraná resulting in urgent demands for assistance by the state government in re-opening them. The Joinville-Curitiba road has been closed for about three weeks and the road to Florianópolis was impassable for more than a week. None of these roads are paved.

SOURCES: "Estado do Paraná", Feb. 5, 11, 28, 1961
"O Dia" - Feb. 28, 1961
"Folha do Comércio" Feb. 27, 1961

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0406

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(Classification)

Page 4 of 5

End. No.

Disp. No. 42

From AmConsulate, Curitiba

2. "Western" Telegraph Connection

The Paraná Trade Federation and the Paraná Commercial Association have asked President Quadros and other federal and state officials to take steps to permit installation of a submarine cable to the port city of Paranaguá. The cable would enable "Western" to operate to Paranaguá and Curitiba. At present telegraph communications out of Curitiba are handled by the National Telegraph System which is totally unreliable and extremely slow.

SOURCES: "Diário do Paraná" - Feb. 18, 1961
"O Dia", Feb. 4, 5, 21, 1961
"Folha do Comércio" - Feb. 27, 1961

V MINERALS

The proposed transfer of the headquarters of the National Coal Planning Office from Rio de Janeiro to Criciúma, Santa Catarina was, not unexpectedly, welcomed by the Santa Catarina press. Criciúma is the center of the Brazilian coal producing area. Jenio Quadros has announced "urgent studies with a view towards" moving the office. Since Criciúma looks like the setting for an Emilio Zola novel the "urgent studies" will presumably give time to the office workers to cogitate on the merits of leaving Rio.

SOURCES: "Estado do Paraná" Curitiba, Feb. 21, 1961
"Gazeta" Florianópolis, Feb. 9, 10, 1961

VI INDUSTRY

Without giving any names, the Governor of Santa Catarina, in a recent press conference, revealed that three "industrial groups" are interested in settling in the state. The first would like to establish a siderurgical plant (locale not specified), the second seeks to develop a paper industry in Curitiba or Lajes and the last, composed of Japanese interests, will look into the possibilities for a fisheries industry.

SOURCES: "Diário do Comércio, Paranaguá" Feb. 28, 1961
"Estado", Florianópolis, Feb. 23, 1961
"Gazeta" de Florianópolis, Feb. 22, 1961

VII DOMESTIC TRADE AND COMMERCIAL POLICY

Wheat Shortage:

increase

The Paraná price control office authorized a 30% in bread prices. The increase is one of the consequences of the wheat shortage currently affecting all of Brazil. Although there have not as yet been any notable shortages in local stores the press has been indicating that bread will shortly be unavailable. Nearly four thousand tons of wheat will soon be received here as part of the recently concluded P.L.- 480 agreement. The shipment has been

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0407

UNCLASSIFIED
(Classification)

Page 5 of 5
Encl. No. 42
Desp. No. 42
From Consulate, Curitiba

widely publicized.

SOURCES: "Diário do Paraná" - Feb. 12, 16, 17, 18, 19, 1961
"Estado do Paraná" - Feb. 3, 16, 17, 18, 19, 21, 22, 1961
"Gazeta do Povo" - Feb. 17, 18, 19, 1961
"Tribuna do Paraná" - Feb. 9, 18, 20, 24, 28, 1961

Edward M. Rowell
Edward M. Rowell
American Consul

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AIR POUCH PRIORITY		OFFICIAL USE ONLY (Security Classification)		DO NOT TYPE IN THIS SPACE 832-00/3-1461	
FOREIGN SERVICE DESPATCH					
FROM : Embassy RIO DE JANEIRO		804		March 14, 1961	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		DESP. NO.		MAR 17 1961	
REF : CERT C-1		SCS-1			
55 For Dept. Use Only	ACTION * REG'D 3/20	DEPT. IN F OTHER O	RMIA-2 REP-1 *INR-10 E-6 *ICA-11 PER-2 HSTA-10 OSD-2 COM-35 MAR-20 QIN-20 75A-4 CEA-16 COM-12 TAR-2 MAR-3 FMS-3 XMB-4 INDEX DHE-7 MAR-31 MAR-2 AGR-8 INT-7 *AB-6		
SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered February 25-March 10, 1961) 75A-4 CEA-16 COM-12 TAR-2 MAR-3 FMS-3 XMB-4 INDEX DHE-7 MAR-31 MAR-2 AGR-8 INT-7 *AB-6					
1. Coffee 2. Two-Shift Work Schedule to be Retained for Civil Servants 3. Cr\$6.5 Billion in New Currency Issued During the First Month of the Quadros Administration 4. President Orders Steps to be Taken to Cut Budgetary Expenditures 5. Cost of Living Index 6. Conversion Rate Raised to Cr\$222.51 7. Conversion Rate for Payment of Civil and Military Personnel Abroad Raised to Cr\$200.00 to the \$1.00 8. Representation Allowances of Diplomats Reduced 9. Brazilian Government Trade Propaganda Offices Placed under Foreign Office 10. Proposed Steel Plant in the Vicinity of Rio de Janeiro 11. Spark Plug Plant to Increase Production 12. Traditional Labor Leadership under Attack 13. Labor to Participate in Management of Government Corporations 14. Strikes 15. Increase for Sugar Refinery Workers 16. Social Security 17. No Rent for Slum Housing 18. Revision of Draft Five-Year Highway Plan 19. Entry Into Service of REAL DGS's 20. Study of Nation-Wide Telephone System 21. Study of Money-Losing Branch Rail Lines					
1. <u>Coffee:</u> Coffee exports (July 1, 1960-March 6, 1961) were 11,519,745 bags compared to 12,656,367 bags exported during the same period of the 1959/1960 marketing year. Exports during the month of February 1961 were 1,209,752 bags. same month last year exports were 1,460,026 bags.					
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From RIO DE JANEIRO

2. Two-Shift Work Schedule to be Retained for Civil Servants:

President Quadros, in spite of strong and almost unanimous press criticism of his decree increasing civil service working hours and strong pressure from Federal employees' associations, refused to revert to the old work schedule or alter the new schedule. He did, however, agree to make exceptions for working mothers and employees whose residences were far from their government offices and who have difficulty in arriving at their offices at the new starting hour of 8:30 a.m. The President also described the plan as an "experiment" which would be reviewed at the end of one year. (See Item 5 Embdespatch 749 of February 28, 1961.)

(UNCLASSIFIED)

3. Cr\$6.3 Billion in New Currency Issued During the First Month of the Quadros Administration:

During the first month of the new Administration, a reported Cr\$6.3 billion in new currency was issued by the government thereby increasing currency in circulation by roughly 7% from a previous level of Cr\$201.6 billion. The press reported that the Finance Minister had fully anticipated that additional issuances of paper money would be necessary "for some time", but that the amount issued in February actually fell short of his earlier estimates by Cr\$1.2 billion.

(UNCLASSIFIED)

Comment: The issuance of Cr\$6.3 billion in paper money in February makes a net issuance for the first two months of the year of Cr\$1.8 billion. It will be recalled (~~that the Finance Minister had anticipated that additional issuances of paper money would be necessary "for some time", but that the amount issued in February actually fell short of his earlier estimates by Cr\$1.2 billion.~~) that Cr\$4.5 billion were withdrawn from circulation in January allegedly due in part at least to the fact that the outgoing Administration postponed payment of civil servants during the last days of January.

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4. President Orders Steps to be Taken to Cut Budgetary Expenditures:

President Janio Quadros this week asked heads of all Ministries to work out economy plans which would enable them to cut amounts allotted to each Ministry in the Budget Law by 50%. At the same time he decreed that the period of service of military draftees would be reduced from 10 to 8 months, a move which the Administration estimates will save about Cr\$350 million annually. (UNCLASSIFIED)

Comment: Reports as to whether the Ministries will be able to comply with the President's request to cut their budgets by 50% are conflicting, ranging from the Department of Agriculture which indicated it would be able to cut expenditures by 28-1/2% to the Air Force which doubted that they could cut anything, according to press reports. Without some move to cut personnel which, together with pensions and retirement benefits make up roughly 50% of the total budgetary expenditures, it is difficult to see how a reduction in expenditures of this magnitude can be achieved.

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Page 3 of
End. No.
Disp. No. 804
From RIO DE JANEIRO

5. Cost of Living Index:

Preliminary data obtained from the Getúlio Vargas Foundation indicate an increase in the cost of living in the State of Guanabara of only 1.0% in February, as compared with 2.1% for January 1961. These figures compare with 0.8% for February and 0.7% for January 1960.
(UNCLASSIFIED)

6. Conversion Rate Raised to Cr\$222.51:

The "fiscal dollar" i.e., the conversion rate by which customs duties are assessed was increased from Cr\$174.00 to Cr\$222.51. The former rate was in effect since November 1959, although according to the law, the conversion rate for the calculation of the tariff charges is supposed to be fixed every month on the basis of the behavior of the general category import exchange market during the preceding month.
(UNCLASSIFIED)

Comment: The Finance Minister, in announcing the change referred to it as an "anti-inflationary move" in that it would help reduce the budget deficit. Revenues from import duties of course, would be increased by some 30% for as long as this rate remained in effect assuming the volume of imports remained the same. On an annual basis, an increase in import revenues of this amount would amount to some Cr\$6 billion, an important but hardly decisive amount in terms of the anticipated Cr\$100 billion budget deficit. (Radesp 788 1/12/61) (OFFICIAL USE ONLY)

7. Conversion Rate for Payment of Civil and Military Personnel Abroad Raised to Cr\$200.00 to the \$1.00:

On March 5 President Quadros raised the conversion rate applied to the payment of salaries and allowances to civil and military personnel stationed abroad. Such personnel stationed abroad are paid entirely in U. S. dollars no matter in which country they are stationed.
(UNCLASSIFIED)

Comment: Up until this decree, most of these personnel received their salaries converted at the so-called "cost-of-exchange" rate (presently Cr\$100.00 to the \$1.00) and some were rumored to be receiving even more favorable exchange rates. The effect of this decree will be to substantially reduce the incomes of government personnel stationed abroad although the budgetary and foreign exchange savings will be small.
(OFFICIAL USE ONLY)

8. Representation Allowances of Diplomats Reduced:

President Quadros signed a decree on March 7 reducing the representation allowance approved for the Brazilian diplomats on December 15, 1960. The decree provides for a 30% cut for the representation allowance of Ambassadors and Chiefs of Missions. All ranks down to Administrative assistants will also be affected with cuts that vary from 20% to 27%.
(UNCLASSIFIED)

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0411

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Page 4 of
Encl. No. 804
Disp. No. 804
From RIO DE JANEIRO

9. Brazilian Government Trade Propaganda Offices Placed under Foreign Office:

President Janio Quadros has decreed that the fifteen trade bureaus which Brazil maintains abroad for trade expansion and propaganda purposes shall be placed under the Economic Minister in the various diplomatic missions abroad. Trade offices exist in Great Britain, Spain, France, West Germany, Portugal, Holland, Italy, Switzerland, Mexico, Argentina, Uruguay, Paraguay, Chile, Canada and the United States. Where space permits, these offices are to be moved to the sites of the actual diplomatic missions. (See Item 6 Subdispatch 749 of February 28, 1961.)

(UNCLASSIFIED)

Comment: The measure is expected to result in some reduction in staff though the actual budgetary and foreign exchange savings that will result are likely to be insignificant. It is, however, a popular measure with Brazilians who view it as a "crack down" on special groups of employees long considered over-privileged and underworked.

(OFFICIAL USE ONLY)

10. Proposed Steel Plant in the Vicinity of Rio de Janeiro:

At a meeting held at the Commercial Association of Rio de Janeiro, the steel and iron distributors (affiliated with the Hardware Dealers Association), presented a detailed project for the construction of a steel plant (300,000 tons a year) at Santa Cruz in the vicinity of Rio de Janeiro. The project in question was formally submitted to General Guedes Muniz, chairman of the Steel and Iron Studies Group, an agency of the Government of the State of Guanabara.

The plant under consideration would be built and operated by a mixed economy corporation; total investment was estimated at \$20 million dollars. The organizing group voiced the hope that a substantial loan could be obtained from the Export-Import Bank, with a guarantee from Brazil's National Economic Development Bank.

In its general consideration, the project calls for the creation of a "Brazilian Steel Association", one of whose main functions would be the elaboration of a "master plan" to coordinate overall steel production as determined by realistic market surveys and by accurate appraisals of steel making capacity both quantity and quality wise.

(UNCLASSIFIED)

11. Spark Plug Plant to Increase Production:

AMCO JET Velas para Motores S/A, sole manufacturer of spark plugs in the Rio area, has announced plans to increase its production fivefold. To that end, the company is endeavoring to bring its capital resources up to the Cr\$20 million mark, through an issue of common and preferred stock. It was also announced that a number of modern machines still not in use because of lack of plant space were going to be installed and put into operation.

Present production is approximately 100,000 units per month and spark plugs

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04 12

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(Classification)

Page 5 of
Encl. No. 104
Disp. No. 104
From RIO DE JANEIRO

are being manufactured with 80% domestic components. Sales volume figures are reported to have shown an increase from Cr\$30 million in 1959 to Cr\$61 million in 1960.

12. Traditional Labor Leadership Under Attack:

On March 3, the Ministry of Labor gave Decleciano de Hollanda Cavalcanti, perennial president of the National Confederation of Industrial Workers, ten days in which to elaborate a plan indicating how he will repay several million cruzeiros granted to him in 1951, ostensibly for the construction of workers' housing. Cavalcanti's failure to produce any workers' housing with the loan has been a long-standing scandal, although quiescent in recent years. In 1955, while he was attending an IOFTU executive board meeting in the United States, he was removed from office by the then Minister of Labor, who stated that his action was based on Cavalcanti's bad faith regarding the loan, although other political considerations and antagonisms seemed to have been more basic causes. Following protests from the IOFTU and the American Federation of Labor, the Minister backed down and allowed Cavalcanti to resume office, after he promised to repay the money.

On March 1, Syndulpho de Azevedo Pequeno took leave as president of the National Confederation of Land Transport Workers and will not seek reelection to that office. Pequeno was a leading labor member of the Union Tax Commission, all members of which were recently dismissed by President Quadros, who ordered an investigation into alleged irregularities. Although Pequeno left the Land Transport Workers in order to assume duties as representative in Brazil for the International Labor Organization, the ILO offer gave him a chance to leave at an opportune moment.

Together with other incidents, these attacks appear to presage a weakening, under the Quadros Administration, in the previous labor leadership in Brazil.
(OFFICIAL USE ONLY)

13. Labor to Participate in Management of Government Corporations:

On February 27, President Quadros notified the Ministers of Industry and Commerce and of Labor that he intends to appoint a labor representative to the board of directors of each of the large government owned corporations, such as the National Steel Plant, National Motor Factory, National Alkali Plant, and Vale do Rio Doce mining company. Quadros described his proposal as urgent, and stated that he believes labor participation in management of the government enterprises will lead to increased productivity.
(UNCLASSIFIED)

14. Strikes:

Rio Port Strike - A four-day strike by warehouse workers in the Port of Rio ended on February 27 after the Minister of Labor promised to give "highest" priority to the demand of the Warehouse Workers Union for immediate payment of a 5% wage increase granted last January, but not in fact paid on the grounds that

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0413

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(Classification)

Page 6 of
Encl. No. 804
Desp. No.
From RIO DE JANEIRO

the increase was granted by an official who lacked appropriate authority. The Warehouse Workers Union is paid by the Port Authority for all work performed by its members. The union, after legal deductions, then pays its members. The union commenced paying the 5% increase in January out of its own reserves, and called the strike because its reserves were allegedly nearly exhausted. This was the first serious strike faced by the Quadros Administration. It seems likely that the wage increase will be granted under a new contract, signed by a competent official, in order to prevent a renewal of the strike.

Other strikes - About 5,000 employees at the government-owned National Motor Factory, represented by Guanabara's local union of metal, machine and electrical workers, struck for one day on March 4 as a protest against prevailing wage rates. Average monthly earnings for most of the workers are reportedly around Cr\$10,000, but wage studies which might lead to some increases are in progress.

Part of the workers at the government-owned National Alkali Plant in Cabo Frio, State of Rio, stayed away from their jobs on March 9 and several successive days in protest against a reduction in personnel, which managers of the plant described as necessary due to overstaffing.

Newspapers were closed for about a week in Vitoria, capital of Espirito Santo, as a result of a strike called by the local union of printing trade workers in support of claims for wage increases.
(UNCLASSIFIED)

15. Wage Increase for Sugar Refinery Workers:

Sugar refinery workers in the city and State of Rio obtained a 5% wage increase on February 24, under an agreement arranged by the Ministry of Labor between the producers and the Sugar Workers Union. Later several firms stated that they could not abide by the agreement unless price increases were authorized (which resulted in a one-day strike on March 1), but pressure from the Ministry of Labor induced them to start paying the higher wages without raising prices.
(UNCLASSIFIED)

16. Social Security:

Four of the seven major pension institutes, which administer the pension and welfare funds for various groups of urban workers, are under active investigation by the new administration, pursuant to extensive charges of financial irregularities during recent years. The institutes being investigated are those which insure bankworkers, maritime workers, railway and public utility workers, and public employees. SASE, the social security agency which runs some workers' restaurants and low-cost food stores, is also under investigation.

It is known that President Quadros' order calling for the dismissal of all Federal employees appointed to their jobs after September 1 of last year will affect a considerable number of social security employees, but reliable figures

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0414

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(Classification)

Page 7 of
Encl. No. 804
Desp. No.
From RIO DE JANEIRO

have not been published. One of the social security agencies most affected by the order is SAMDU, the chain of first aid clinics and ambulance posts operated jointly by all the pension institutes. As all of the employees at some twenty-five SAMDU clinics were appointed after September 1, their dismissal will result in closing the clinics.

On March 7 President Quadros signed a decree providing for an upward adjustment in most social security pensions. Depending upon how much time has elapsed since a pension was last adjusted, it will be raised from 26% to 68%. No figures are available indicating the total additional pension payments resulting from the new decree.
(UNCLASSIFIED)

17. No Rent for Slum Housing:

Guanabara's Governor Carlos Lacerda has issued a decree prohibiting the charging of rents for shacks constructed in the State's slums ("favelas"). Many such shacks were constructed as a business and then rented, even though on land not owned by the constructor. Some individuals are reputed to rent large numbers of such dwellings. This is not the first time that rents have been prohibited within the favelas, and how well this decree will be enforced remains to be seen.
(UNCLASSIFIED)

18. Revision of Draft Five-Year Highway Plan:

The Minister of Transport and Communications was directed by President Quadros on March 6 to set up a working group to revise, within 30 days, the proposed five-year (1961-1965) highway plan presented to him by the National Highway Department. The President indicated a series of changes which he wanted introduced into the draft plan. The original proposal is not yet generally available, but according to press reports it called for the expenditure of about Cr\$111 billion on the construction of 8,350 kilometers of new roads, the improvement of 1,530 kilometers of existing roads, the original paving of 10,470 kilometers, the repaving of 3,100 kilometers, and the erection of necessary bridges and other structures. The funds were to be provided as follows: 30.7 billions from the National Highway Fund; 4.5 billions from the National Paving Fund; 66.8 billions from the Federal Budget; 1.5 billion from various sources; and 7.5 billions from special credits to be sought from Congress. Information at present available on the changes recommended by the President indicates that the broad outlines of the original proposal will not be changed.
(UNCLASSIFIED)

Comment: The 1961-1965 plan is considerably more ambitious, particularly with respect to paving, than the five-year plan of Quadros' predecessor.
(UNCLASSIFIED)

19. Entry Into Service of REAL DC6's:

REAL has begun domestic and international service with three DC6's it recently acquired from SAS. The first commercial flight with the new equipment

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04 15

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(Classification)

Page 8 of
Encl. No. 804
Disp. No.
From RIO DE JANEIRO

occurred on February 25 on the Rio/São Paulo-Buenos Aires route, followed by the first domestic commercial run on February 28 between Rio and Recife. The Embassy understands that REAL intends to use the aircraft between the major coastal cities, from major state capitals to Brasília, and on the River Plate service. It is also possible that the DC6's will replace the 1049 H Constellations on the long Brazil-Japan route operated by REAL. To purchase the planes, the carrier sold three of its Convair 440 fleet. REAL is understood also to be dickering for a substantial number of used Lockheed Electras from an American trunk carrier.

(UNCLASSIFIED)

Comment: The Embassy understands that the total net cost to REAL of the three Douglas planes after the sale of the CV 440's was about \$40,000. Air Carrier Corporation, which arranged the deal, is also involved in the negotiation of the sale of ten Electras by American Airlines to REAL; the value of the sale is said to be in the neighborhood of \$10 million. The forthcoming rise in the cost-of-exchange rate, which is applied to such aircraft imports, may very well complicate the contemplated deal since REAL's financial condition is and has been for some time shaky.

(OFFICIAL USE ONLY)

20. Study of Nation-Wide Telephone System:

On February 28 President Quadros instructed the Minister of Transport and Communications to establish a working group--composed of representatives of the Ministries of Transport and Communications and Finance, the Bank of Brazil and the Economic Development Bank--for the purpose of preparing a national telephone plan. The specific aims of the group were defined as follows: (a) "to serve and safeguard the superior interests of national security in the installation, maintenance and expansion of an organic telephone system throughout the entire national territory;" (b) to draw up principles for setting local and interurban service rates, which would have countrywide applicability; and (c) to adopt uniform standards or systems of financing, "in harmony with the objectives of a national orientation." The group was given 60 days to report. Four days later the Federation of Associations of Telecommunications Companies in Brazil (Telebras), a private trade association which represents the operators of 90% of the telephone lines in the country and all the manufacturers of telephone equipment, congratulated the President on his action and sent to the Minister of Transport a message offering its cooperation in the drafting of the plan. The Federation pointed out that it had always advocated a three-part program calling for an adequate rate structure at all times, emergency financing by the telephone subscriber (i.e., auto-financing), and the installation and consolidation of a national telephone equipment industry.

(UNCLASSIFIED)

Comment: The recommendations which the working group makes on the rate structure and financing methods will be critical. Because of excessively low and nearly rigid rates, the operating companies have been unable to raise capital for desperately needed expansion--the estimated unfilled demand for telephone lines amounts to nearly 1,000,000 in Brazil as a whole, with half that total concentrated in Rio, São Paulo and Belo Horizonte where the Canadian-owned Companhia Telefônica Brasileira (CTB) operates--and there has been widespread resort

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0416

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Page 9 of
Encl. No. 304
Disp. No. 304
From RIO DE JANEIRO

to auto-financing, a system whose details vary from locality to locality but which basically calls for the payment by the subscriber of the costs of installation of the line (a figure varying from Cr\$30,000 to 80,000) and the issuance in return by the company of debentures. (UNCLASSIFIED)

21. Study of Money-Losing Branch Rail Lines:

The President on March 6 authorized the Minister of Transport to appoint a committee to survey branch lines of existing railroads which were deficit-producing, with a view to designating the ones which should be eliminated immediately and those which should be eliminated after other measures had been taken. The committee was given 30 days to finish its work, "in view of the terrible drain on the Treasury, on the national economy and consequently on the people," caused by the branches in question. The language of the Presidential directive suggested that not only branches but also entire railroads were to be considered for elimination. (UNCLASSIFIED)

Comment: Brazilian legislation in effect for five years has authorized, and set up sources of funds for, the elimination of deficit-producing branches and their substitution by paved roads, but practically nothing has been done in this regard for a variety of reasons, many of them political. In addition to branches, entire railroads which no longer have an economic justification could profitably be closed, a fact which has been emphasized by all the groups which have addressed themselves to the problems of the Federal Railway System. A courageous, large-scale elimination of such branches and railroads would have a measurable, if not major, effect on the System's deficit. (OFFICIAL USE ONLY)

For the Ambassador:

Approved:

William A. Fowler

William A. Fowler
Counselor of Embassy for Economic Affairs

Edward F. Bash
Edward F. Bash
Commercial Attaché

Contributors:

Item 1 - L'Yallous
Items 2, 3, 4, 7, 8, 9 - JKRissy
Item 5 - WBlomeyer
Item 6 - JKRissy/WBlomeyer

Items 10, 11 - JdeSeabra
Items 12, 13, 14, 15, 16, 17 - DEWann
Items 18, 19, 20, 21 - JHCrissman

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0417

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MAR 16 1961

4178 RM/R
FILE

Dear Mr. Hall:

As a part of the bilateral program for the economic development of Latin America, the United States is particularly interested in increasing the use of Brazil's natural resources to develop the plant and animal resources, and to develop the land for agricultural purposes of the Brazilian people. It is known that the United States has, at the present time, given considerable support to Brazilian efforts by the use of technical assistance. It is in a position to offer the United States the use of a portion of the proceeds from the sale of agricultural commodities to Brazil, as a grant rather than a loan basis.

Accordingly, the Department of State wishes to assure: (1) that twenty percent of the total proceeds from the P.L. 480 Title I, Agreement with Brazil of December 21, 1959, as amended, the equivalent of approximately \$75 million, can be granted for economic development on a grant basis under Section 201(a) of the Act, and (2) that twenty percent of the total proceeds from the proposed new Title I Agreement with Brazil for the year of approximately \$24 million, can be used for economic development on a grant basis under Section 201(a) of the Act. The purpose of this letter is to request your support of Section 201(a) of the Developmental Appropriation Act, 1959, in order to make this as good as possible.

The Brazilian Government is a predominantly agricultural country in which there are 20 million people, most of whom are engaged in agriculture. The country has vast natural resources, including land, water, and minerals, and the people are engaged in the production of agricultural products. The United States is the main source of the demand for the Brazilian products, and the United States is the main source of the demand for the Brazilian products, and the United States is the main source of the demand for the Brazilian products.

The Department is anxious to increase the use of the proceeds from the sale of agricultural commodities to Brazil, and to increase the production of the Brazilian people, and to increase the production of the Brazilian people.

The Secretary
David R. Hall,
Director, Bureau of International Finance

DEPARTMENT OF STATE
OFFICE OF THE SECRETARY

Reclassified by BMS

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0418

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- 2 -

government of Recife (capital of the State of Pernambuco and the area's largest city), have infiltrated the state governments, and are vigorously winning their influence through the cooperation of the Communist-run Labor Movement, or Frente Unico. These leagues are shipping up sentiment for violent land reforms which could become explosive within the coming year. Because of this threat to Brazil's internal security, with its obvious implications for security of the Hemisphere as a whole, the importance of assisting in the solution of the pressing problems of the Northeast cannot be overemphasized.

In the past, the Brazilian Government has poured considerable sums into the Northeast without significant results in meeting the area's massive social and economic needs. Only recently it has created a special development corporation, SERNAL, through which to channel and coordinate the social and economic rehabilitation efforts in the area. At the local level, state governments in the Northeast are beginning to formulate programs to deal with their problems, though they clearly are lacking adequate resources for attaining their goals.

One noteworthy and significant program is that of Old Recife, the dynamic young business of the State of Pernambuco, in which Communist agitation is rampant. It is a nationwide movement, known as the United States and actually known as the United States, operating through state-supported land reclamation to restore the efforts of the Federal Government to provide violent violence of lands. The United States for of Governor Sampaio to check necessary actions Sampaio has to launch his program points up a difficulty facing rehabilitation efforts throughout the Northeast and indicates an area in which United States help might effectively promote United States interests. With such the necessary Communist agitation, the Governor recently made to show progress on his program to meet the problems on the political side. The announcement of a grant of \$1.5 million would serve this purpose. In coming to us for assistance to get his program under way, Sampaio has shown his willingness to meet the job problem with us, something Brazilian officials have rarely been ready to do.

The following example of how local security grant funds could be used in support of the Sampaio program in Pernambuco is illustrative of the way in which such funds could be used throughout the Northeast. Sampaio has not had the money or staff to prepare detailed studies which are the necessary first step in his program. In response to his appeal to the United States for assistance on such questions, an Embassy and State have had the Executive Director and

several

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0419

INTERNAL SECURITY

- 3 -

several other officials combine personally into the scope and feasibility of Governor Almeida's proposed program. They report that a detailed plan could be developed which would permit the Governor to achieve the political impact he needs (and which would benefit us to the extent that we are identified with it) and at the same time accomplish essentially sound objectives. This plan would be in support of a project to colonize some 2,000 families for intensive agriculture on an estimated 80,000 hectares of unused land which can be improved by proven methods of drainage and soil conservation. Although purchase of the land would have to be financed with Brazilian resources, the United States could provide assistance in the fields of self-help housing, retraining, and provision of resources for agriculture credits. This project would be drafted out in detail so as to meet all the United States requirements, prior to use of the funds.

Before undertaking further discussions with the National Government of Brazil regarding the development of the Northeast--and particularly before discussing such specifics as the Sengale program--the United States wishes to be in a position to suggest the utilization of a portion of the F.I. 100 "country use" funds and to be able to offer the instrument of using them on a grant basis.

If the Brazilian Government is not receptive to our proposals for assistance to the Brazilian Northeast, then we will not wish to amend the 1976 agreement--provision for the grant funds requested. With regard to the grant requested under the proposed new agreement, although it is again our intention to put primary emphasis on the Brazilian Northeast, we would wish this to be considered as illustrative--in accordance with customary practice--and the sales agreement will be drafted to permit use of grant funds for economic development without further limitation.

Therefore it is my belief that there could be a foreign policy advantage to the United States from grants of foreign currency of the sales proceeds under each of the two agreements noted above, which would encourage our long-standing economic efforts against the economy of Brazil which could result from international trade. I believe, therefore, that the application of the provisions of Section 100 of the Agricultural Trade Development and Assistance Act, 1954, to these proposed economic development grants to the Government of Brazil would be appropriate and consistent with the purposes of Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, and that such applicability should be waived.

Clearances:

EWI - Mr. Wilson (draft)
CNS - Mr. Petrov (draft)
E/FAC - Mr. Frechtling (draft)
ICA - Mrs. Johnson (concurrence)

Sincerely,

1 - Mr. Martin *George W. Ball*

S/S-RO

MAR 16 1961

On 3/15/61, [illegible]
3/15/61

INTERNAL SECURITY

A true copy of [illegible]

0420

AIR POUCH

UNCLASSIFIED

DO NOT TYPE IN THIS SPACE

PRIORITY

(Security Classification)

FOREIGN SERVICE DESPATCH

832.00/3-2061

FROM : AMCONSUL, Belém, Pará, Brazil

30

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 20, 1961

DATE

REF : CERP Requirement, Section B, Item 2.

20 For Dept. Use Only	ACTION	DEPT.	
	REC'D	IN	
	3-29-61	81A-10	
SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - FEBRUARY, 1961			

*COM-12 *INR-7 E-3 *ARA-4 *CA-11 408-4
 *TR-3 *FRB-3 *XMA-4 *TAR-2 *AGR-8 *INT-7 *NAVY-4
 4AB-6 451A-10
 NSA-4 ARMY-6

INDEX

1. SUMMARY
2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
3. FINANCE
4. IMPORTS

1. SUMMARY

In view of the inauguration of the new President of Brazil and the new governor of the State of Pará and the confused rumors of expected administrative regulations concerning the economy, everything was almost at a standstill during the month of February.

In the State of Pará, the newly inaugurated governor departed for southern Brazil a few days after taking office to seek federal aid for development program of the State as well as to interest private capital to the possibilities of bringing industries to this area.

Delayed arrival of shipments of food and materials from southern ports coupled with higher prices of present inventories both had its effect on the sales volume for the month.

Financial assistance to business came to a standstill. The cruzeiro remained steady during the early part of February but dropped considerably by the end of the month.

Practically no imports were received although exports were as usual.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

During February the volume of sales was considered far below the month of January due mainly to the fact that shipments from southern and eastern Brazilian ports were delayed causing shortages in the market and a rise in prices. As an example potatoes, a commodity received from southern Brazil was selling for Cr\$120 per kilo an increase of some 40% over the usual price. The supply of coffee also still remains a scarce product selling for 140 to 180 cruzeiros a kilo or about 90% above the usual price.

500.
HEDumas/RNT:rrnt
REPORTER

UNCLASSIFIED

Business activities/

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The action office must return this permanent record copy to DC/8 files with an endorsement of action taken.

832.00/3-2061 FILED LMS

APR 11 1961

0421

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(Classification)

Page 2 of
Encl. No. _____
Desp. No. 30
From Belem, Para., Brazil

Business activities were restricted due to the proposed new economic policies of the Federal and State governments.

3. FINANCE

The two largest sources of financial assistance in this area the Amazon Credit Bank and Superintendencia do Plano de Valorização Econômica da Amazonia (SPVEA) are presently under investigation by the incoming administration and their services are at a standstill. And with the new proposed financial policies expected to be adopted by the new administrations both federal and state make smaller financial concerns proceed with caution or halt operations.

The exchange rate in the free market during February was as follows: February 1, Cr\$221 for purchase, Cr\$227 to sell; February 28, Cr\$214 for purchase, Cr\$219.50 to sell, to one US dollar. Exchange fluctuations during that period was: lowest, Cr\$214 for purchase and Cr\$219.50 to sell; highest, Cr\$224 for purchase and Cr\$230 to sell, to one US dollar. Foreign and domestic bank collections were reported normal.

4. IMPORTS AND EXPORTS

Imports into the Amazon Valley during February 1961 were considered negligible, while export business continued active through the ports of Manaus, Amazonas, and Belem, Para.

Henry B. Dumas
Henry B. Dumas
American Consul

c.c.: American Embassy, Rio de Janeiro, Guanabara, Brazil.

UNCLASSIFIED

0422

EXECUTIVE SECRETARIAT

ACTION SLIP

(To Remain With Correspondence)

TO: ARA - Mr. Ortiz

Control # 5022

Date March 29, 1961

Subject: Ltr to President from Frank P. Corrigan re
Brasilia and the Pan American Highway, dtd 3/20/61

ACTION:

☒ For appropriate handling.

☐ For direct reply.

☒ Prepare reply.

A response for signature by the _____
should be submitted to S/S by _____.

Appropriate clearances
should be obtained, including _____.

☐ For your information.

Remarks:

cc:

WJG
William Grant
S/S-RO

Ext. 4154

14-522
2-61

em/k RFA
(file do
a short
letter for
Am. Turk's
sign.
Corrigan is
not f's info
to
II-30

0423

Rec'd in S/S 3/28/61

9:30 a.m.

THE WHITE HOUSE OFFICE

#15422

ROUTE SLIP

(To Remain With Correspondence)

TO Mr. Lucius D. Battle
Executive Secretary
Department of State

PROMPT HANDLING IS ESSENTIAL.
WHEN DRAFT REPLY IS REQUESTED
THE BASIC CORRESPONDENCE MUST
BE RETURNED. IF ANY DELAY IN
SUBMISSION OF DRAFT REPLY IS
ENCOUNTERED, PLEASE TELEPHONE
OFFICE OF THE SPECIAL ASSISTANT.

Date March 27, 1961

FROM THE SPECIAL ASSISTANT

ACTION: Comment _____
Draft reply _____
For direct reply _____
For your information _____
For necessary action _____
For appropriate handling ☒ _____
See below _____

5022

Remarks: Letter dtd 3/20/61 to the President from
Frank P. Corrigan re Brasilia and the Pan-
American Highway

GPO 16-71284-2

By direction of the President:

R. A. Dungan
Ralph A. Dungan
Special Assistant
to the President

0424

THE WHITE HOUSE
MAR 21 3 53 PM '61

THE LATIN AMERICAN FOUNDATION
New York City

RECEIVED
531 East 20th St., N.Y.C.
March 20, 1961

The Honorable John F. Kennedy
The White House
Washington, D. C.

Dear President Kennedy:

Regarding your Latin-American plans:

Permit me to call your attention to two items, announcement of which would have an immediate and galvanic effect on public opinion throughout the Continent:

A. Brasilia -- Brazil's new capital. Immediate supply of funds to give this dream city the services it needs: viz., adequate water supply, schools, electric power, sewage disposal and paved streets. The values created would make this self-liquidating before the end of your first term.

B. The Pan-American Highway. It is a continental disgrace that this project has never been finished. It should be finished and duplicated. As at present projected and partially built, it is largely a West Coast project. A similar or better East Coast road should be started and finished. These roads pay the petroleum and motor interests tremendous new profits and add a great tourist business to the Latin-American countries as well as to the United States and Canada.

With all good wishes, I am

Cordially yours,

Frank P. Corrigan
Frank P. Corrigan
(M.D., F.A.C.S., Ltd. (Hon.))

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100

Former U.S. Minister to El Salvador and
Panama Ambassador to Venezuela, and
Adviser to the U.S. Mission to the United Nations.

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April 8, 1961

Dear Dr. Cavignat:

Your letter of March 20, 1961 to the President of the United States has been referred to this Department for acknowledgment.

Your comments on the improvement of Brasilia, the new capital of Brazil, and the completion of the Pan American Highway have been read by the interested officials of this Department. I am sure that they will be borne in mind in connection with any assistance program in this regard which is formulated in the future.

Sincerely yours,

[Signature]
Henry A. Kissel
Director
Office of Latin American
Regional Economic Affairs



Frank P. Swannick, M.D.
For Latin American Foundation
221 East 57th Street
New York, New York

[Signature]
S/S-CH

APR 7 1961

[Signature]
S/S-CH 4/5/61

[Signature]

FW 833.00/3-2061

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AIR POUCH

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(Security Classification)

FOREIGN SERVICE DESPATCH

832.00/3-2461

FROM : Amcongen São Paulo

349

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 24, 1961

REF : CERP C - General Interest

30 For Dept. Use Only	ACTION REC'D 3-29-61	DEPT. IN F OTHER 0	RM/R-2 REPI INR-10 E-7 ICH-11 AF-5 4518-10 OSD-5 NSB-4 ALCA-2	DEPARTMENT OF STATE BUREAU OF AMERICAN AFFAIRS MAR 27 1961 FILE 241510	CIA-10 AIR-6 AFR-8 FAB-3 XMB-4
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SUBJECT: Biweekly Economic Review, March 10 -

INDEX

1. Reaction in São Paulo to Exchange Reform Program A. D. Ventura
2. Congestion of the Port of Santos A. D. Ventura
3. Brazilian Motor Vehicles for Export A. D. Ventura
4. South African Trade Mission in São Paulo A. D. Ventura
5. Mato Grosso Grows Wheat A. D. Ventura
6. Brazilian Beer Exported to the United States A. D. Ventura
7. São Paulo State Government to Improve Airport Facilities A. D. Ventura
8. Castro Neves Cautions Against Strikes J. F. Shea

1. Reaction in São Paulo to Exchange Reform Program (UNCLASSIFIED)

São Paulo business circles and trade associations--the Council of Producing Classes, the Federation of Industries, of Commerce, and of the Rural Association--adopted a favorable attitude toward the recent modification of the foreign exchange system by SUMOC instruction 204 (see despatch 339 of March 15). The trade associations approved the elevation of the so-called "cost-of-exchange" from Cr\$100 to Cr\$200 per dollar, expressed the hope that the government will soon revise exchange treatment on coffee for export, and suggested the elimination of imports of capital equipment without exchange cover (originally provided for by SUMOC instruction 113 and later included in decree No. 42,820), which, they feel, gives an unfair advantage to foreign investors.

The end of the system of privileged imports (petroleum, wheat, fertilizers and insecticides, news print) has aggravated the inflationary spiral in São Paulo and elsewhere through the increase in the prices of various commodities: gasoline, from Cr\$10.36 to Cr\$17.60 per liter; bottled gas, from Cr\$333.10 to Cr\$507.30 per 13 kg. container; flour, from Cr\$1,089.00 to Cr\$1,594.00 per 50 kg. bag; macaroni products, from Cr\$33.30 to Cr\$57.30 per kg.; and bread, from Cr\$32.30 to Cr\$46.53 per kg.

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Page 2 of
Encl. No.
Desp. No. 349
From Amcongen São Paulo

It is generally believed that the general price level will rise substantially in the coming weeks.

2. Congestion of the Port of Santos (UNCLASSIFIED)

The congestion of the port of Santos, which started in February, has worsened in the past fortnight (see item 2, despatch 331 of March 10 and Santos despatch 28 of March 16). On March 22, no less than 51 vessels were loading and unloading cargo, while another 15 vessels were in the stream and 21 more were anchored at the bar awaiting dock space. The decision of shipping lines of the River Plate & Brazil Conference to impose a 25 percent surcharge on freight tariffs on cargo destined to Santos prompted members of the Homeward Freight Conference and the Outward Continental Brazil Freight Conference, which operate regular lines between European ports and Santos, to impose the same surcharge. The shipping companies allege that they sustain heavy losses when their vessels wait up to fifteen days before docking.

According to a trade source this port congestion, one of the periodic, recurrent congestions at Santos, will probably last until the second half of April.

3. Brazilian Motor Vehicles for Export

(Begin UNCLASSIFIED) According to a news despatch from Brasilia, the President of the Republic has authorized Volkswagen do Brasil S. A., of São Paulo, to export passenger cars to Spain. (End UNCLASSIFIED)

Comment: (Begin OFFICIAL USE ONLY) A Volkswagen officer denied that the company ever submitted a proposal to export passenger cars to Spain, and said that recent reports in the press on this subject did not originate with the company (see item 6, despatch 314 of February 24). He believes that a request for Brazilian cars was made by Spanish importers directly to the Superintendency of Money and Credit (SUMOC) or the Foreign Exchange Department (CACEX) of the Bank of Brazil. Probably because the balance of payment between Brazil and Spain heavily favors Spain, SUMOC or CACEX presumably submitted a project for the export of vehicles to the President of the Republic. The Volkswagen officer added that, so far, the company has received no communication from the Federal authorities with respect to these exports. Volkswagen would be prepared to export vehicles to Spain provided the conditions set down by the Government are acceptable. (End OFFICIAL USE ONLY)

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0428

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Page 3 of
End. No.
Dep. No. 349
From Amcogen São Paulo

4. South African Trade Mission in São Paulo (UNCLASSIFIED)

A South African Trade Mission, composed of five businessmen and government officials, visited São Paulo from March 15 to 18. Mission members toured railway equipment and auto manufacturing plants, and a mill producing paper from sugar cane bagasse, and exchanged information with São Paulo businessmen with a view to expanding South African trade with Brazil. The balance of trade between the two countries favors Brazil heavily, with South Africa importing from Brazil approximately 2.5 million pounds sterling worth of goods annually, mainly coffee, cocoa, cotton fabrics, and carnauba wax, while Brazilian imports total less than 100,000 pounds sterling annually. South Africa would like to increase exports of special steels, coal, asbestos, tin ore, copper, and wool, and would be prepared to extend financing of up to five years on exported manufactured or semi-manufactured goods.

5. Mato Grosso Grows Wheat (UNCLASSIFIED)

According to an announcement of the Wheat-Growing Expansion Service of the Mato Grosso Secretariat of Agriculture, farmers from the states of São Paulo and Rio Grande do Sul are settling in Mato Grosso to plant wheat. They are settling mostly in the Campo Grande region, whose soil offers the most favorable conditions for wheat culture. Mato Grosso's wheat production is still relatively insignificant, but it is expected that, with increased technical assistance to farmers and seed selection, wheat planting in that state will be adequately developed so that production eventually meets Mato Grosso's consumption of the cereal.

6. Brazilian Beer Exported to the United States (UNCLASSIFIED)

Companhia Cervejaria Caracú of Rio Claro, State of São Paulo, has signed a one-year contract with a U. S. importer to export a total of 1,000 cases of beer, each of 24 bottles, during 1961. The first shipment of 200 cases will be shipped before the end of March. This will be the first time that Brazilian beer has been exported to the United States.

7. São Paulo State Government to Improve Airport Facilities (UNCLASSIFIED)

A program to spend Cr\$187 million under the Plan of Action in 1961 to expand and improve airport facilities in the State of São Paulo was approved by the State Governor on March 20. The bulk of the funds will be spent on improvement of the Campinas (Viracopos) International Airport and São Paulo's Congonhas Airport.

1/ Approximate free market rate of exchange: Cr\$743 equal \$1.00.00.
Cr\$261.50 equal U.S.\$1.00.

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0429

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Page 4 of
Encl. No. 349
Disp. No. 349
From Amcongen São Paulo

8. Castro Neves Cautions Against Strikes

(Begin UNCLASSIFIED) Dr. Francisco Castro Neves, Minister of Labor, bluntly told a group of São Paulo labor leaders last week not to strike or create public disorder during the coming months. Pointing out that price controls would be lifted on May 1, he went on to say that it would be the responsibility of the employers to keep profits at a reasonable rate and prevent price increases. The minister suggested to some forty labor leaders that if prices started to rise the workers could show their discontent by symbolic strikes of fifteen minutes' duration. When informed by one of the labor leaders in attendance that, if the workers became desperate and demanded strikes, he would be leading them, Dr. Castro Neves told the labor leaders to have confidence in "your labor courts" and the democratic institutions which handle labor disputes. He also implied that the Government would take measures to limit profits if the industrialists did not keep them at a reasonable rate. He did not, however, spell out specific measures which would be taken by the Government in this eventuality. Throughout the interview he reiterated that the workers of course had the right to strike in Brazil but must be prudent in exercising it. (End UNCLASSIFIED)

(Begin OFFICIAL USE ONLY) The Minister's statements are being bitterly criticized by some labor leaders who are wondering if the Quadros' administration austerity program is for the workers alone.


William P. Cochran, Jr.
Minister Consul General

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832.00/3-2861
APR 4 1961

FOREIGN SERVICE DESPATCH

FROM : Amconsulate, RECIFE, BRAZIL. 43

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 28, 1961. 10

REF : CERP G-8.

20 For Dept. Use Only	ACTION		DEPT.	
	REC'D	IN	OTHER	
	4-11-61			

SUBJECT: ECONOMIC SUMMARY - FEBRUARY, 1961. INT-7 USIA-10 OSD-5 NSA-4
ARMY-6 NAVY-4 DLF-7

INDEX

- I. SUMMARY
- II. AGRICULTURAL DEVELOPMENTS
 - A. Reforestation Campaign
- III. LABOR
 - A. Labor Developments
- IV. INDUSTRY
 - A. SUDENE Resumé Of 1960 Industrial Investments
- V. FINANCE
 - A. Inter-American Development Bank Loan For Northeast
 - B. Possible Banking Concession To Northeast
 - C. Record Federal Sales Tax Receipts in Pernambuco
- VI. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
 - A. Sidewalk Peddlers Banned From Downtown Recife
- VII. FOREIGN TRADE
 - A. Tourism Boom
- VIII. POLITICAL - ECONOMICAL
 - A. SUDENE Assists Recife Administration
 - B. Furtado Remains As SUDENE Chief
 - C. New IAA Head
 - D. Disclosure Of The "Ramacem" Report

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UNCLASSIFIED
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Page 12
Encl. No.
Disp. No.
From Rec.

I N D E X (Continued)

IX. SOCIO-ECONOMIC

- A. Agrarian Reform
- B. UN Help For Pernambuco

X. MISCELLANEOUS

- A. Food For Peace Team Visits Recife
- B. Everything's Up-To-Date In Recife

UNCLASSIFIED

0432

UNCLASSIFIED

(Classification)

Page three of

Encl. No. ---

Disp. No. 43

From Recife, Brazil.

I. SUMMARY

The SANTA MARIA incident and carnival provided two excellent sources of income for Recife during February as the city was alternately invaded by the U. S. Navy and foreign newsmen and then the revellers. While the tourism industry boomed other commercial activities slowed somewhat (primarily because of carnival fever), but business was still considered to be good for the season. Bread at times was scarce as the regional reserves of wheat were exhausted and the supply became dependent upon the infrequent arrivals of wheat laden cargo ships. The Banco do Brasil has notified local growers that the USSR is interested in obtaining Brazilian cotton - "good middling" type fiber; all purchases to be made by the firm Exportljon, Moscow. The sisal export market was calm but the domestic market firmed as purchases were made to cover previous export sales. Sisal cutting has been delayed by rains. The crop volume may be smaller this year because of "indiscriminate" cutting made last year in response to higher prices. Rains also slowed the cutting of the remainder of the sugar cane.

SUDENE went back to work following the decision to keep Celso Furtado as the Superintendent. There was talk of more foreign aid for the Northeast after the visits of the head of the Inter-American Development Bank and the U. S. Food For Peace Mission.

II. AGRICULTURAL DEVELOPMENTS

A. Reforestation Campaign

The Federal Ministry of Agriculture has announced a proposed program to ~~reforest~~ reforest the barren areas of the Northeast with "algaroba", a fast growing hardy tree reportedly good for shade, lumber, and a source of protein (from the seeds) for livestock. Twenty-five million seedlings will be planted this year. (Diario de Per., Feb. 26)

COMMENT: Although the tree has purportedly displayed its value in such places as Venezuela, India, and Arabia, most American technicians look with askance at the program. In Texas, the "algaroba" is known as the mesquite tree; many man-hours and dollars have been spent there to reclaim the land from the clutches of the species.

III. LABOR

A. Labor Developments

As of February 22 the workers of the Railway Network of the Northeast were threatening to call another strike. They had not yet received some Cr\$300 million of overdue "parity" pay which they had been promised following their 8-day December strike. Their demands

UNCLASSIFIED

0433

UNCLASSIFIED
(Classification)

Page four of
Encl. No. --
Dep. No. 43
From Recife, Brazil.

were satisfied on February 23 by a statement from President Quadros that all employees of the federal railway system should be paid (immediately) their overdue benefits. (Jornal do Comercio, Feb. 23, 24.)

The portworkers of Recife addressed a new appeal, on February 22, to the new President on an old subject: federal management instead of state for the Recife harbor. (Diario de Pernambuco, Feb. 26)

Recife union leaders were preparing to battle moves to eliminate the federally imposed and controversial union tax. (Jornal do Comercio, Feb. 24.)

IV. INDUSTRY

A. SUDENE Resumé Of 1960 Industrial Investments

Eighteen SUDENE approved (and assisted) industrial projects in the Northeast during 1960 will lure more than Cr\$5 billion to the area in foreign investments. SUDENE also calculates that these projects will provide direct employment for 3,000 persons and 10,000 more indirectly. Most of the new plants will utilize locally produced raw materials which will further assist the regional economy. (Source: Personal contacts.)

V. FINANCE

A. Inter American Development Bank Loan For Northeast

Following a 4-day visit to the Northeast (Recife and Fortaleza), Mr. Felipe Herrera, Director of the Inter American Development Bank, declared on February 24 that the Bank was preparing to grant \$10 million to SUDENE in credits for its various plans for industrial and agricultural development in the area. A Bank technician, Sr. Evaldo Correia Lima, former head of the Brazilian Commercial Service in London, remained in Recife following the departure of Herrera. Sr. Lima was encharged with ironing out the details of the loan with SUDENE officials. Mr. Herrera also conversed with Governors Sampaio, of Pernambuco, and Gondim, of Paraiba, and Ceara officials during his northeastern swing. (Sources: Diario de Pernambuco, Feb. 25; personal contacts.)

COMMENT: Dr. Herrera carefully advertised the Latin American complexion of the Bank (2/3's Latin American staff) and tried to assure the Brazilians that the organization could fulfill the mission of the "Operação Pan Americana".

B. Possible Banking Concession to Northeast

Following the recent federal decree (February 8) that all deposits by Government organizations be maintained in the Banco do Bra-

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0434

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(Classification)

Page 1
Encl. No. 43
Desp. No. 43
From Recife, Brazil.

211. Pernambuco Governor Sampaio dissented and requested that the Banco do Nordeste be permitted to maintain such deposits to prevent a restriction of credit by the development bank in the area. The Finance Minister was reported to be willing to accept the Governor's suggestion as a special concession to the Northeast. (Source: Di-
ario de Pernambuco, Feb. 24.)

G. Record Federal Sales Tax Receipts in Pernambuco

The regional tax authority related on February 8 that the federal sales tax receipts in January 1961 had totaled Cr\$347,797 million compared to a January 1960 figure of Cr\$231,150 million. The figure set a new high mark in the Pernambuco tax annals. (Jornal do Comercio, Feb. 9.)

COMMENT: The record figure not only reflects the effect of inflation but also the current good times enjoyed by local commerce.

VI. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

A. Sidewalk Peddlers Banned From Downtown Recife

An old municipal law was dusted off and enforced in Recife on February 27, and, as a result, downtown Recife was radically modified. The enforcement of an ordinance banning sidewalk and street vendors from the main shopping area forced more than 3,000 of the independent retailers to find other districts in which to resume their operations. Not only were the "established" merchants made happy by the move, but pedestrians (and motorists), discovered that it was much easier to navigate in downtown Recife.

VII. FOREIGN TRADE

A. Tourism Boom

February was a record month for tourism in Recife with (1) carnival and (2) the SANTA MARIA incident. The Recife carnival has long been famous; the year the city administration put forth an extra effort in planning and publicity that paid off in a full house for the hotels during the 5 day period. The SANTA MARIA caused the dollar to decline on the local market as 250 U. S. Navy airmen and more than 100 foreign news correspondents were lodged in Recife for a week. Hotels, restaurants, taxis, airlines, communication services, night clubs, bawdy houses - all reported boom times. English speaking interpreter/guides were valuable and handsomely rewarded assets (when they could be found) for the enterprising journalists. Owners of motorized fishing boats complained if they did not receive a sum comparable to the \$1,200 paid for one 35 hour charter arrangement. (Note: \$1,200 would normally equal one to two years gross income for such fisherman).

UNCLASSIFIED

0435

UNCLASSIFIED
(Classification)

Page six of
Encl. No. ---
Disp. No. 42
From Recife, Brazil.

VIII. POLITICO-ECONOMIC

A. SUDENE Assists Recife Administration

SUDENE became embroiled in the political rivalry between the administrations of the State of Pernambuco and the City of Recife. At stake was the construction of a Cr\$20-30 million system of water storage tanks for the Recife metropolitan area. The State had submitted plans to SUDENE last July for the network with a request for approval in order to obtain a federal loan of Cr\$20 million. All was believed to be settled when a similar program submitted by the municipality was approved by SUDENE. (Source: Jornal do Comercio, Feb. 26.)

COMMENT: Political observers were quick to cry that favoritism was being shown by SUDENE (Celso Furtado) to Recife Mayor Miguel Arraes over Governor Sampaio, who had "fought" to maintain Furtado as the head of SUDENE.

B. Furtado Remains As SUDENE Chief

After submitting his resignation on February 1 to President Quadros, SUDENE Superintendent Celso Furtado was left dangling in uncertainty until ordered to Brasilia on February 28 to confer with the President. Not only was Furtado retained, but SUDENE was given an executive priority by the President for the carrying out of its program. (Returning from Brasilia), Dr. Furtado was obviously delighted by the mandate given SUDENE for continuing full steam ahead with the economic rehabilitation of the Northeast.

Also good news for SUDENE was the appointment of Coronel Afonso Augusto de Albuquerque Lima as the new director of the sprawling DNOCS (the National Anti-Drought Department). Coronel Albuquerque, who headed the Army Engineers in the area during the 1968 drought, has pledged to cooperate 100% with SUDENE. (Source: Personal contacts.)

COMMENT: DNOCS, the recipient of most federal funds in the Northeast, fought bitterly against the creation of SUDENE and its cooperation with the new agency has been half-hearted. One of Coronel Afonso de Albuquerque's first orders was the transfer of DNOCS's headquarters from Rio de Janeiro to Fortaleza, Ceara.

C. New IAA Head

The selection of Leandro MACIEL as the new president of the Institute of Sugar and Alcohol (IAA) was received with mixed emotions in Pernambuco. The former Governor of Sergipe and federal deputy

UNCLASSIFIED

0436

UNCLASSIFIED
(Classification)

Page SEVEN of
Encl. No. --
Disp. No. 43
From Recife, Brazil.

(UDN) is respected as a politician and also as a sugar producer. The head of IAA has traditionally been a Pernambucano, and Governor Sampaio was blamed for such a loss by Pernambuco. Authorities admitted that the selection of Madiel was a compromise choice (and victory for the Northeast) between such Pernambuco figures as Joao Cleofas, Muri-lo Costa Rego, and Renato Bezerra de Mello and a group of Paulistas.

D. Disclosure of the Ramagem Report

In 1958, during the height of the decimating drought, President Kubitschek commissioned Army Colonel Orlando Ramagem to survey the conditions in the Northeast and the effectiveness of the Brazilian relief efforts in the area. The report was submitted to the President on November 17, 1958, but its contents were never disclosed although the report was rumored to be critical of the Government's program in the area. The new Quadros administration, after a special search for the missing report, released it in its entirety on February 10. As believed, the report not only described the sorry spectacle of human misery but strongly criticized the moral integrity and effectiveness of such Federal bodies as DNOCS (National Department of Anti-Drought Works), DNER (National Roads Department), COTAP (Supply and Price Commission), INIC (National Colonization Institute), and the Federal Railway System as well as the graft of the state and local politicians and the merchants. All were pictured as promoters of the "drought industry" in which all benefited from the misery of the starving refugees. (Jornal do Comercio, Feb. 11.)

COMMENT: It is apparent that the Ramagem Report was instrumental in the founding of SUDENE which was organized by President Kubitschek and Getulio Vargas to integrate the Federal efforts - relief and development - in the area. Following the release of the report, there was little local reaction, which is understandable since most observers had been completely cognizant of such flagrant graft and inhumanity during the 1958 and many earlier droughts. Note: Rio de Janeiro Agricultural Report No. 103 of March 13, 1961, contains an English translation of the report.

IX. SOCIO-ECONOMIC

A. Agrarian Reform

On February 24, a committee of Paraiba farmers and landowners met with Governor Pedro Gondim to discuss the growing influence and possible threat of the "Ligas Camponesas", radical land reform groups. The Governor's only public announcement made as a result of their conference was that there would be not only the "preservation of free manifestation of thought but, also, the guarantee of order and tranquility of all." The farmers assured the Governor that they were attempting to satisfy all of the legal and/or just demands

UNCLASSIFIED

0437

UNCLASSIFIED

(Classification)

Page eight of

Encl. No. --

Disp. No. 45

From Recife, Brazil.

of the rural workers, but with the presence of the "Ligas" they now fear the vandalism and violence that is openly threatened. (Diario de Pernambuco, Feb. 25.)

In Pernambuco, Governor Gid Sampaio's pilot experiment in land reform - Galilea - was the recipient of medical supplies, dentistry equipment, agricultural hand tools, an electric generator, and educational material. The donor of these equipment was the Brazilian Institute of Democratic Action, a two year old philanthropic organization headquartered in Rio de Janeiro. (Jornal do Comercio, Feb. 25, Feb. 28.)

n COMMENT: The State is presently being hindered with its Galilea development plans by the reluctance of some 50 of the excess families to move to other newly purchased state-owned farms. The peasants, members of the "Ligas Camponesas", assert that the climate is "too cold" at the other locations.

Reports from Brasilia indicate that the Catholic Church, at President Quadros' suggestion, will assume more responsibility for the "resuscitation of the Northeast." The problems of education, health, and agriculture were reportedly discussed by church leaders and the President, who stated that he would "reserve for the northeastern region all of the new initiatives of the Government. (Diario da Noite, Feb. 27.)

COMMENT: It is understood that the federal administration hopes to use the Church to neutralize the influence of the "Ligas Camponesas" without creating the conflicts that would be inherent in government action against such groups.

B. UN Help For Pernambuco

UN officials informed Governor Sampaio that \$119,000 will be granted by the UN International Children's Emergency Fund for health programs in Pernambuco. Equipment for health centers, dental laboratories, and training opportunities for physicians, nurses, and medical technicians are included in the sum. (Jornal do Comercio, Feb. 25.)

X. MISCELLANEOUS

A. Food For Peace Team Visits Recife

On February 17, following an afternoon conference with President Quadros, the U. S. Food For Peace Mission (Messrs. McGovern, Schlesinger, Bonnetra, Milan, and Herder) arrived in Recife for a two day visit to the Northeast. Conversations were held with SUDENE Superintendent Celso Furtado, Pernambuco Governor Gid Sampaio, and socio-

UNCLASSIFIED

0438

UNCLASSIFIED

(Classification)

Page nine of

End. No. --

Disp. No. 43

From Recife, Brazil.

logist Gilberto Freyre. Dr. Furtado, on February 18, led an inspection tour of the living and working in rural Pernambuco. It is understood that the Mission canceled plans for a trip to Bogotá, Colombia, in order to obtain first hand impressions of the Northeast.

COMMENT: Both Furtado and Sampaio expressed their interest in utilizing excess U. S. foodstuffs to finance economic development projects.

B. Everything's Up-To-Date In Recife

Mayor Miguel Arraes released the following statistics about Recife, the third largest city in Brazil and now celebrating its 400th birthday. Calculating that there are 4,676 streets in the city, he noted that only 27% are paved in any way; only 6.6% are directly served by public transportation; only 48% are reached by the city water system; only 36.8% are serviced by the municipal garbage collectors; only 45.4% have street lighting; only 12.7% are accessible to a telephone line; and only 20.1% can utilize the city sewage system. Mayor Arraes quoted these figures as he reviewed the accomplishments of the first year of his administration and as he readied a campaign for civic improvements. (Diario de Pernambuco, Feb. 11.)

Ernest S. Guaderrama
Ernest S. Guaderrama
American Consul

cc: Counsellor of Embassy for Consular Affairs.

all
Enclosure: List of Economic Indicators.

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0439

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Page ONE of

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Dep. No. 43

From Recife, Brazil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR FEBRUARY, 1961, WITH
COMPARATIVE FIGURES FOR FEBRUARY, 1960, 1959 AND 1958.
(All items are cruzeiro prices on the official commodity exchange
during the week indicated.)

C O M M O D I T Y	: FIRST : SECOND : THIRD : FOURTH			
	: WEEK :	: WEEK :	: WEEK :	: WEEK :
Sugar, Crystal, 60 kilos.	1961 : 970 :	1,020 :	1,020 :	1,020
	1960 : 700 :	710 :	710 :	710
	1959 : 720 :	720 :	720 :	720
	1958 : 540 :	540 :	540 :	540
Sugar, Granulated, Fine, 60 kilos.	1961 : 1,010 :	1,176 :	1,176 :	1,176
	1960 : 783 :	793 :	793 :	793
	1959 : 784 :	784 :	784 :	784
	1958 : 570 :	570 :	570 :	570
Cotton, <u>Sertão</u> , Type 5, 15 kilos.	1961 : 1,540 :	1,630 :	1,630 :	1,630
	1960 : 1,250 :	1,300 :	1,300 :	1,300
	1959 : 1,600 :	1,600 :	1,650 :	1,650
	1958 : 595 :	600 :	600 :	600
Cotton, <u>Sertão</u> , Type 4, 15 kilos.	1961 : 1,500 :	1,640 :	1,640 :	1,640
	1960 : 1,260 :	1,320 :	1,320 :	1,320
	1959 : 1,610 :	1,610 :	1,580 :	1,660
	1958 : 606 :	610 :	610 :	610
Cotton, <u>Mata</u> , Type 5, 15 kilos.	1961 : 1,380 :	1,490 :	1,490 :	1,490
	1960 : 1,160 :	1,200 :	1,200 :	1,200
	1959 : 1,290 :	1,290 :	1,090 :	1,090
	1958 : 585 :	590 :	590 :	590
Cotton, <u>Mata</u> , Type 4, 15 kilos.	1961 : 1,390 :	1,500 :	1,500 :	1,500
	1960 : 1,160 :	1,220 :	1,220 :	1,200
	1959 : 1,300 :	1,300 :	1,100 :	1,100
	1958 : 595 :	600 :	600 :	600
Castor beans, 15 kilos.	1961 : 225 :	225 :	225 :	225
	1960 : 175 :	180 :	180 :	180
	1959 : 100 :	100 :	95 :	95
	1958 : * :	* :	* :	*

* No figures available.

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0440

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Page two of
Encl. No. One
Disp. No. 43
From Recife, Brazil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR FEBRUARY, 1961, WITH
COMPARATIVE FIGURES FOR FEBRUARY, 1960, 1959 AND 1958.
(All items are cruzeiro prices on the official commodity exchange
during the week indicated.)

C O M M O D I T Y		: FIRST : SECOND : THIRD : FOURTH			
		: WEEK : WEEK : WEEK : WEEK			
Coffee beans, 15 kilos.	1961 :	250 :	250 :	250 :	250
	1960 :	250 :	250 :	250 :	250
	1959 :	400 :	400 :	412.50 :	400
	1958 :	450 :	412 :	412 :	437
Manioc flour, 50 kilos.	1961 :	500 :	500 :	500 :	500
	1960 :	375 :	350 :	350 :	350
	1959 :	475 :	475 :	475 :	475
	1958 :	* :	* :	* :	*
Black beans, 60 kilos.	1961 :	1,800 :	1,800 :	1,800 :	1,800
	1960 :	2,000 :	2,050 :	2,200 :	2,300
	1959 :	825 :	825 :	825 :	825
	1958 :	* :	* :	* :	*
Corn, 60 kilos.	1961 :	380 :	390 :	390 :	390
	1960 :	400 :	400 :	390 :	380
	1959 :	385 :	350 :	370 :	370
	1958 :	* :	* :	* :	*

* No figures available.

Source: Indicador Comercial, Recife, Brazil.

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FOREIGN SERVICE DESPATCH

DO NOT TYPE IN THIS SPACE

832.00/3-3061

FROM : Amembassy RIO DE JANEIRO

899

TO THE DEPARTMENT OF STATE, WASHINGTON.

March 30, 1961

REF : CERP C-2

DATE
APR - 4 1961

25	ACTION	DEPT
For Dept.	CON-12	Rep-1 ara-4 INR-7 E-7 ICA-11
Use Only	REC'D	OTHER
	11	Dis-10 TR-3 FAB-3 Tar-2 Lat-6

SUBJECT: MONTHLY ECONOMIC SUMMARY - FEBRUARY 1961 71Sa-4 7MB-4

8 INT-7 OSD-5 Army-4 Navy-
LOC-4 New-5
Summary:

The Brazilian economy in February maintained the pace of recent months, with little by way of significant new development, but with rising interest as to the specific changes that were expected to be forthcoming from the new administration. What these changes might be only was indicated by daily announcements of appointments by the new President, and of briefly worded "bilhetinhos" to the various agencies, ordering studies, investigations and development of new programs. Primary interest was centered upon the certainty that foreign exchange operations would undergo major revisions during coming months. The several weekly auctions for exchange cover for importations, last held on January 24, were not conducted during the entire month of February. While generally awaiting announcements of programs and policies that may affect their own operations, many businessmen showed concern over the President's orders to establish relations on an urgent basis with numerous Soviet Bloc countries.

Finance:

The only dollar auction was held in February, a specific auction for fertilizers and insecticides. Totals of \$228,000 for fertilizers and \$174,000 for insecticides were sold in Rio and Sao Paulo to Brazilian importers; amounts sold in other exchange markets are not yet available. The last regular weekly dollar auction to provide exchange cover for importations was held on January 24, 1961 (Future foreign exchange sales will be held in accordance with SUMOC Instruction 204 which eliminated the general category auctions as reported by Emdespatch 800, March 14, 1961).

EJBash/jw with contributions by JHCrimmins, DPMann, BAGoldstein, WELomayer, JWiegnerinck, SJEmiliano LYallouz. UNCLASSIFIED

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The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

832.00/3-3061F 1 L

see attached A-359. cor 3/7/63-LP

0442

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Page 2 of
End. No.
Disp. No. 899
From Rio de Janeiro

Sales of currency of bilateral accounts denominated in dollars were sold in substantial amounts in Rio and São Paulo at the uniform rate of Cr\$178.00 throughout the month, with no change in relation to the previous month. The agio on the Danish Kroner sold for the general category kept stable at Cr\$25.78 as it was in the previous month.

During February paper money issued increased by Cr\$6.3 billion or 3.1% over the level of outstanding currency in circulation as of the previous month. The comparable period of 1959, there was no paper currency increase. It should be added, in this respect, that net increases of currency for the year 1960 amounted to Cr\$1.8 billion, with Cr\$4.5 billion having been withdrawn in January. It has been reported that the withdrawal of currency from circulation in January was attributable partly, at least, to delays in paying civil servants. Thus, a substantial part of the Cr\$6.3 billion issued in February consists of funds which presumably would have been issued (or at least not withdrawn) in January had payment of civil servants taken place on schedule.

The cost of living index of the Getúlio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 1.0% for February 1961. For the comparable period of 1960, the corresponding figure was + 0.7%.

The average check buying rate in the free market for February was Cr\$223.00, which compares with Cr\$216.47 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$184.51 and Cr\$187.34.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$229.67, recovering to Cr\$223.81 on the 10th. It then fluctuated between Cr\$225.53 and Cr\$219.88, which was the closing rate on February 28, 1961. The monthly average rate was Cr\$225.69.

Trade and Industry:

The month of February recorded with little change in the fields of trade and industry, but much speculation was aroused as the new Brazilian administration emphasized primary objectives to attack and solve financial and economic development problems inherited from the preceding regime. Internal and foreign financial obligations forecast some drastic economy and reforms to fulfill commitments of the inaugural address delivered as the month began. Studies and urgent

UNCLASSIFIED

0443

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 899
From Rio de Janeiro

action in virtually all fields - government budget, foreign exchange administration, public works program, transportation and communications, agriculture, mining and petroleum, among others - were ordered.

While the business community awaited the spelling out of new measures that might affect the domestic economy, announcements made during February by President Quadros and his Foreign Minister made clear the new administration's intentions of establishing relations with all nations of the world, including communist countries, with a view toward the expansion of trade.

Negotiations for the establishment of relations with Hungary, Bulgaria and Rumania--publicly justified by economic considerations, were nearing conclusion, and the journalist Jao Dantas, publisher of Diario de Noticias, was designated Ambassador Plenipotentiary, to represent Brazil in the reestablishment of missions in these countries.

Quadros also directed that a thorough and rapid study be made of trade possibilities between Brazil and East Germany, giving priority to implementing the importation into Brazil of equipment and machinery for the extractive industries and for the processing of iron and manganese ore and rock crystal.

As evidence of his intention to implement more fully the Brazil-USSR Trade Agreement of 1959, Quadros asked Petrobras to furnish data relative to the quantity and specifications of the crude oil to be imported from the USSR in accordance with that Agreement. The study also was ordered in anticipation of the meeting soon to be held of the Russo-Brazilian Executive Commissions created under the provisions of the Agreement.

A Czech trade mission visited Brazil early in the month to discuss matters relating to trade resulting from the recently signed Czech-Brazilian commercial agreement. At month's end, there were reports of a prospective increase in exchange of trade missions between Brazil and the bloc countries.

Early in the month, the Federal Senate approved the Treaty of Montevideo, which establishes an area of free trade and creates a Latin American Free Trade Association (LAFTA). All LAFTA matters will be handled by a Commission, created for this purpose by Presidential decree. Established within the Ministry of Foreign Affairs, the Commission will be composed of a representative of each of the following: Economic and Commercial Department of the Ministry of Foreign Affairs; National Economic Council; National

UNCLASSIFIED

0444

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 899
From Rio de Janeiro

Economic Development Bank; Superintendency of Money and Credit; Foreign Trade Department of the Bank of Brazil; Exchange Department of the Bank of Brazil; Customs Policy Council; National Confederation of Industries; Brazilian Rural Confederation; and the National Confederation of Commerce. Prior to ratification of the Treaty, the Foreign Ministry had completed a preliminary list, containing approximately 1,200 items, of Brazilian exportable products and commodities, concerning which the Brazilian government seeks information and statistical data from importing countries signatory to the Treaty.

The Executive Group of the Automobile Industry (GEIA) and the Executive Group of the Heavy Machinery Industry (GEIMAPE) are combining efforts in plans to aid the expansion of the automobile industry by production of the machinery and equipment required for manufacture of vehicles. Investments of foreign capital in the form of equipment for the automobile industry, since its installation, now are estimated by the industry as totalling approximately US\$147,500,000.00.

Discussions were held by Vemag with a Spanish firm concerning the exportation of DKW vehicles to Spain. It was reported that the negotiations have ended satisfactorily.

The president of the Cia. Siderúrgica Nacional and a representative of the United States Steel Export Corporation have signed a contract for the manufacture of "Cor-Ten" type steel at the Volta Redonda foundry. The production is intended for use in the manufacture of automobiles, railroad equipment and machinery.

Preliminary consideration is being given to a plan for the installation and development of a company to be named "Guanabara Progress". The objective is to develop within three or four years the Santa Cruz area near Rio de Janeiro in the State of Guanabara as an industrial city with port facilities. The Guanabara Progress Company (COPEG) would be responsible for promoting the economic development of the state, acting simultaneously as a bank and an investment company, to enable the state not only to create new corporate sources of employment and production but also to participate in the profits of these companies as a shareholder. COPEG's capital will consist of government-owned building sites in the future Santa Cruz industrial zone, with a credit to be established to enable it to prepare the zone for the installation of factories. At a later date, COPEG plans a network of auxiliary industrial services in Santa Cruz, as a source of income to the State. The Iron and Steel Trade Syndicate has presented its report on the possibilities of installing a steel plant in Santa Cruz. This

UNCLASSIFIED

0445

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 899
From Rio de Janeiro

plant would be erected and directed by a mixed economy group, organized with capital subscribed by the Federal Government through the National Steel Company, by the Government of the State of Guanabara and by private capitalists. Investments would total US\$200,000,000.00, including a desired substantial loan in foreign currency, being hoped for.

The Commission nominated by the Governor of the State of Guanabara to study the conditions and problems of electric energy in the State has proposed the urgent construction of a thermoelectric power plant with a capacity of 250,000 kws. Alternatives also have been suggested for executing the project, the first being that the power plant be constructed by the Union or by the State of Guanabara and the second that the undertaking be handled by a mixed economy company.

On February 24, a new factory was inaugurated in the "Cidade Industrial" in Belo Horizonte, for the production of packaging material. The new factory has a reported yearly capacity to produce 30,000 tons of sacks for varied uses.

It was reported that the Russian Foreign Trade Department has approached the Export Department of the state of Ceará about the possibility of exporting Ceará cotton. Several cotton producers recently also signed an agreement with Poland for the export of cotton to that country.

The Companhia Paulista de Força e Luz has increased its capital from Cr\$1,420,000.00 to Cr\$4,260,000.00 and is issuing two new shares to its shareholders for each old one.

Agriculture:

Coffee exports during February were 1,209,752 bags of 60 kilos each. During the same month of 1960, exports totalled 1,460,026 bags. Exports during the current coffee year (July 1, 1960 through February 28, 1961), totalled 11,130,205 bags as compared with 12,456,369 bags during the corresponding period of the 1959-60 coffee year.

Labor:

During the first month of the Quadros administration, official investigations of a number of agencies affecting labor, mainly component parts of the social security system, were commenced. By the

UNCLASSIFIED

0446

UNCLASSIFIED
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Page 6 of
Encl. No. _____
Disp. No. 899
From Rio de Janeiro

end of the month, the pension institutes for bank workers, maritime workers, and railway and public utility workers were under investigation, as were also SAPP (the workers restaurants and low-cost food stores operated jointly by all the pension institutes) and the Union Tax Commission. The latter was a tripartite board of employer, labor and Government representatives who supervised the spending of that portion of the union tax which is retained by the Ministry of Labor, but all of its members were dismissed. The investigations resulted in some instances in some unfavorable publicity for some high-ranking labor leaders; and this and some other developments, including the fact that some São Paulo labor leaders were now emerging into national prominence, appeared to indicate that part of the previous labor leadership will be replaced by some new personalities.

One of the first major strikes which confronted the new administration was by warehouse workers in the port of Rio de Janeiro. The strike ended after three days when the Minister of Labor promised to give "highest" priority to the problem which caused it--namely, that the Port Authority was not in practice paying a 35% wage increase granted in January, on the grounds that the official who granted the increase lacked authority to take such action. A threatened strike by sugar refinery workers of Guanabara, state of Rio and São Paulo was averted when the Ministry of Labor obtained agreement by employers and the unions to a wage increase of about 35% over last year's agreement. Later some of the sugar firms announced that they could not abide by the agreement unless price increases were also authorized, but the Ministry induced them to abandon this position and to start paying the increase. Another wage agreement announced during February resulted in a 35% increase (over last year) in salaries for many Rio school teachers.

Transportation and Communications:

In the field of transportation and communications, as in almost every other area of national activity, February was a month for stocktaking and for laying the groundwork for what everyone hopes will be healthy forward movement. In every transportation and communications sector, except, interestingly enough, aviation, working groups were established at the direction of the President either to investigate the performance of the previous administration or to take a fresh look at long-standing problems and propose solutions. New administrators, generally regarded to be of high caliber, were appointed and were settling down to work, spurred by Presidential bilhetinhos. The period was one of ferment and

UNCLASSIFIED

0447

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Page 7 of
Encl. No. 899
Disp. No.
From Rio de Janeiro

expectation.

The President gave priority attention to the Rêde Ferroviária Federal (Federal Railway System) and its huge deficit, now estimated to reach Cr\$35 billion in 1961, a jump of nearly 100 percent over the 1960 estimated deficit of Cr\$18.5 billion, with increases in personnel costs accounting for perhaps three-fourths of the rise. A new, and highly regarded President, Herminio Amorim Jr., took over control of the Rêde; steps were underway to replace all the other members of the existing board of directors; a committee to investigate the past activities of the Rêde was set up; and another committee was created within the System to revise its administrative statutes, with a view to providing administration patterned on business methods, and to study the desirability of amendments to the basic 1957 law establishing the Rêde. In other bilhetinhos Quadros instructed the Ministers of Transport and Finance and Amorim to put the payment of salaries to Rêde employees on a regular footing immediately. The President noted that being up to date on these payments was a point of honor with the government, which did not want "disturbances in that sector, under penalty of terrible injury to the Rêde and the national economy". Quadros also requested urgent steps by the Rêde to (a) review its tariffs and the costs of its services; (b) reduce courageously expenditures on personnel, material and maintenance; and (c) improve service in general, especially on the Central do Brasil and the Leopoldina Railroads. He laid special emphasis on points (a) and (b), which, he stated, did not admit of delays or hesitations.

It seemed clear that one of the principal administrative reforms sought by Amorim was the modification of the collegial directorates of the Rêde in favor of concentration of authority. This point and the factors emphasized by President Quadros--tariffs and reduction of expenditures (especially those on personnel)--have been highlighted by the studies made within and without the Rêde during the past year. There has been general agreement on the causes of the Rêde's poor performance; what is needed--and now expected--is execution of the agreed upon reforms.

In the highway sector, the President dissolved Rodobrás, the entity subordinate to the Superintendency for the Economic Improvement of the Amazon Area (SPVEA) which had been in charge of the construction of the Belem-Brasilia highway, ordered an investigation of its activities, and turned the responsibility for the road over to the National Highway Department (DNER). He assigned "absolute priority" to the paving of the Rio-Bahia (BR-4) and of the Vitória-Bahia (BR-5) highways, and requested a report on the possibility of carrying out the paving of BR-35 between Ponta

UNCLASSIFIED

0448

UNCLASSIFIED

(Classification)

Page 8 of

Encl. No.

Desp. No. 899

From Rio de Janeiro

Grossa and Foz do Iguaçu, which he described as "vital for Paraná", and which connects Paraguay to Curitiba and thence to the sea at Paranaguá. These actions came at a time when substantial stretches of the highways linking Rio and Bahia, Rio, Belo Horizonte and Brasília, and Belo Horizonte and São Paulo were impassable because of washouts and landslides caused by very heavy rains in late January and the first half of February. The situation was particularly bad on BR-4 (Rio-Bahia), the pavement of which was ordered by the Kubitschek Administration but scarcely begun. On the overall highway scene, DNER engineers were preparing a draft five-year (1961-65) highway plan for presentation to the President.

The intense activity extended to the maritime sector as well. The President on February 23 ordered the Minister of Transport to set up a committee to determine the causes of the deficits in the official shipping lines. In his note to the Minister, Quadros pointed out that the 1961 deficit of the shipping lines (presumably including government subsidies to private firms) would surpass Cr\$21 billion. The President directed the committee to propose the revision of the tariffs and freight rates of all the shipping lines for the purpose of reducing the deficit by increasing revenues. Although no mention was made of cutting the extremely high personnel costs of the government shipping lines, which most observers consider to be the principal cause of their steadily increasing deficits, it is assumed that this aspect will be taken into account by the committee. In earlier instructions, Quadros had ordered investigations into the operations of Lloyd Brasileiro and the Amazon Shipping Service (SNAPP), and at the end of the month the Minister of Transport set up a committee to review and revise the organization and operation of the Merchant Marine Commission. The Minister, in his instructions, called attention to the fact that the Commission at present did not even possess adequate control and supervision over the huge funds assigned the merchant marine.

In a development which affected railroads as well as shipping companies, Quadros on February 20 instructed the Minister of Transport to consult with the Minister of Agriculture in order that "absolute priority" be given to the transportation of foodstuffs, including cattle on the hoof, by rail and ship. The President authorized "drastic measures". Almost simultaneously with this Presidential directive, a group of shippers in Porto Alegre, in an action reflecting the chronically tight transport situation in Brazil, addressed a telegram to the Chairman of the Merchant Marine Commission complaining that the priority given the shipment of wheat in the ports of Rio Grande do Sul was seriously harming the orderly movement of other goods to markets in Brazil.

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0449

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(Classification)

Page 9 of

Encl. No.

Disp. No. 899

From Rio de Janeiro

The new administration's activity in the civil aviation field was not so marked, at least publicly, as in the other modes of transport. The President's own actions were limited to a Bilhetinho to the Minister of Aeronautics instructing him to promote the use by air carriers of Viracopos Airport near Campinas, the international airport for São Paulo. Noting that he understood that some airlines were using Rio de Janeiro as their principal stop, with shuttle flights to and from Viracopos, the President pointed out that Viracopos had not been built, at great cost, for such purposes. The Civil Aeronautics Directorate (DAC) immediately took steps to carry out the directive.

The only major statement by the new administration on civil aviation policy was made by Brigadier Clovis Monteiro Travassos upon taking office on February 20 as Director General of Civil Aeronautics. Travassos said, among other things, that it was essential that steps be taken to regulate traffic by preventing harmful competition among Brazilian carriers on international lines and by controlling the capacity offered on domestic lines. He added that deficiencies must be corrected, abuses eliminated, and the aviation industry organized on a solid basis in order that the great possibilities which were available to the Brazilian industry in the national and international sectors could be taken advantage of "by utilizing private initiative, stimulated by equitable traffic concessions and subsidies, provided that they are in the public interest". Travassos assumed charge of DAC at a time when some sectors of the press, stimulated by the prospect of increased competition among Brazilian carriers on international routes, were calling for action by the Government to put Brazilian civil aviation, domestic as well as international, on a sounder footing. The Kubitschek administration came in for heavy criticism, particularly by the Jornal do Brasil, for having failed, first, to act during its tenure to curb the domestic cut-throat competition which gave rise to route duplication and substantial excess capacity, and, second, to prevent the carry-over of these abuses to the international field.

In the communications sector, President Quadros, in actions of February 3 and 7, ordered the cancellation of all concessions or permits granted by the Kubitschek Administration in December 1960 and January 1961 for the operation of radio and television stations. The list of concessions involved includes nearly 70 broadcasting companies. The Technical Commission for Radio, which is the body charged with the control of frequency assignments, reported to the President that concessions and permits had been given without its approval and without observance of legal and technical standards.

0450

UNCLASSIFIED
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Page 10 of
Encl. No.
Desp. No. 899
From Rio de Janeiro

In installing Air Force Lieutenant Colonel Gustavo Borges as the new Director General of Posts and Telegraphs, the Minister of Transport gave him carte-blanche in mobilizing the resources necessary to the execution of his administrative program. Colonel Borges has considerable background in telecommunications and electronics.

President Quadros signed a decree on February 17 creating the Executive Group for the Motion Picture Industry (Grupo Executivo da Industria Cinematografica-GEICINE) to promote and foster the Brazilian motion picture industry. GEICINE will be headed by a representative of the President. As described in the decree, GEICINE will, among other things: guide the execution of national plans for the Brazilian motion picture production; forward to official entities specifically responsible for providing credits for economic development proposals of the motion picture industry approved by GEICINE; collect and coordinate data and reports concerning customs nomenclature, revision of tariffs, and classification of merchandise by import category; and stimulate studies concerning the technical and financial conditions of motion picture studios and laboratories in the country with a view to proposing the measures required for their development within the national plans for the motion picture industry. With the establishment of GEICINE the earlier entity GEIC (Study Group for the Motion Picture Industry)--which had done very little--was abolished. During his term as Governor of the State of São Paulo, Quadros took a very active and effective interest in stimulating the national motion picture industry, which is centered in the city of São Paulo. The creation of GEICINE is indicative of his intention to continue to foster the expansion and improvement of national film production.

For the Ambassador,

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Edward J. Bash

Edward J. Bash
Commercial Attaché

Enclosure: Economic Indicators

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0451

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Page 1 of
Encl. No. 1
Disp. No. 899
From Rio de Janeiro

ECONOMIC INDICATORS:

Cost of Living in Rio de Janeiro
(1948=100)

	<u>Food</u>	<u>Cloth- ing</u>	<u>Rent</u>	<u>Furni- ture</u>	<u>Hygi- ene</u>	<u>Pers. Serv.</u>	<u>Pub. Serv.</u>	<u>Index</u>	<u>% Change</u>
<u>1960</u>									
Jan.	809	476	601	488	623	632	767	691	.8
Feb.	807	480	609	512	623	652	767	696	.7
<u>1961</u>									
Jan.	976	654	705	642	846	905	997	866	2.1
Feb.	987	655	714	647	856	936	997	875	1.

Source: Getúlio Vargas Foundation.

Brazil's Foreign Trade (US\$1,000,000)

<u>Imports</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Jan-Nov.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Jan-Nov.</u>
Total	120.1	131.2	1,324.9	100%	100%	100%
USA	29.4	40.1	401.6	24	31	30
C.B.*)	4.3	6.9	64.5	4	5	5
<u>Exports</u>						
Total	106.4	101.8	1,158.9	100%	100%	100%
USA	46.8	39.3	523.5	44	38	45
C.B.*)	4.	5.3	63.3	4	5	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,
Ministry of Finance

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0452

INCOMING AIRGRAM

59 *FW 832.00/3-3061*
Department of State *ref 1/1/61*

34

Action

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Date Sent: April 11, 1961
Rec'd:

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PAGE 1 OF 1 PAGES

FROM: AMEMBASSY, RIO DE JANEIRO

TO: Secretary of State

NO: 4-359

APR 14 11 17 AM '61

8320
Ref: EMBDESP 898, March 30, 1961

Subject: Correction

Lines 6 and 8, page 5 of reference despatch, paragraph beginning with: "Agricultural production":

The figures for sugar cane production are in terms of 60 kilo bags, not tons.

CABOT

cc: ECON, POL, USIS, CONGEN, USOM
Agricultural, Labor and Treasury Attaches
CONGEN, Sao Paulo; all Consulates in Brazil
Embassies: Buenos Aires, Montevideo

ECON:WAFowler:at
April 10, 1961

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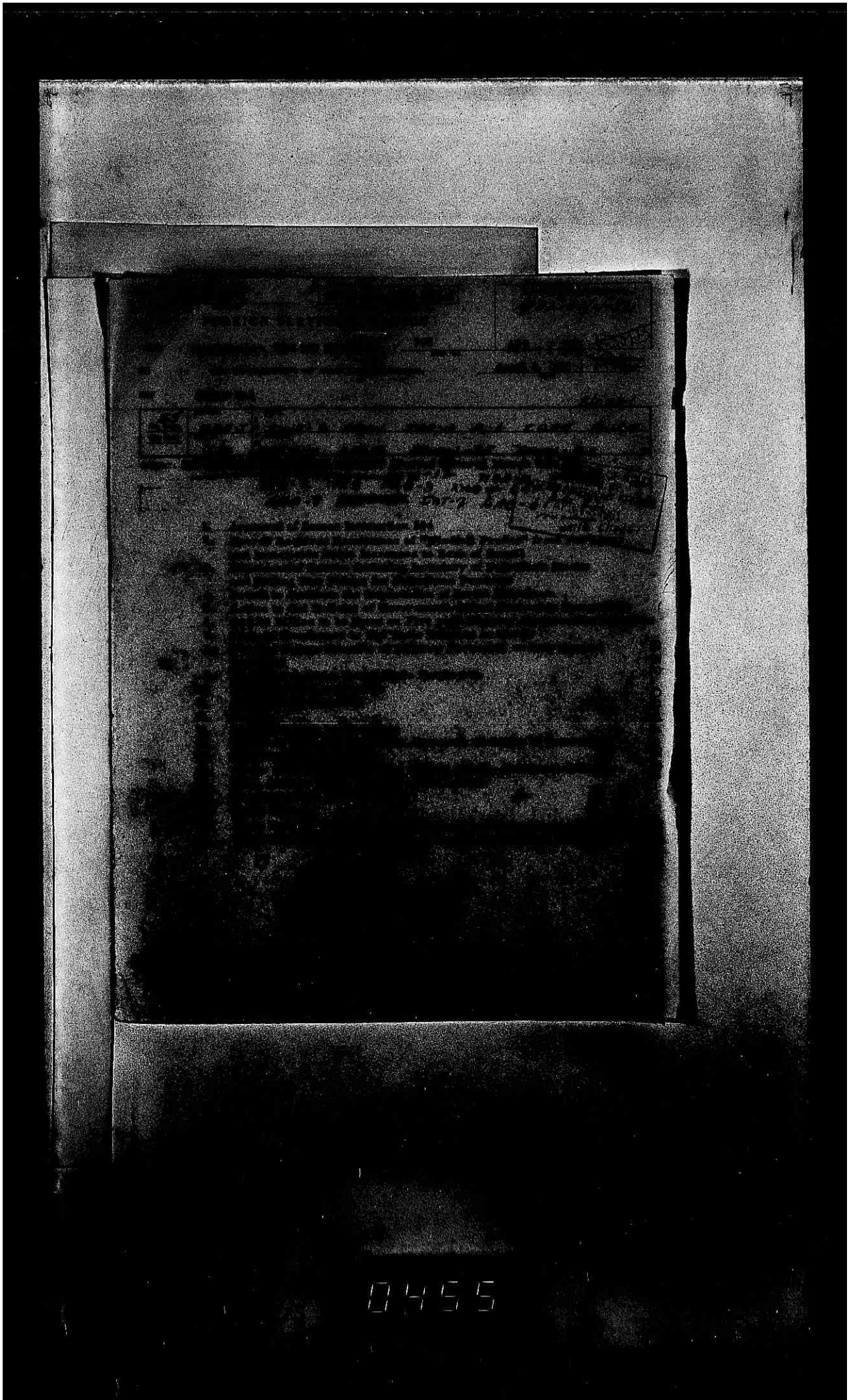
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0453

832.00/4-361

0454



0455

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Page 2 of
Encl. No.
Disp. No. 902
From Rio, Brazil

1. Approval of Sumoc Instruction 204

On March 13, the Council of the Superintendency of Money and Credit (Sumoc) approved Instruction No. 204, which substantially revises the foreign exchange structure. In summary, the Instruction provides that the "cost of exchange" be increased from Cr\$100 per dollar to Cr\$200 per dollar; all imports hereafter are to be financed through the free exchange market with the exception of (a) preferential imports at the cost of exchange rate, (b) imports by the automobile industry, and (c) imports by government agencies; the difference between the cost of exchange rate and the free market rate is to be gradually eliminated during the second half of 1960; the export rate applicable to coffee is to continue at Cr\$90 per dollar, the export rate applicable to cacao is hereafter to be fixed in terms of maintenance of the present internal price, and the exportation of castor seed will hereafter be through the free market. Exporters selling their proceeds in the free market will hereafter receive Bank of Brazil Letters equivalent to Cr\$100 per dollar, and the difference between Cr\$100 per dollar and the free rate in cash. (see Embdes 800 of March 14, 1961)

(UNCLASSIFIED)

2. Decree Requires Remittance of "Windfall Profits" from Fertilizer and Insecticide Price Increases to Bank of Brazil;

President Quadros decreed on the 20th of March that all importers of fertilizers and insecticides submit inventories of their existing stocks of these products as of 13th of March, the date of issuance of SUMOC Instruction 204. The decree requires that amounts derived from the sale of existing stocks corresponding to the difference between the new price of these products (which will be increased as a result of SUMOC Instruction 204) and the old price be remitted to the Bank of Brazil.

(UNCLASSIFIED)

Comment: This decree is similar to the one issued with respect to petroleum products (Decree 50,354) and, like the petroleum decree, is intended to capture the "windfall profit" which will result from the application of the increased price to existing stocks.

Prior to Instruction 204 fertilizers and insecticides were imported at a special rate which in 1960 ranged from Cr\$80 to Cr\$122 to the \$1.00. Instruction 204 provides that these products will be imported at the new cost of exchange rate of Cr\$200 to the \$1.00, that rate to become effective as soon as price rises are announced.

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Page 3 of
End. No.
Desp. No. 902
From Rio, Brazil

3. Presidential Decree Ordering Inventory of Petroleum Stocks and Setting New Prices for Petroleum Products.

On March 17, President Quadros signed Decree No. 50,344 which ordered a nation wide petroleum stock inventory and "capture" of the income derived from sales under a new price schedule. The Decree stipulates that there shall be paid in full to the Government the difference in the prices of petroleum and petroleum products resulting from the increase (from Cr\$100 to Cr\$200 per US\$1.00) in the foreign exchange rate, as determined by SUMOC Instruction No. 204 of March 13, 1961. The funds thus collected from sales at higher prices shall be made available by the Bank of Brazil to PETROBRAS, ~~for various economic development programs and activities.~~ (see Embdes 856 of March 24, 1961)

(UNCLASSIFIED)

4. Brazil to Continue the Importation of Soviet Petroleum

Among President Quadros' recent measures affecting the oil companies, was his instruction to Petrobras for the immediate importation from the Soviet Union of 600,000 tons of crude oil and 260,000 tons of diesel oil to make up for the alleged failure by the private oil companies operating in Brazil to keep stocks sufficient for three months.

Subsequent to the issuance of this instruction, the study of the commercial exchange between Brazil and the USSR, undertaken by the technical agencies of the National Petroleum Council (CNP) at the request of Quadros, was completed and turned over to the Executive Commission for the Exchange of Goods between Brazil and the Soviet Union. At the same time, Minister Mario Lefo de Moura, president of the Commission, and F.C. Nicolae, Director of the USSR state agency charged with the exportation of petroleum products, conferred with Josaff Marinho, President of the CNP, regarding possibilities for importing petroleum products.

According to newspaper reports, 260,000 barrels of soviet crude petroleum have already been processed in Cubatão, in an experimental run, for the purpose of testing what derivatives might be available, for determining the economic feasibility of refining, and for checking some technical aspects. New experiments are scheduled for April and May, with two other types of oil of the same origin and in equal quantities.

Diesel oil also figures in the petroleum part of the Brazil-USSR trade. In this connection, a contract negotiated earlier has already been honored, with the Soviets having provided 803,600 barrels of diesel oil during the past year. Importation has continued, since the product satisfied technical

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0457

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(Classification)

Page 4 of
Encl. No. _____
Disp. No. 902
From Rio, Brazil

specifications, and its CIF cost, at about US\$3.70 to US\$4.00, is considered to be competitive.

The Brazilian side of the exchange, up to now, has included, in addition to the export of surplus coffee, small quantities of hides, vegetable oils and citrus fruits. The possibility of increasing national exportation has been the subject of study by the Executive Commission; according to its calculations, the USSR imports globally 800 thousand dollars in merchandise which Brazil produces, thus offering new possibilities for Brazilian exportation. It is further expected that Sumoc instruction 204 will increase the volume of trade with the USSR; since the dollar is the currency used as reference in the Brazil-USSR Agreement, its elevation in the free market will make some Brazilian products less onerous, permitting their inclusion in the list of exports to the USSR.

(UNCLASSIFIED)

5. Action to Cut Deficits of Government-Owned Steamship Companies:

President Quadros ordered the creation of a Working Group to report on the causes of deficits of government-owned steamship companies. In his instruction, the President stated that the deficit in the current year exceeds Cr\$21 billion, ~~made up of~~ ~~Costeira~~ Costeira over Cr\$3 billion; Companhia do Rio da Prata Cr\$1.3 billion and Companhia Cantareira Cr\$600 million. The President stated that rates of all government-owned steamship companies should be revised in order to reduce the deficit and that it was not possible for the government to continue bearing such a huge burden.

(UNCLASSIFIED)

Comment: The government-owned steamship lines constitute only one of many government-owned or controlled enterprises and institutions most of which are believed to operate at deficits financed by loans from the Bank of Brazil or direct appropriation. The precise amount of the annual deficit and the total volume of the operations of this non-budgetary portion of the public sector has in the past been a closely guarded secret not even known to SUMOC officials. A plan now under study would require each of these organizations to report their financial operations to SUMOC which intends to prepare a public sector balance sheet.

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6. Cr\$110 Billion to be Spent on Five year Highway Construction Program

President Quadros has approved the Highway Construction Program for 1960/65 which calls for expenditures amounting to Cr\$110.982 billion.

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0458

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(Classification)

Page 5 of

Encl. No.

Disp. No. 902

From Rio, Brazil

At the present time approximately 75% of the national product is transported by truck, and the program was designed to facilitate the transportation of crops and the development of basic industries whose plants are for the most part located along the highways. According to press accounts funds for the execution of the program will be provided from the following sources: National Highway Fund 30,686 billions; National Highway Paving Fund 4,500 billions; Federal Budget 66,796 billions; Special Credits 7,500 billions; and from miscellaneous Sources 1,5 billion.

(UNCLASSIFIED)

7. Federal Employees to Get Their Salaries in Check:

Federal public servants, military and civilian, shall from now on be paid by checks drawn on the Bank of Brazil and the Federal Savings Banks. This action was taken in order to avoid complicated operations involving withdrawal and transportation of payrolls from banks to the Federal agencies.

(UNCLASSIFIED)

Comment: It is hoped that, in addition to simplifying the payroll making process, the new measure will encourage the use of checks and checking accounts as a popular means of making monetary transactions thereby strengthening the banking system. Also, the measure is expected to simplify life for the employee who previously, in Rio, for example, received his pay in cash at the Finance Ministry after spending several hours in line.

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8. Pay and Fringe Benefits of Military Personnel on Duty Abroad Curtailed:

On March 21, President Quadros signed a decree cutting down the pay and the benefits of military personnel stationed abroad. The cuts will be as follows: Generals - 30%; Superior officers down to the rank of Captain - 25%; non-commissioned officers 23%; and privates - 20%. The cut is to become effective immediately.

(UNCLASSIFIED)

Comment: This is another step taken by the Quadros administration to reduce the benefits of Brazilian Government personnel stationed abroad. None of these steps have been of significant proportions in terms of budgetary or foreign exchange savings but they are probably warranted in equity terms and are popular with the Brazilian rank and file.

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0459

OFFICIAL USE ONLY
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Page 6 of
Encl. No.
Disp. No. 902
From Rio, Brazil

9. Wage Increase for Retail Store Employees

Employees of Guanabara's retail stores, who may number around 200,000, were granted a wage increase of 28% over last year's agreement, with a minimum monthly increase of Cr\$2,250 and a maximum increase of Cr\$9,000. The increase, retroactive to March 1, is based upon a conciliatory suggestion submitted by the Regional Labor Court to the Commercial Workers Union and the retail trade association. Although a few annual wage agreements expire every month, there should now be a period of four or five months during which no major agreement affecting a substantial number of workers expires.

(UNCLASSIFIED)

10. Unemployment in Brasilia:

Some 20,000 unskilled workers in Brasilia, most of whom previously held construction jobs, are now unemployed, according to press reports. State governments will be asked to publicize the lack of work in the new capital in order to discourage any further migration.

(UNCLASSIFIED)

11. Civil Servants' Hours:

President Quadros' decree of March 16 authorizing students, mothers of children under 16 years of age, and residents of suburban areas with poor public transportation to work in one shift from 11:30 AM to 6:00 PM, is causing confusion in many government agencies. The decree did not define "poor transportation" but in Rio it is usually considered that all of the suburbs, as well as many parts of the city, have inadequate transportation service. Therefore, most agencies are reportedly waiting to see whether President Quadros really intended that the two-shift seven-hour day, which he decreed in February, be largely abandoned. One federal agency, however, has reportedly accepted that this was the intention, and 75% of its employees have reverted to the one-shift day.

(UNCLASSIFIED)

12. Strikes

Some 4,000 municipal employees of Niteroi, capital of the state of Rio, returned to work on March 18 after a four-day strike for higher salaries. The city mayor promised the municipal employees that he would grant them an increase within two weeks, but the city treasurer announced his intention to resign, saying that there were no funds with which to pay higher salaries. Many of Niteroi's employees presently receive less than the legal minimum wage in

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0460

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(Classification)

Page 7 of
Encl. No.
Disp. No. 902
From Rio, Brazil

that city, as the federal minimum wage law does not apply to them. Various acts of public disorder reportedly took place during the strike, apparently because the strikers were angry over the fact that the city aldermen and the mayor raised their own salaries to Cr\$60,000 and Cr\$70,000, respectively (up from Cr\$30,000 and Cr\$35,000).

(UNCLASSIFIED)

13. Union Tax May Be Abolished:

Labor Minister Castro Neves announced on March 25 that within a few days the Administration will send to Congress a proposal that the union tax be abolished. This tax, collected annually from all urban workers regardless of whether unionized or not and equal to one day's pay, is the principal source of funds for most labor organizations. In a manifesto issued last May Day, the three major national labor confederations recommended that the union tax be abolished, but suggested that it be done very gradually. What the terms of the Administration's proposal will be are not yet known.

(UNCLASSIFIED)

14. Governor Lacerda Addresses American Chamber of Commerce

Speaking on March 15 at a luncheon given in his honor by the American Chamber of Commerce of Rio de Janeiro, Guanabara State Governor Carlos Lacerda urged local American businessmen to cooperate actively in the industrialization of the State of Guanabara and also to help make the American public, business community and Government fully aware of the many opportunities for industrial development in the newest state of the Republic of Brazil.

Drawing a parallel between what has been done for industrial development in Puerto Rico and what might be done in Guanabara with the assistance of COPEG (Companhia Progresso Estado da Guanabara), Governor Lacerda pledged the full support of his administration to any undertaking that will effectively build an industrial community that can successfully compete with São Paulo. In this connection, he voiced the hope that US concerns established in the Rio area would strongly resist pressure from US headquarters to move their operations to São Paulo.

With regard to Brazil's foreign policy, Lacerda was confident that the nation would not draw apart from the United States, as he knew that the US would never be a threat to Brazil. At the same time, Lacerda indicated that Brazil's actions would always be guided by its national interest and

OFFICIAL USE ONLY

0461

OFFICIAL USE ONLY
(Classification)

Page 8 of
Encl. No.
Disp. No. 902
From Rio, Brazil

consistent with its position as an independent nation that does not want to be taken for granted.

On trade relations with the Soviet bloc, it was Lacerda's view that Brazil could trade with any nation without fearing the presence of a few Soviet agents, because Brazilians were not disposed to exchange their present freedom for the "freedom" of the Russian or Chinese communists. According to Lacerda, such relations as might develop should be based on realistic considerations and not on the illusion that the Soviet bloc countries offer a magic cure for the economic ills of Brazil through massive purchases of Brazilian commodities or substantial sales of heavy equipment. Lacerda pointed out, however, that among the several proposals for economic assistance received from governments and private companies from both sides of the Iron Curtain, there was not a single one from the United States.

Lacerda considered the "custo de cambio" reform—a gesture which he termed courageous and far-reaching—to be a first step toward overcoming the dollar barrier, which must be broken if relations between the two countries are to be on a people-to-people and not just a government-to-government basis. Specifying the type of assistance needed by the State of Guanabara and also by Brazil in this crucial stage of development, he stressed the importance of combating illiteracy, of providing schools for all children, and of training vast numbers of hitherto unskilled workers. If such vital measures are not taken, Lacerda added, little benefit can be derived from the highly specialized technical and scientific assistance that Brazil is receiving from the U.S. for instance, in the field of nuclear energy. In conclusion, Lacerda mentioned that one of the first of the new schools to be built will be named for Ambassador Cabot's father: Godfrey Lowell Cabot.

(UNCLASSIFIED)

15. Lamp-Black Production

Cia. de Carbonos Coloidais contracted with PETROBRAS for the purchase of up to 1100 barrels per day of residual oil from the LANDULFO ALVES (Mataripe) refinery in Bahia for the production of lamp-black.

(UNCLASSIFIED)

Comment: No reference is made to any foreign association of Cia. de Carbonos Coloidais nor to the proposed volume of production.

(UNCLASSIFIED)

16. Trade Tour by Port and City of Long Beach, California Officials

The South American Trade Mission of Long Beach, California Officials,

OFFICIAL USE ONLY

0462

OFFICIAL USE ONLY
(Classification)

Page 9 of
Encl. No. _____
Disp. No. 902
From Rio, Brazil

travelling through South America on the occasion of the 50th anniversary of the founding of the port of Long Beach, visited Rio de Janeiro from March 17-20. The Long Beach officials discussed with businessmen, government officials, representatives of civic organizations, and the press, the facilities of the Port of Long Beach and the possibilities for expanding trade with Brazil.

(UNCLASSIFIED)

17. South African Trade Mission Visits Brazil

A South African Trade Mission, which is visiting North and South with a view towards expanding its commercial relations with the American continent, arrived in Rio on March 10 for the beginning of a one week's stay, in Brazil. Although the level of trade between Brazil and South Africa up to now has been very small, the Mission hoped to open negotiations for the exchange of coffee, cotton textiles, carnauba wax, fine hardwoods and other merchandise for copper and various other minerals required by Brazilian industries. The Mission was headed by Mr. J.H. Van Eck, President and Managing-director of the Industrial Development Corporation of South Africa Ltd.; the other members included Messrs. J. Berry, Managing-director of African Cables Ltd., P. Frame, President and Managing-director of the Consolidated Textile Mills; and J.L. Pretorius, Coordinator of Government purchases for the Department of Commerce and Industry.

(UNCLASSIFIED)

18. Brazilian Free Port in Beirut

The problem of establishing a free port for Brazil, in Beirut, formally offered by the Lebanese government, will be the object of a study to be undertaken by a special work group, designated for that purpose by President Quadros in a memorandum to the Minister of Foreign Affairs. A period of thirty days has been established for a report to be presented by the group which consists of one representative each from the Ministry of Foreign Affairs, the Ministry of Industry and Commerce, the Ministry of Agriculture, the Brazilian Coffee Institute, and from the Bank of Brazil. According to newspaper reports, the establishment of a free port in Beirut will greatly facilitate the distribution of Brazilian coffee throughout the Middle East and should expand the exportation of that product.

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0463

OFFICIAL USE ONLY
(Classification)

Page 10 of
Encl. No.
Disp. No. 902
From Rio, Brazil

19. Coffee Exports

Coffee exports (July 1st, 1960/March 17, 1961) were 11,881,023 bags compared to 13,213,705 bags exported during the same period of the 1959/60 Marketing Year.

Exports during the month of March 1961 through the 17th were 750,818 bags. During the same period last year exports were 757,338 bags.

(UNCLASSIFIED)

20. Janio Cancels REAL's New York Route and Supports International Pool:

President Quadros on March 22 instructed the Minister of Aeronautics to cancel, in the public interest, the authorization granted to REAL to serve New York from Rio via Lima (BWER's Embdes 508,559,607,749). In taking this action, the President stated that the government would adopt the policy of creating a pool among the three principal international operators, REAL, VARIG and Panair do Brasil. In a related decision taken the same day, Quadros called a meeting, to take place within ten days in the President's offices, of the three carriers, the Minister of Aeronautics, the Director General of Civil Aeronautics, and representatives of government financial institutions for the purpose of examining solutions to the problems of the companies operating international services, particularly in the light of SUMOC Instruction 204. In preparation for this meeting, scheduled for April 3, the principal officers of the three carriers and their advisers have been holding a series of meetings. Meanwhile, the press reports that government financial authorities are studying means of easing the impact of Instruction 204 on all Brazilian carriers, whose foreign exchange expenditures--almost all at the cost-of-exchange rate--are usually estimated to represent 40 percent of their total costs.

(UNCLASSIFIED)

Comment: The award of the New York route to REAL threatened to create chaos in the Brazilian international routes, with VARIG, in retaliation, seeking European rights and Panair, in its turn, threatening to ask for rights to the United States. The cancellation of the REAL authorization was an indispensable first step in the creation of a pool for international service, which has been advocated for some time by various elements of the Brazilian aviation community. The sharp increases in costs of operation represented by SUMOC 204 and the government "austerity" drive, which will heavily influence the final form of the new subsidy structure currently under discussion in the Congress, precipitated the decision to establish a pool. The precise form which the pool finally assumes will of course determine the amount of savings to be obtained. Although pooling will be more

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0464

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Page 11 of
Encl. No.
Dep. No. 902
From Rio, Brazil

economical than the present system, the chance for really big economies was lost in 1959 when the three international operators refused to standardize on one jet type but instead ordered three different aircraft for international service, with three different engines: two Boeing 707's with Rolls Royce Conway engines (VARIG); two DCS's with Pratt and Whitney engines (Panair); and three Convair 990's, with GE engines (REAL). The Boeings have been in operation for several months, the DCS's will enter service in April, but the Convairs are not yet delivered. Present indications are that the pooling policy may very well lead to cancellation of the REAL order.

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21. Reported Presidential Interest in Regulating Foreign TV Films:

According to the press, President Quadros, acting in response to "constant requests" from workers and artists in the Brazilian television industry, has instructed a member of his immediate staff to study plans for regulating the exhibition of foreign films on television. The official making the study has been reported in the press as believing that the foreign films are not in keeping with "Brazilian reality" and could be harmful to Brazilian children and youth, an argument stressed by workers in the TV industry who, however, lay at least equal emphasis on the negative effects which they say the increasing number of foreign films is having on their employment opportunities.

(UNCLASSIFIED)

Comment: At present TV stations in São Paulo have an agreement with their employees which restricts the showing of foreign films on television to 20 percent of the total broadcasting time from 7:00 PM onward and to 30 percent during the day. This arrangement does not appear to be rigidly observed, and efforts by TV artists and workers to extend this agreement to Rio have not been successful. Should the activities of the official on Quadros' staff lead to some concrete action on the governmental level against foreign TV films, the entire character of the restrictions would of course be changed.

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0465

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(Classification)

Page 12 of

Encl. No.

Disp. No. 902

From Rio, Brazil

For the Ambassador:

Approved:

William A. Fowler

William A. Fowler

Counselor of Embassy for Economic Affairs

Edward J. Bash

Edward J. Bash

Commercial Attaché

Contributors:

Item 1 - HMay
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Items 4, 16, 17 and 18 - BAGoldstein
Item 6 - HBlomeyer
Items 9, 10, 11, 12 and 13 - DPMann
Item 15 - EIBrown
Item 19 - LYalloux
Items 20 and 21 - JHCrimmins

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FOREIGN SERVICE DESPATCH

832.00/4-461

FROM : Amoenon, São Paulo

362

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 4, 1961

REF : OERP C - General Interest

APR 5 - 1961

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SUBJECT: São Paulo Quarterly Review - First Quarter 1961

Apr-8 INT-7 OSD-5 Army-8 Navy-4

SUMMARY

XMB-4 USIA-10 LOC-4 DLF-7

Business was good on all levels. Suspension of dollar exchange sales for imports during six weeks caused concern but no immediate hardship. A subsequent reduction to US\$20,000 in maximum permissible weekly exchange purchases caused some manufacturers to slow down activities pending re-establishment of an adequate flow of supplies. Imports were not affected during the quarter, but should drop under the new exchange policy. The 1960 state budget closed with a slight surplus, but means must be found to eliminate an impending deficit of Cr\$15 billion in 1961. A congestion developed in February at the port of Santos and may continue through April. Trucking charges increased 30 percent. Bids on telephone service in São Paulo are to be called after the new mayor takes office on April 8. Agricultural developments were favorable. A larger coffee crop is forecast; cotton production also is expected to be somewhat higher; and there are prospects of a record peanut harvest. No concrete steps were taken to implement the agrarian reform law. Labor was quiet during the quarter, with statewide metal workers concluding a 40 percent wage increase, but union leaders criticized government measures which they claimed caused a sharp increase in the cost of living.

BUSINESS ACTIVITY

The first quarter usually is seasonally slow because of stock taking and Carnival and Easter holidays. This year business on all levels was very satisfactory. The state had valorem sales tax revenue followed a normal pattern and dropped from the December high of Cr\$7.5 billion to Cr\$6.5 billion in January and Cr\$6.3 billion in February. Considering the short month and Carnival holidays, the February revenue was very good. Inflation continued unabated.

1/ The free market exchange rate was Cr\$274 a dollar on April 1961.

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0467

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Page 2 of
End. No.
Disp. No. 362
From Amcongeng São Paulo

At the end of February the cost of living in São Paulo was 5.2 percent above the December 1960 level, and it was unofficially estimated that it rose by an additional 5 percent in March.

The suspension of dollar exchange sales for imports during six weeks and the subsequent change in the import system on March 14 (see foreign trade) were the cause of considerable concern to domestic manufacturers, although industrial production during the quarter was only slightly affected because stocks of imported parts and raw materials were sufficient to keep the plants going. A considerable number of firms, however, were finding it difficult to meet their import needs under the new maximum permissible weekly exchange purchases of US\$20,000, lowered from a previous ceiling of US\$50,000. These were taking steps to stretch out stocks of components by slowing down activities until they can re-establish an adequate flow of supplies of parts and/or raw materials from abroad. Among those affected are the automotive vehicle manufacturers and producers of road building equipment. Not all of the plants are affected alike, but the plans call for a temporary reduction in overall output of around 20 percent.

FINANCE

The State of São Paulo closed the year 1960 with a slight budgetary surplus, according to an official announcement. The announcement stated that total expenditures for the year had been estimated at Cr\$101,447 million and envisaged a deficit of Cr\$18,110 million. This deficit, it said, was eliminated by excess revenue in the amount of Cr\$10,433 million and an economy of Cr\$7,677 million in expenditures.

At the end of February the annual law on financial matters was promulgated. Among other provisions of an administrative nature the law authorized the Government of the State of São Paulo to subscribe up to Cr\$2.5 billion of shares in the São Paulo steel mill COSIPA, which is increasing its capital to Cr\$12 billion. The law also made available an additional Cr\$1,750 million for shares in CELUSA. CELUSA was incorporated in January 1961 to develop hydroelectric power at Urubupunga, with an initial capital of Cr\$344 million, of which the State of São Paulo subscribed Cr\$250 million.

The State Government's proposal to increase government salaries by about 30 percent was converted into law in January 1961. The cost of this salary increase will be close to Cr\$15 billion, instead of the Cr\$12.5 billion originally estimated, and the Government will have to find means of eliminating an impending 1961 budgetary deficit in that amount.

UNCLASSIFIED

0468

UNCLASSIFIED

(Classification)

Page 3 of

Encl. No.

Disp. No. 362

From: Amoenen São Paulo

The São Paulo Stock Exchange announced that transactions practically doubled on the exchange from Cr\$5,785 million in 1959 to Cr\$12,021 million in 1960. While sales of shares on the exchange increased considerably, the principal increase was in the sale of bank acceptances.

FOREIGN TRADE

The outstanding development in foreign trade during the quarter was the suspension of hard currency foreign exchange auctions on January 31 for a period of six weeks. Prior to that, during January, importers in São Paulo had purchased the maximum exchange offered at the auctions for imports in anticipation of a reduction in the amount offered for sale, so that the flow of imports during the first quarter of 1961 was not greatly affected by the temporary suspension of hard currency import exchange auctions.

Sales of soft currencies, at an effective exchange rate equivalent to just under Cr\$200 a dollar, continued after dollar sales for imports were suspended, and during the six weeks following the hard currency suspension (sales of dollars for imports were resumed after March 14) were particularly heavy to cover imports from Denmark, Czechoslovakia, Poland, East Germany, and Norway.

The new system for payment of essential imports through the free exchange market, instituted on March 14, will make imports more expensive, but the main hindrance to imports now is that importers are allowed to purchase only a maximum of US\$20,000 a week to cover imports, whereas previously they had been limited to US\$50,000 a week. While exceptions are to be made in justified cases, this limitation will serve to reduce over-all imports.

NEW INVESTMENTS

The following new investments were made or announced during the first quarter of 1961:

Röhm Indústria Metalúrgica Ltda., of São Paulo, a subsidiary of Röhm W.M.B.H. of Stuttgart, Germany, will invest Cr\$200 million to manufacture a complete line of precision parts and tools for high-speed lathes. Production is due to start at the end of 1961.

Fendt do Brasil Comércio e Indústria de Máquinas Agrícolas, of Diadema, São Paulo, is investing Cr\$250 million to manufacture Fendt tractors. The local company is a subsidiary of Xavier Fendt & Co. of Marktoberdorf, Germany. Production is due to start in the second half of 1961.

UNCLASSIFIED

0469

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 362
From Amcoengen São Paulo

Indústria Brasileira de Enxofre, a Cr\$115 million corporation controlled by Refinaria e Exploração de Petróleo União (the largest privately owned petroleum refinery in Brazil) started manufacturing flowers of sulphur at its plant at Capuava, near São Paulo. This is the first time that by-product sulphur is produced in Brazil.

Union Carbide do Brasil S. A., a subsidiary of Union Carbide International Co. of New York, is spending US\$4.5 million to expand the capacity of its polyethylene plant at Cubatão, near Santos, by 5,000 metric tons to a total of 11,000 metric tons.

AMF do Brasil S. A. Máquinas Automáticas, a subsidiary of American Machine & Foundry Company of New York, raised its capital from Cr\$100 million to Cr\$200 million, through the capitalization of machinery and equipment. The company is also importing from the United States additional machinery worth US\$72,000 to expand its line of cigarette-making equipment.

Máquinas Agrícolas Romi S. A. of Santa Barbara, State of São Paulo, the most important manufacturer of automatic lathes in Brazil, will receive equipment valued at US\$700 thousand from the Eastern Machinery Co. of Cincinnati, Ohio. The U. S. company thus becomes an important minority shareholder in the local firm.

Still S. A. Sociedade Técnica de Instalações Industriais will receive US\$250 thousand worth of equipment from Gebr. Heinemann A. G. Werkzeugmaschinenfabrik of St. Georgen, Germany. The local company will manufacture turret, production, and duplicating automatic lathes.

Ingersoll Rand (Máquinas) S. A. will set up a plant near São Paulo to manufacture piston compressors. Production on a commercial scale is expected to start in 1962.

TRANSPORTATION AND COMMUNICATION

The Campinas international airport operated for international jet planes coming to São Paulo during the entire quarter. On January 18 regular service from Campinas to San Francisco was inaugurated by Pan American Airways. The press reports, however, that improvement work at the airport, such as an expansion in passenger service facilities, was coming along slowly.

In February the port of Santos again became congested, and the congestion became progressively worse. At the end of March 56 boats were docked, 16 were out in the stream, and 26 more were anchored at the bar awaiting docking space. Members of the River Plate & Brasil Conference imposed a 25 percent surcharge on freight charges on cargo for Santos/Amoy route, in which they later were effective May 15.

UNCLASSIFIED

0470

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. 362
Desp. No. 362
From Amcoengen São Paulo

followed by the Homeward Freight and the Outward Continental Brazil Freight conferences. The congestion, which has been recurring periodically at Santos, is not expected to be cleared up before the end of April.

On February 24 the President of Brazil officially inaugurated the "Regis Bittencourt" federal highway linking São Paulo with Curitiba. The highway, however, was still incomplete and not open to traffic. Later prolonged heavy rains did considerable damage to several stretches of the road that had been finished. According to the press, major repairs are now necessary and it may be a year or more before the new road can be used.

An 80 percent increase in the cost of petroleum products caused São Paulo trucking companies to increase freight rates on interstate trucking by 30 percent on March 24, 1961.

The Mayor of the city of São Paulo vetoed some sections of the bill to call for bids on telephone service for the city. The city council overrode some of the sections vetoed, particularly those requiring the call for bids to be published abroad and establishing a minimum of 3 and a maximum of 6 months in which to present the bids. In view of the impending change in administration, nothing was done to implement this law. The new mayor elected on March 26 said he would take care of this after he takes office on April 8. He also said that during his administration he would again examine the question of building a subway in São Paulo.

AGRICULTURE

Agricultural developments were comparatively favorable during the quarter, with encouraging prospects for the future. Heavy rains in December 1960 and February 1961 apparently did only minor damage to São Paulo's overall agricultural production.

A larger coffee crop is expected--around 14,200,000 bags, compared with an estimated 8,400,000 bags for the current crop year ending June 30, 1961.

Prices of most agricultural products showed a downward tendency during the first half of the quarter, due in part to the ending of the period of seasonal scarcity. However, prices were generally much higher than a year before, except for crops such as beans, potatoes, and onions, which are in much better supply this year. At quarter's end there was a pronounced upward trend in prices.

Rises in the price of cotton were encouraged by prospects of the new government favoring exports coupled with weakening of

UNCLASSIFIED

0471

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. 362
Desp. No. 362
From Amcongen São Paulo

the cruzeiro foreign exchange rate, which gave hope for remunerative export prices in terms of cruzeiros. The current São Paulo cotton crop is tentatively estimated at around 190,000 metric tons of lint cotton, compared with about 181,600 for the previous crop. The exportable surplus shipped from São Paulo should exceed 100,000 metric tons this year.

Peanut acreage was up about 70 percent over last year, with prospects of a record wet season harvest of 12.0 million bags of 55 pounds, compared with 8.4 million last year. Prices were somewhat disappointing to producers, who in early March were receiving only about 450 cruzeiros per 55-pound bag of unshelled peanuts, which was about the same as the year before. However, prices were expected to firm if expected exports materialize.

Corn acreage in São Paulo was about ten percent less this year than last. Corn yields were also down, partly due to heavy rains, so that the crop was expected to total only about 24 million sacks of 132 pounds, compared with 29 million last year.

A slightly larger orange crop is predicted for the current crop year--21 million boxes of 88 pounds, compared with 20 million during 1960. Exports are expected to be somewhat greater this year--4.0 million boxes compared with 3.5 million last year. A German firm is said to be considering installing a factory to produce concentrated juice for export.

The meat supply situation was much easier during the quarter, as is usual at this time of year. Prices were much higher than at the same season last year, and consumption lower. There was talk of authorizing substantial exports, but this appears unlikely before about November when the annual off-season ends.

Nothing was done during the quarter to put the São Paulo agrarian reform law into effect. At the end of March it was reported that regulations governing the operation of the law and the regulations to govern the operation of the Agricultural Expansion Fund were almost completed and would be issued soon. It also was reported that the government-owned Fazenda Santa Helena would be used as a guinea pig in determining the best means of dividing property into smaller tracts, the ideal size of small tracts, the number of persons that could be supported on them, etc.

LABOR

The first quarter of 1961 witnessed the appointment of a Paulista (native of São Paulo) as Labor Minister, a national

UNCLASSIFIED

0472

UNCLASSIFIED

(Classification)

Page 7 of

Encl. No.

Disp. No. 362

From: Amcongen São Paulo

trade union meeting held at São Paulo February 18 - 19, the successful negotiation of an important wage agreement in the metal industries and widespread discontent among the workers at the quarter's end because of a sharp and unchecked rise in the cost of living. ~~resulting from a commitment to the foreign exchange system~~

Other highlights included the appointment of São Paulo labor leader Gabriel Greco as President Quadros' special advisor on trade union matters, and the election of Antonio Pereira Magaldi, a former Point IV labor leader grantee, as president of the São Paulo State Federation of Commercial Workers.

On January 28th it was officially announced that President Quadros had appointed Dr. Francisco Carlos de Castro Neves, a native of São Paulo, as Minister of Labor. Dr. Castro Neves created a stir among São Paulo labor circles toward the quarter's end when he told a group of labor leaders not to strike or create public disorder during the coming months, emphasizing that it would be the responsibility of the employers to keep profits at a reasonable rate and prevent price increases. The new Labor Minister told the labor leaders to have confidence in the labor courts and other democratic institutions which are set up to handle labor disputes.

On February 18 - 19 an estimated 250 labor leaders from 16 states met in São Paulo. The most important subject debated at the meeting was a Government proposal to eliminate the imposto sindical (compulsory union dues collected by the Government) and the delegates in attendance overwhelmingly voted against that proposed action.

On February 27 the São Paulo State Federation of Metalworkers and employers of metal, machine, and electrical appliance workers reached an agreement providing a 40 percent increase in wages. The agreement covered an estimated 90,000 workers who are represented by 23 local union affiliates of the state federation, in suburban and interior cities of the State of São Paulo, including the important A.B.C. triangle of Santo André, São Bernardo do Campo, and São Caetano.

At the quarter's end, São Paulo trade union leaders were bitterly criticizing Federal Government exchange measures which they claimed caused a sharp increase in the cost of living. Many of the conservative labor leaders felt the reforms were too drastic, and asked what the Federal Government intended to do about speculation and profiteering.

With the exception of a few strikes of streetcar workers

UNCLASSIFIED

0473

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No. 362
Desp. No. 362
From Amcoengen São Paulo

employed by the city government-owned streetcar line over non-payment of back wages, the quarter was fairly peaceful.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

Contributors:

RECahn : Business Activity, Finance, Foreign Trade,
Transportation and Communication
SCLyon : Agriculture
ADVentura : New Investments and Statistical Annex
JFShea : Labor

M
Enclosure:
Statistical Annex

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0474

STATISTICAL APPENDIX

	Fourth Quarter	January	February	Cumulative Total 2 months (Jan.-Feb.)
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros)1/				
1961	-	6,490	6,309	12,799
1960	20,818	4,142	4,705	8,847
1959	14,027	-	-	-
Total State Revenue from Taxes (billions of cruzeiros)2/				
1961	-	7,276	7,034	14,310
1960	23,738	4,781	5,480	10,201
1959	16,095	-	-	-
Electric Power Consumption of Industry in State of São Paulo (millions of kWh)2/				
1961	-	340	333	673
1960	1,047	273	302	575
1959	854	-	-	-
Motor Vehicle Production in State of São Paulo (in units)				
1961	-	10,165	11,193	21,358
1960	39,351	6,275	9,392	15,667
1959	27,133	-	-	-
Petitions in Bankruptcy in City of São Paulo (in numbers)4/				
1961	-	52	47	99
1960	192	74	58	132
1959	216	-	-	-
Petitions for Creditors' Agree- ments in City of São Paulo (in numbers)4/				
1961	-	3	8	11
1960	23	5	3	8
1959	27	-	-	-
Notes Protested in City of São Paulo (in numbers)4/				
1961	-	4,012	4,102	9,014
1960	15,631	4,631	3,926	8,557
1959	13,745	-	-	-

Doc. No. 1
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Page 2 of 2
 Ref. No. 362
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 Division

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	Fourth Quarter	January	February	Cumulative Total 2 months (Jan.-Feb.)
Notes Protested in City of São Paulo (millions of cruzeiros) 1/				
1961	-	113	101	214
1960	228	93	84	177
1959	243	-	-	-
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average; Base 1951 = 100) 2/	Dec.			Percent increase since January 1
1961	-	774	786	3.2
1960	747	589	602	6.0
1959	565	-	-	-

UNCLASSIFIED

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(Classification)

Page 3 of
Encl. No. 1
Disp. No. 392
From Amcogen São Paulo

Notes

- 1/ Revenue figures are based on a sales and consignment tax rate of 4.2 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.

UNCLASSIFIED

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0478

Page 2 of telegram to Ambassador RIO DE JANEIRO

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Classification

Brazilian program would require new external funds from national and international sources and that the present heavy burden of the repayment of Brazil's external debt, public and private, should be lightened by consolidation or rescheduling. In this effort the United States is prepared to play its full part in cooperation with Brazil and with other countries and international institutions.

During his visit to Rio de Janeiro next week as head of the U.S. Delegation to the Second Meeting of the Governors of the Inter-American Development Bank, Secretary Dillon will meet with Brazilian Finance Minister Clemente Mariani for a further exchange of views. Following this meeting, an invitation will be extended to Minister Mariani to visit Washington within the very near future for the purpose of arriving at a final agreement. END QUOTE.

Moreira Salles expected return Rio via Varig No. 855 April 6 in order report to Quadros and Mariani on present status discussions with U.S. and to endeavor create favorable attitude GOB toward arrival IMF mission. IMF has agreed send mission to attend IIB Conference on understanding mission will consult with various GOB officials concurrently but if possible without publicity.

FYI: In view presence various high-rank USG officials at Rio for IIB conference, Moreira Salles hoping general understandings can be reached Rio so as permit Mariani travel Washington following week in order conclude agreement here. Moreira Salles expects return Washington with Mariani, then proceed Europe. We believe Mariani visit soon desirable but unable judge timing visit until further technical work done on program at Rio and Washington. END FYI.

Re: USK
WB

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

53
DISP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 6, 1961

REF : CERP Requirements: Section C, Item 2

APR - 7 1961

20 For Dept. Use Only	ACTION	DEPT.
	COM-121 REC'D 4-14-61	IN REP-1 INR-7 E-3 ICA-11 ARA-4 O CIA-10 TAR-2 TR-3 FRB-3 XMB-4 AGR-8 INT-7 DAB-6

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - March 1961

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

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ARMY-6
NAVY-4
NSA-4

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SUMMARY:

The general dry conditions were finally relieved by rains falling throughout the State during March. The local rice market improved because of recent freeing of prices in Rio de Janeiro and disposal of the exportable rice surplus. Cattlemen are not satisfied with current cattle prices. Higher ceiling prices of wheat flour resulted in new increase in bread prices. Arrangement to use Rio Grande do Sul wheat, stored here for northern flour mills, improved local wheat supplies. Speculation in soybean prices is causing apprehension to producers. Some improvement in State retail prices was reported in March. Information on collections of trade bills are conflicting. Efforts to export footwear to U.S. have been fruitless, so far. A shipment of Yugoslav tractors arrived recently in Porto Alegre. Renewed interest in investment was shown by West German group. A new plant for the extraction of rice bran oils is expected to create a most promising industry in this rice-producing area. The free market cruzeiro weakened considerably as a result of new exchange regulations. It is anticipated that the exchange regulations will tighten the money market. No major strikes were reported in March; however, increasing living costs are viewed with concern by workers. Some areas of Rio Grande do Sul were hit by a power rationing program. A great number of Uruguayan tourists visited Rio Grande do Sul late in March.

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0480

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Page 2 of
Encl. No.
Disp. No. 53
From PORTO ALEGRE

1. AGRICULTURAL DEVELOPMENTS:

Rice - The outlook for local rice is reported improved in view of COFAP's (Federal Supply and Price Control Agency) recent freeing of the price of this commodity in Rio de Janeiro, and because of CACEX's (Federal Foreign Exchange Department) acquisition of 120,630 metric tons of milled rice, Rio Grande do Sul's exportable surplus. It is reported by CACEX that Italy and Nationalist China, among other countries, are most interested in buying this rice surplus; however, no transactions have been concluded as yet. The local Rice Institute (IRGA) has established the minimum prices of \$680.00 per 60 kilo bag of rough "Japones" (short grain) rice to the producer in the interior; \$700.00 for "Blue Rose" (medium grain), and \$740.00 for "Agulha" (long grain). The current minimum prices are about 13 percent above last year's, and they will be submitted to President Quadros for final approval.

Grapes - With the grape harvest nearing its completion, sources are of the opinion that the quality of this harvest is very good, although the yield is said to be approximately 10 percent less than last year.

Beef - The official cattle slaughter has begun, but killings are not expected to be in full swing until the beginning of April. Foreign meat packers in Rio Grande do Sul are willing to pay \$35.00 per kilo liveweight, whereas cattle breeders are insisting on \$40.00 per kilo. The latter are expected to hold their cattle until the packers make a better offer. Cattlemen believe that at \$35.00 per kilo packers will export beef, particularly canned, at high profits in view of the favored position created by the new exchange regulations.

Wheat - Because of critically low wheat supplies in Porto Alegre, the Federal Wheat Expansion Service (SET) has reached an agreement that wheat, purchased by northern mills, and stored here, will be resold to local mills. Imported wheat will then be sold to northern mills, with price adjustments to compensate for differences in the cost of wheat, differences in transportation costs, and flour yields. Higher ceiling prices on wheat flour, authorized by the Federal Price Control Agency, resulted in higher local bread prices.

Tobacco - Preliminary trade reports refer to the current tobacco harvest as "good" with regard to quality and quantity, although no official data are presently available.

Soybeans - Speculation in prices has been reported in the soybean producing areas. It is indicated that crushers are not willing to pay more than \$700.00 per 60 kilo bag, whereas in the previous crop the price paid was approximately \$1,000.00 per bag. Growers are discouraged and feel that the authorities should take steps to guarantee a better price to the producer. It is recalled that price speculation occurred with the last flaxseed crop harvested.

UNCLASSIFIED

0481

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. _____
Disp. No. 53
From PORTO ALEGRE

in Rio Grande do Sul, when prices were lowered from \$1,500.00 to \$1,000.00 per bag.

Hogs - The loss of 12 prime "Duroc-Jersey" hogs, out of a total air-shipment of 49 from the United States, was reported at Belem do Para due to the intense heat. The special carrier was held up by customs authorities for 12 hours and searched for a supposed contraband of arms. This shipment was partly consigned to the Rio Grande do Sul Department of Agriculture and partly to private local hog breeders. Authorities stated that the local Government will lose approximately \$1.5 million on this shipment.

Agricultural Development - It is reported in the local press that the Bank of the State of Rio Grande do Sul will use \$100 million for the expansion of the State's agricultural activities. Details will be reported as they become available.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Improvement in retail sales have been reported for March, due principally to some three thousand Uruguayan tourists who spent the Easter holiday week in Rio Grande do Sul. Storekeepers reported increases in sales of from 10 to 30 percent over the same period last year. Information received regarding commercial collections are conflicting: some sources indicating improvements, others reporting delays. One important local banking source indicated some slowing in collections.

Comparative figures of total sales for February 1961 (latest figure available) and January 1961, and February 1960, were as follows:

(In thousands of cruzeiros)

<u>February 1961</u>	<u>January 1961</u>	<u>February 1960</u>
23,328,340	25,062,470	16,370,822

Source: Budget Bureau, State Treasury

It should be noted that inflationary pressure has been responsible for increased sales values over the previous year's figures.

Protest of trade bills for February 1961 (latest figure available), amounted to \$11,530,554, as compared with \$9,468,597 for January 1961, and \$7,323,576 for February 1960.

3. FOREIGN TRADE:

Wool - Although the local press carried an item that the Russian

UNCLASSIFIED

0482

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 53
Desp. No. 53
From PORTO ALEGRE

Embassy in Montevideo, Uruguay, had asked wool cooperatives to furnish the names and addresses of local wool exporters, the C Consulate has been reliably informed that no transactions have been concluded. The Consulate will report any new developments. Rio Grande do Sul is reported to have an exportable surplus of 2,000 metric tons of raw wool.

Footwear - Recent attempts to establish export markets in the United States for Rio Grande do Sul footwear have been unsuccessful. The local shoe industry apparently is not able to meet the monthly quota requirements of large United States buyers, and local shoe manufacturers are not in a position to expand production at the present time.

Iron Curtain Trade - A shipment of 250 Yugoslav "Zadrugar" Diesel tractors (4 cylinders, 41.5 h.p.) arrived in Porto Alegre on March 18, shipped aboard the SS. TREFCA, and consigned to the local firm of Sulbra S.A. This is reported to be the first time that a Yugoslav flag ship has docked at the local port. The Consulate is informed that these tractors were shipped in a barter deal for coffee, in accordance with Federal Decree No. 40260.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

German Investment - Renewed interest has been evidenced by a West Germany group, visiting Porto Alegre, to invest in Rio Grande do Sul industry. An official of the "WESU" (Welt Bau Union Aktiengesellschaft of Dusseldorf) stated that they are interested in installing plants for processing local natural, mineral and agricultural products. The group conferred with the Governor of the state and other authorities. The Consulate will report further developments.

Rice Bran - The first plant for the extraction of edible vegetable oils from rice bran is being installed in Alegrete, in the western part of Rio Grande do Sul. President Quadros reportedly authorized the importation of the required machinery free of exchange cover, as no similar equipment is manufactured in Brazil. Estimated production figures, etc. are not yet available. Rice Bran oil will also be produced for the use of the local soap and paint industries at a plant being installed in Santo Antonio da Patrulha, near Porto Alegre. The machinery for the production of industrial oils is locally made. It is expected that the production of rice bran oil will be expanded because of Rio Grande do Sul's position as an important rice producing center. Trade sources point out that rice bran production is worth \$500 million annually in Rio Grande do Sul's economy, and hopefully estimate that the production of rice bran oil will eventually double that figure.

5. TRANSPORTATION AND COMMUNICATIONS:

UNCLASSIFIED

0483

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. _____
Disp. No. 53
From PORTO ALEGRE

Because of the recent foreign exchange law which increased the cost of gasoline about 70 percent, local truck and bus transportation companies are seeking authorization from the authorities to substantially increase their rates.

6. FINANCE:

Secretary of the Treasury: - Mr. Siegfried Heuser, State Secretary of Economy, was recently also appointed Acting State Secretary of the Treasury by Governor Brizola, upon the resignation of Victor Issler from this post. Mr. Heuser, who has held this and other State cabinet positions before, under the present Governor, will serve until a permanent Secretary is appointed.

Exchange - The free market cruzeiro weakened considerably during the month under review, averaging \$250.00 per U.S. dollar (check buying rate), against \$225.82 in February 1961. As a result of Instruction No. 204, which established the exchange reform, there has been a heavy demand for U.S. dollar in Porto Alegre.

Money Conditions - No appreciable change in the cruzeiro money market has been reported, with local banks continuing to handle their clients' normal requirements through short-term discounts. According to the local banking sources, there is, however, some speculation as to the possible tightening effects of the new exchange regulations. The recent Federal decree obliging the banks to transfer to the Bank of Brazil deposits held in the name of "autarchies", including employees' pension and retirement institutes, reportedly caused the Bank of the State of Rio Grande do Sul to lose \$304 million in deposits.

Bank of Brazil Appointee - A well-known local figure, Mr. Alcides Flores Soares, ex-regional party president of the UDN (National Democrat Union) has been appointed director of the General Credit Department of the Bank of Brazil in Rio de Janeiro by President Quadros. Prior to his new assignment, Mr. Flores held important positions in Rio Grande do Sul as Secretary of the Treasury and Minister of the local Federal Audit Office.

Florianopolis Meeting - A meeting of Rio Grande do Sul, Santa Catarina and Parana Governors was held recently with President Quadros in Florianopolis, Santa Catarina to discuss ways and means of improving the welfare and economy of the three southernmost states of Brazil. According to the local press and statements released by Governor Brizola, the results of the meeting have been satisfactory. The most important items included in the meeting's agenda were the formation of a Regional Development Council for the southern states of Brazil and the establishment of an Economic Development Bank for the same area. Other problems discussed included improving State electrification, transportation, etc. The Consulate will report further when additional information

UNCLASSIFIED

0484

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No.
Disp. No. 53
From PORTO ALEGRE

becomes available.

7. LABOR:

No major strikes were reported in March. However, rising living costs, as a result of the new exchange regulations, have increased workers' apprehension considerably. According to statistics released by the Economics Research Institute of the University of Rio Grande do Sul, an increase of 22.45 percent in cost of living occurred from February 1960 through February 1961, in Porto Alegre.

8. MISCELLANEOUS:

State Electrification Program - The Rio Grande do Sul Electric Power Commission (CEEE) has invited tenders for the civil engineering work and the supply and installation of electrical and mechanical equipment for the Rio Passo Fundo hydro-electric station, with a potential of 300,000 KW. Details of the project and of the conditions for submitting tenders were sent by the Commission to the Brazilian Embassy in Washington for information of interested American firms. The closing date for bids is September 19, 1961. In 1959, the Commission entrusted to the Sociedade Electroconsult, formed by a group of Italian firms, the task of preparing technical surveys for the construction of the plant.

Power Rationing - In mid-March, electricity was rationed for a week in Porto Alegre and in some other parts of the State as a result of critically low water levels in the hydro-electric plants' reservoirs. However, heavy rains later in the month relieved the situation and rationing was suspended, at least temporarily. President Quadros expressed his concern over the power shortage in Rio Grande do Sul, and substantial financial help has been promised, (\$2.5 billion) by the National Development Bank, provided that the State Electric Commission is transformed into a mixed company. The developing situation will be reported further by the Consulate.

Tourism - The last week of March (Easter) has been the traditional Uruguayan tourist week. Approximately 3,000 Uruguayans visited Porto Alegre and other towns and resorts in the interior. Local stores displayed welcome signs in Spanish and retail sales were reported brisk.

State's Water Supply - Governor Brizola has published a decree authorizing a credit of \$520 million for the improvement of the water supply facilities in the interior. Many towns in Rio Grande do Sul lack adequate water supply facilities and this fact was noted in a recent address made by the President of Brazil.

cc. Amembassy RIO
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Percy Warner
Percy Warner
American Consul

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AIR POUCH		UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE	
FOREIGN SERVICE DESPATCH					
FROM :	Amoongen S& Paulo				
TO :	THE DEPARTMENT OF STATE, WASHINGTON				
REF :	CERP C - General Interest				
55 For Dist. Use Only	ACTION REC'D	DEPT. IN OTHER	368 APR 10 1961 APR 12 1961		
AAA-5 RMA-2 REP-1 LNR-10 E-6 TCA-11 PER-2 4110 USTA-10 OSD-2 ARMY-35 NAVY-20 USA-4 CIA-16 COM-12 TAN-2 TA-3 FRB-3 XMB-4 AGA-8 INT-7 LAB-6					
SUBJECT: Biweekly Economic Review, March 24 - April 6, 1961 DLF-7					

INDEX

1. More Prices Go Up R. E. Cahn
2. Commercial Association Supports Exchange Reform S. C. Lyon
3. State Bank to Establish Economic Expansion Department R. E. Cahn
4. Agrarian Reform Regulations to be Issued Soon R. E. Cahn
5. SMO Paulo Reaction to Minimum Prices R. E. Cahn
6. FAO Meeting to be held in SMO Paulo F. W. Traeger

1. More Prices Go Up

The following price rises took place in SMO Paulo in addition to those reported in item 1 of despatch 349 of March 24, 1961: taxi fares 53 percent; trucking charges 30 percent; diesel oil from Cr\$18.10 to Cr\$14.26 a liter; pharmaceuticals 30 percent; imported olive oil from Cr\$180 to Cr\$260 a liter; and construction materials 20 percent. Vegetable prices fluctuated up and down, but always at a higher level.

Justly or unjustly, the new federal administration that took office on January 31 is blamed for the sharp rise in prices, and considerable discontent has been developing.

2. Commercial Association Supports Exchange Reform

A spokesman for the Commercial Association of SMO Paulo informally stated that the Association approves in general the exchange reform measures in SUMOC Instruction 204 (item 1 desp. 349 March 24). With regard to recent price rises, he claimed that only in small measure could they justly be attributed to this instruction and much more to the inflationary acts of the previous administration. He called upon business men to restrain price increases for the general good. He said that businessmen

- 1/ The free market exchange rate was Cr\$285 a dollar on April 6, 1961.

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(see index for contributors)

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UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. 368
Desp. No.
From Amongon SMO Paulo

must change their mode of thought to adjust to the new "free market economy," which would not be easy after so many years of a "directed economy." He also called upon them to become "export-minded," predicting that many firms will soon be faced with lessened demand for their products at home due to anti-inflationary measures, and will have to seek foreign markets.

Local businessmen express general approval of the reform. Principal criticism centers around the requirement for importers to deposit a sizeable part of the cost of the goods with the Bank of Brazil, receiving in return paper paying interest at six percent. They point out that this paper is being discounted at around 88 percent of face value, which in effect increases the cost of foreign exchange to the importer by 12 percent.

3. State Bank to Establish Economic Expansion Department

The Governor of SMO Paulo asked the Bank of the State of SMO Paulo to establish an Economic Expansion department, to operate the three credit funds envisaged by the State Plan of Action but not yet established. The Governor said that the Fund for Agricultural Expansion is soon to be established, and this is to be the first that the new department will administer. He indicated that the other funds would have to wait until the general financial condition of the country permits their establishment.

4. Agrarian Reform Regulations to be Issued Soon

The press reported that the final text of the regulations governing the Agrarian Reform Law (see item 3 desp. 298 of February 10, 1961) was being examined by the Governor of SMO Paulo. The Governor is expected to sign the decree approving the regulations on or about April 16 during a visit to a municipality in the interior of the State.

5. SMO Paulo Reaction to Minimum Prices for Cereals

The new minimum prices for cereals decreed by the Federal Government on April 5 for the expressed purpose of encouraging production and possible exports, received a cool reception and little initial comment in SMO Paulo. Spokesmen for the SMO Paulo Cereal Exchange said the prices established were close to the current ones and could result in a general stabilization. SMO Paulo cooperatives were satisfied, but the Cotia Agricultural Cooperative preferred to undertake a price study before expressing an opinion. However, it considered it a sound move to raise the previously low price level. Rural associations indicated they were not yet prepared to express an opinion.

UNCLASSIFIED

0487

UNCLASSIFIED

(Classification)

Page 3 of

Encl. No.

Disp. No. 368

From: Amooongen São Paulo

6. FAO Meeting to be Held in São Paulo

A Food and Agriculture Organization Meeting on Dairy Problems in Latin America will be held in São Paulo April 11 to 20th. Some 30 to 40 delegates from other countries are expected to be at attendance and, aside from country reports, various aspects of milk production, industrialization and distribution in Latin America will be discussed. Dr. Ralph E. Hodgson, Director of Animal Husbandry Division of the Agricultural Research Service, USDA, will be the U. S. delegate.

William P. Cochran, Jr.

William P. Cochran, Jr.
Minister Consul General

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FOREIGN SERVICE DESPATCH		
FROM : Amconsul, Belo Horizonte, Brazil	DESP. NO. 31	DATE April 7, 1961
TO : THE DEPARTMENT OF STATE, WASHINGTON.		
REF :		

20 For Dept. Use Only	ACTION REC'D 4/14/61	DEPT. IN OTHER REF-1 INR-7 E-3 ICA-11 ARA-4 CIA-10 TAA-2 TR-3 FRB-3 XMB-4 HGR-8 LAB-6	451A-10 4886
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SUBJECT: ECONOMIC SUMMARY - Minas Gerais (February 1961) INT-7 J6F-7
 NSA-4 OSD-5
 ARMY-6 NAVY-4

INDEX

1. FINANCE
State Financial Situation
2. COMMUNICATION AND TRANSPORT
Rain Disrupts Transportation in Minas Gerais
3. INDUSTRY
 - a) Headquarters of Rio Doce Company Scheduled To Be Transferred to Minas Gerais
 - b) Standard Beryllium Corp Acquires Mining Concession in Minas Gerais
4. LABOR
Textile Strike Ends
5. MUNICIPAL AFFAIRS

1. Finance State Financial Situation

Although approached in a quieter fashion by the State Government, the financial situation within Minas Gerais is similar in many respects to that of the Brazilian Federal Government.

cc. Counselor for Consular Affairs/Ambassy/Rio de Janeiro
 Embassy/Rio de Janeiro/Econ Section

RM Martin/pk

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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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APR 26 1961

0489

UNCLASSIFIED
(Classification)

Page 2 of 6
Encl. No. _____
Disp. No. 31
From Belo Horizonte, Brazil

In his first press conference following inauguration Governor Magalhães Pinto stated that he had found the state to have only Cr\$140,000,000 in liquid assets while at the same time its debt had reached 20 billion cruzeiros. As of the time of the conference, late in February, the Governor explained that no comprehensive financial plan for the state had been completed. This delay was partly due to the one month delay in the arrival of the new Secretary of Finance, Sr. Bilac Pinto, who was travelling in Europe at the time of his appointment. Several preliminary steps, however, were taken by the new administration to reduce expenses wherever possible. These measures varied from careful scrutiny of the use of all state vehicles to across the board budget cuts among state departments in order to stay within limits that will be covered by state receipts during 1961. This, if carried out, would reduce state expenditures by some Cr\$2,736,000,000.

In the long run, the Governor stated that the only solution for the state was to reduce unnecessary expenditures and to develop the state both industrially and agriculturally.

Although the Governor stated that he had no immediate plans for the release of "excess" employees it seems apparent that some action along these lines may be taken in the future. More than one Secretary in the new cabinet appears ready to RIF in order to keep within the budget. New employees hired within the last few months of the old administration appear to be the likeliest candidates for release.

2. Communication and Transport

Rain Disrupts Transportation in Minas Gerais

The almost continuous rains of December, January and February have played havoc with transportation and road communication within Minas Gerais. For several days during February, Belo Horizonte was virtually isolated from Rio de Janeiro, São Paulo and Brasília, due to collapsed bridges and blocked roads. Fortunately, before serious shortages were encountered, detours were established which allowed for a reduced, but steady, flow of traffic in and out of the area.

This same story was repeated in many other parts of the state - in some places on a more serious scale - particularly in those areas where there are no paved roads.

For a week in mid month the Rio-Bahia road which passes through eastern Minas Gerais was paralyzed both because of the washing away of the roadbed and the abandonment of trucks and buses by their owners during the worst part of the rains. More than 1500 trucks are estimated to have been halted in this area alone. The small towns along the highway were hard put to supply their own townspeople not to mention the influx of "tourists", i.e. truck drivers and bus passengers. For a short

UNCLASSIFIED

0490

UNCLASSIFIED
(Classification)

Page 3 of 6
Encl. No. _____
Disp. No. 31
From: Belo Horizonte, Brazil

while there was some fear of trouble breaking out between these isolated groups but the presence of Military Police dispatched to the area eased tensions and also added direction to the repair operations which were quickly undertaken.

Comment: - Minas Gerais is justly proud of its many newly paved highways and it is unfortunate that just as the road system is beginning to take shape that the area is hit with a rainy season declared to be the worst in twenty two years. As yet no accurate estimate of the damage has been compiled but it can be expected that the costs of repairs will only make difficult the fulfilling of Governor Magalhães Pinto's campaign promise to pave 1000 additional kilometers during the first year of administration.

The complete breakdown of transportation along the Rio-Bahia highway (BR-4) points out once again the need for improvement and paving of this important highway link (Condesp # 17, Dec 2, 1960).

3. Industry

a) Headquarters of Rio Doce Company Scheduled To Be Transferred to Minas Gerais

In late February local business groups (Federação das Indústrias, Associação Comercial & União dos Varejistas) began one of their periodic campaigns in behalf of Minas Gerais, this time to move the headquarters of the Rio Doce Company (Companhia Vale do Rio Doce) to Minas Gerais where the company's mining operations are centered. The campaign had hardly started when much to the surprise of the local press it was announced from Brasília that President Quadros had issued orders for the move of Company headquarters within thirty days to Belo Horizonte.

The transfer of the headquarters of the Rio Doce Company has been a long cherished dream of Minas Gerais. The reporting officer has several times heard local economists and businessmen complain bitterly about the fact that as long as headquarters employers loiter in the beaches of Rio there is little chance of Minas Gerais gaining much from mineral wealth that is being removed from the state. These individuals maintain that the people in Rio have little interest in the development of Minas Gerais and have done little, if anything, to implement the Company's responsibility to improve and develop the area within the Rio Doce valley.

The fact is that many economists here hope that the transfer of the head offices is only the first in a series of steps that will revamp the outlook and purpose of the Rio Doce Company.

Speaking at a recent meeting of the Federação das Indústrias, Osório da Rocha DINIZ, a businessman and Professor at the School of Economic Science (University of Minas Gerais),

UNCLASSIFIED

0491

UNCLASSIFIED
(Classification)

Page 4 of 6
Encl. No. _____
Disp. No. 31
From Belo Horizonte, Brazil

stated that an organization with the financial resources and technical skills of Rio Doce Company must not only mine ore but must take an active part in the industrial and economic development of the Rio Doce Valley, located in the heart of the iron ore region of Minas Gerais. This assistance he indicated should be concentrated in the establishment of new basic industry and the importation of coal.

Along the same lines Fábio de Araújo Motta, President of the Federação das Indústrias recently stated that in line with attempts to populate and industrialize the interior of the country exemplified by the move of the capital to Brasília, there was need for the transfer of industrial headquarters to the interior so that these firms could be integrated into the "interior" economy. In the case of the Rio Doce company he claimed that with the transfer of the capital to Brasília Rio could no longer justify locating company headquarters in that city on the basis of the Federal Government position as chief stockholder of the Rio Doce company.

Strongest words came from Engineer José Lima Barcelos who in early March was tentatively chosen to be President of the Rio Doce company, the nomination later being rescinded by President Quadros. Speaking before the Associação Comercial Barcelos claimed that a complete reorganization of the company is necessary including the formation of a holding company that would oversee the operation of the mining company, Vitoria-Minas Railroad, the newly formed Companhia Siderurgica VAM, and the Navigation Commission For The Valley Of The Rio Doce. According to Barcelos only through such a reorganization can the company keep its costs down and compete in the world ore market. At the same time he argued that the statutes of the company should be revamped to make it obligatory for the company to reinvest a large percentage of its profits in the industrialization of the area. Referring to the 10% of profits presently required to be used by the company in the mining ore, Barcelos stated: "We are no longer content with the paving of roads, and building of hospitals, by the Rio Doce company. What interests us is the reinvestment of a large percentage of the profits in the industrial development of the area in which the Rio Doce Company operates."

Although the opinions represented above come from the vocal and perhaps more nationalistic wing of the groups they represented it would be reasonably accurate to say that most local informed individuals are in agreement as far as the move of Rio Doce headquarters is concerned.

As this Consulate has previously reported most local observers are of the opinion that this state's future lies with heavy industry and while the state will welcome private enterprise particularly that involved in the heavy industry field, they have no objection -and in fact encourage- strong participation by both State and Federal Governments toward achieving their goal.

UNCLASSIFIED

0492

UNCLASSIFIED
(Classification)

Page 5 of 6
Encl. No. 31
Des. No. 31
From Belo Horizonte, Brazil

b) Standard Beryllium Corp Acquires Mining Concession in Minas Gerais

Standard Beryllium Corp has purchased a 1700 acre mining concession from Icombra S.A. The concession located some 180 miles ENE of Belo Horizonte is situated in the Rio Doce Valley along the main Vitoria-Governador Valadares road. According to surveys made in 1960 estimated reserves of beryl from which the beryllium is obtained run to almost fifteen million tons.

According to published plans of the company one or two automated mills will be installed to process the beryl. Capacity of each mill is estimated at 100,000 tons of ore per year.

4. Labor

Textile Strike Ends

February saw the end of what had been a two-and-half-month strike of textile workers at the Marzagania textile plant (Companhia Fiação e Tecelagem Minas Gerais) near Belo Horizonte. The strike had been initiated in early December principally because salary payments were in arrears with no salaries having been paid since August 1960. The company originally claimed that its financial condition was such that it could not at present make payment on salaries without outside help in the form of loans. When workers finally went on strike the company also maintained that it would not under any circumstances pay the workers for any period they were away from their jobs. This ensuing impasse continued during December and January during which time the workers on one occasion paraded through Belo Horizonte to dramatize their predicament. Although at that time they requested aid from the then Governor Bias Fortes the request came at such a late date in his administration that the whole subject was quietly set aside for the new administration. Soon after inauguration the new Governor became involved in the search for a solution and after much negotiation, agreement was finally reached. The settlement included the granting of a 17 million cruzeiro loan by local banks which was to be covered at a later date by the Banco do Brasil (This amount to be used to pay back salaries from 1 Sept until 1 March including the strike period). Also included in the final agreement was a promise by the State to erect a Health Center at Marzagania and the installation of the town's first public telephone.

Comment: - Most of the credit for a solution in the case has been given to the governor. No doubt Magalhães Pinto's influence among local bankers helped in obtaining the loan which prior to the Governor's intervention they had refused to give.

UNCLASSIFIED

0493

UNCLASSIFIED
(Classification)

Page 6 of 6
Encl. No. _____
Disp. No. 31
From Belo Horizonte, Brazil

5. Municipal Affairs

The Belo Horizonte municipal government has been trying to discover what happened to the Cr\$600,000,000 which was promised by Juscelino Kubitschek shortly before the end of his administration. (See Condesp # 23, Jan 1961). The credit was to have been used to continue work on the water pipeline connecting the Rio das Velhas with Belo Horizonte. No one is quite sure whether to blame Juscelino Kubitschek or the new government. One thing appears almost certain - under the present condition, and regardless of past promises it is going to take some fancy doing to pry loose that amount of money from the Federal Government.

Comment: - During the dry season (April-October) water is almost always in short supply and with an estimated 900 more new houses and apartments in the city since last year the situation will no doubt be aggravated this season.

Edmund A. da Silva
Edmund A. da Silva
American Consul

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0494

FROM

TO

THE DEPARTMENT OF STATE, WASHINGTON.

April 11, 1961

REF

GERP - Section D Item IV, Despatch 338 March 24, 1960.

20 For Dept. Use Only	ACTION REC'D	DEPT. IN OTHER	ARM/A-2 REA-1 INR-7 E-3 ICAH Cu-5
5-16-61	CIA-10 COM-12 TAR-2 AGR-8 INT-7 LAB-6 TR-3		

SUBJECT: Annual Message of the Governor of São Paulo to the State Legislature covering the year 1960. FRB-3
XMB-4

There are enclosed five copies of the message delivered by Governor Carvalho Pinto to the State Legislature on March 14, 1961. Some of the highlights of the message are given below:

GOVERNMENT PLAN OF ACTION

Pages 27 through 29 give tables showing how the plan is operating under various activities. On an overall basis 23 percent of the plan was already put into effect by the end of 1960.

LABOR

In 1960 there were 954 strikes in São Paulo, against 314 in 1959. In 1960 they involved 105 different professional categories and result in a loss of 3,252,000 man-hours of labor, against 58 categories and 2,800,000 man-hours in 1959.

State industrial education was developed in 1959 and rationalized by law no. 6052 of February 3, 1961. It envisages the development of skilled labor and of industrial technicians in an intermediate category between the laborer and the engineer. One of the outstanding vacuums is the consulting engineer who can develop factory plans and specify the appropriate equipment.

POLICE ORGANIZATION

Mechanization is expanding. Police in the municipality of São Paulo now have 380 vehicles of which 236 are used on patrols (against 45 in 1959) and the remainder are held as reserves and for replacements.

HEALTH MEASURES

Malaria is rapidly being eradicated and its incidence was reduced 80 percent since 1945. It is still present to a greater or lesser extent in 44 percent of the state, comprising 52

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0495

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No.
Disp. No. 373
From Ameongen São Paulo

municipalities in the interior with 477,000 houses and 2,380,000 inhabitants.

ELECTRIC POWER

The following information is given in the report on electric power. Total production of all state operated power plants in 1960 was 434 million KWH.

Tieté Valley

The first unit of the Barra Bonita plant is to be put into operation during the second half of 1961. Work on the Bariri power plant is progressing according to plan, and the equipment is already being produced.

Paranapanema Valley

The Lucas Nogueira Garcez plant was completed in 1960. It has an installed capacity of 68,000 KW and in 1960 produced 76,152 KWH. The Jurumirim power plant (98,000 KW) is expected to start operation in 1962. Excavation work is going on at the Xavantes power plant site.

Rio Pardo Valley

The first two units (49,000 KW) of the Euclides da Cunha plant went into operation in December 1960. The second stage (49,000 KW) is expected to go into operation in 1963. Work on the Graminha reservoir proceeded. It will hold 2.3 million cubic meters of water, which will permit development of 70,000 KW and the duplication of production at Euclides da Cunha and Eimoeira.

Urubupunga

In January 1961 the Centrais Elétricas de Urubupunga CELUSA S. A. was incorporated to build and operate the hydroelectric system of Urubupunga, comprising two power plants at Jupia and Ilha Solteira on the Parana River, to generate 2,844,000 KW. Construction is estimated to take five years and the cost was originally calculated at Cr\$30 billion. The initial capital of the company is Cr\$344 million, of which the State of São Paulo subscribed Cr\$250 million. The states of Paraná and Santa Catarina and various power companies are also shareholders. Other states comprising the Parana-Uruguay Basin Authority should also join. The company is now preparing the details of tenders and is endeavoring to obtain the necessary financing for the construction work and the purchase of equipment.

UNCLASSIFIED

0496

UNCLASSIFIED
(Classification)

Page 3 of
Esp. No. 213
Dep. No. 213
From Amcoengen São Paulo

RAILROADS

The substitution of vacuum brakes by air brakes continued on the Sorocabana Railroad, and in 1960 the number of installations came to 330. The Araraquara Railroad acquired three stainless steel train units in 1960 and built seven carbon steel cars in its workshops. The Mogiana Railroad got delivery of 23 diesel-electric locomotives and built 16 steel passenger cars in 1960.

AVIATION

During 1960 the state-controlled Vasp airline carried 601,245 passengers, 110,787 more than in 1959.

ROADS

In 1960 the road building department acquired 448 road building machines, of which 334 were obtained from domestic sources. It also acquired 108 pick-up trucks, 5 asphalt plants and 8 scrapers. Steps were being taken to buy 100 motor graders. The first lot of 25 was already paid for and on its way to Brazil. Exchange also was closed for an additional 21. During 1960 a total of 632 kilometers of roads were paved and 690 kilometers of roads were built.

AGRARIAN REFORM AND AGRICULTURE

No further information of consequence is given on the Agrarian Reform Law other than that it was signed on December 30, 1960.

In 1960 the Secretariat of Agriculture purchased 122 Fiat tractors to re-equip its mechanization centers. Another 80 were on order.

FINANCES

The State budget for 1960 was reported balanced, with revenue and expenditures each coming to Cr\$93,770 million. Internal funded debt was given as Cr\$15.2 billion. The internal floating debt was Cr\$35.2 billion. The foreign debt at the end of 1959 was given as US\$1,986,000 (US\$2,828,000 in 1959). The debt of 3,739,500 Florins was liquidated entirely. The dollar debt was reduced by an accounting procedure with the Federal Government. In addition a foreign debt of L415,700, for which the Bank of the State of São Paulo is responsible, is outstanding.

For the Minister Consul General:

Enclosure: As stated. *de m. n.*

Scott C. Lynn
Scott C. Lynn
American Consul

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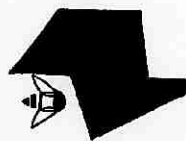
0497

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DEPARTMENT OF STATE, U. S. A.
WASHINGTON 25, D. C.
OFFICIAL BUSINESS

0498

GOVÉRNO CARVALHO PINTO
MENSAGEM À ASSEMBLÉIA LEGISLATIVA — 1961



2º ANO DE GOVÉRNO

0499



GOVERNO DO ESTADO DE SÃO PAULO

ASSESSORIA TÉCNICO-LEGISLATIVA

Rua São Luís, 90 — 3.º andar — São Paulo
Tel.: 38-1633

São Paulo, 6 de março de 1961

Senhor *Conselheiro*

De ordem do Exceclentíssimo Senhor Governador, tenho a honra de encaminhar a V.S. *seis* exemplares da mensagem governamental, apresentada à Assembléia Legislativa de São Paulo aos 14 de março do corrente ano, relatando as atividades dos vários setores da administração do Estado, durante o exercício passado.

Atenciosos cumprimentos.

Amândio Eridy
ASSESSOR CHEFE

ESTADO DE SÃO PAULO

MENSAGEM

apresentada pelo GOVERNADOR
CARLOS ALBERTO A. DE
CARVALHO PINTO à
ASSEMBLÉIA LEGISLATIVA
DO ESTADO DE SÃO PAULO
em 14 de março de 1961.



0500

Senhor Presidente
Senhores Deputados

Ao comparecer perante esta Egrégia Assembléa, em obediência à norma constitucional que assim o determina, para, mais uma vez, dar-lhe conhecimento da gestão dos negócios públicos, já agora ao término do segundo ano do meu Governo, desejo, preliminarmente, reiterar afirmações por mim feitas, nesta ilustre Casa, em duas outras oportunidades, no desempenho da mesma e honrosa missão, e em todas as ocasiões em que as tarefas do Governo me permitiram a convivência e o contacto com os membros d'este Poder.

Essas afirmações configuram não só o meu respeito por esta Casa, que representa a vontade popular, como, e acima de tudo, a convicção de que os objetivos que me propus, ao assumir a governança do nosso Estado, e a sua eficaz concretização, teriam que repousar, como repousam, na compreensão e no apoio dos legisladores de São Paulo.

Optando por um tipo de governo baseado na análise objetiva das necessidades, na seleção rigorosa de fins a atingir e na adoção de processos de execução adequados a esses fins, a política do Estado, como ideologia e programa, deveria necessariamente preceder à ação propriamente dita.

Formulado um Plano de Ação em que se consubstanciou o meu programa de Governo e que dependia, para que fosse executado, da autorização dos meios necessários, pude, felizmente, contar com o integral apoio dos Senhores Deputados para um

conjunto de medidas que define a própria política geral do Estado, exposta, delineada e configurada nas suas linhas mestras como nos seus pormenores.

Não teria sido possível conceber mais fecunda colaboração, que, proporcionando ao Poder Executivo a segurança indispensável ao empreendimento de seu programa, conferiu a esta nobre Assembleia, com a garantia de plena e fiel observância, a participação direta, não numa série de medidas isoladas, mas na execução de todo um plano de administração para o período de quatro anos de governo.

Dessa mesma colaboração dão testemunho os recentes e memoráveis debates havidos no Plenário desta Casa e os trabalhos das doulas Comissões Técnicas, dos quais resultou a aprovação da lei agrária, que dotou São Paulo do primeiro estatuto nacional de revisão das condições do trabalhador rural, dando-lhe o irrecusável acesso às terras, para que possa, ele próprio, cultivá-las.

Completado, pois, o primeiro biênio do meu Governo, e quando se fazem marcantes os resultados da obra comum, é com a Casa do Povo que quero congratular-me, pela oportunidade que me foi dada de servir à nossa gente.

Senhor Presidente

Senhores Deputados

Ao menos arguto observador não terá passado despercebido o fato de que atravessamos, como grupo social, momento decisivo de nossa evolução histórica.

Nítidamente se delineia a transformação de nossa economia, pelo impulso irresistível das forças do País, vividas e despertadas para transporem as barreiras do subdesenvolvimento, que as contém e oprimem. Ao mesmo tempo, reencontra a Democracia, na afirmação da consciência cívica do nosso povo, as fontes de sua autenticidade, propiciando, na hora exata, a indispensável renovação na política nacional e nos métodos de governo.

[4]

Altera-se, célere, a fisionomia de nossa terra, que se apresta, assim, para assumir, num futuro próximo, a posição que lhe compete no concerto das Nações.

Cumprido, neste passo, a nós brasileiros de todos os quadrantes, que nos mostremos dignos da Pátria que a Providência nos destinou. É preciso ter presente que mudaram os tempos, que não vivemos isolados, que já não somos uma Nação ignorada; que nos situamos num mundo convulsionado pelo entrechoque de ideologias e de interesses, em que se disputam primados, se destroem princípios e se substituem conceitos. E que os interesses da comunidade e os problemas do Governo, sujeitos que se acham às influências, a que não nos podemos furtar, das mutações que se operam no plano social e econômico, não mais se compadecem com as soluções ditadas por critérios que se abstraíram da realidade universal para se circunscrever ao âmbito limitado de nossas fronteiras.

Fôrça é que nos premunamos dos meios que, preservando nossa soberania, assegurem a realização das aspirações de um povo jovem, que deseja progredir.

Política e administração devem ser praticadas, portanto, no seu sentido mais nobre, mais alto e mais conforme com o bem estar social.

Já não cabem as atitudes acomodaticias, o bisantinismo, que desfibra, as regras de política de aldeia posta a serviço de conluções e conchavos, de maquinações e entendimentos alheios ou contrários ao interesse do povo, que deve e já começou a participar, de maneira efetiva, da vida da nacionalidade.

Já não é possível governar imaginando que o pronunciamento eleitoral seja a única e última fórmula da manifestação popular e que esta se esgote com a investidura política do Governo.

Com o mandato que outorga aos governantes, não renuncia o Povo às suas liberdades e franquias, não abdica sua vontade, nem confere aos eleitos a prerrogativa de encerrar-se em torre de marfim na qual as questões de interesse público sejam trata-

[5]

0502

das à sua revelia, sem contacto com seu pensamento e à margem das manifestações majoritárias.

A pouco e pouco, num processo natural de evolução e na medida em que se acentua, pela maturidade e pela cultura, a consciência de seus direitos e o discernimento dos problemas e das necessidades coletivas, mais se apuram, no Povo, a capacidade de julgamento e as condições de acerto na escolha de seus governantes, reduzindo-se *pari passu* as influências simplesmente partidárias, representadas pela velha figura do cabo eleitoral.

Torna-se cada vez mais ativa e poderosa a participação popular nos negócios do Estado, sujeitos ao contraste da crítica e ao juízo de todos os cidadãos, sempre menos sensíveis às solertes exteriorizações da demagogia falaz e rasteira.

O povo julga pela realidade concreta e já não espera por promessas vãs.

É essa a filosofia que inspira e anima a Administração que tenho a honra de conduzir como chefe de um Governo que, ao iniciar o terceiro ano de mandato, vem, perante Vossas Excelências, Senhor Presidente e Senhores Deputados, numa comunicação cívica com o Povo, pelos seus nobres Representantes, reafirmar suas inabaláveis convicções democráticas, ao mesmo tempo em que expressa aos brasileiros de todos os recantos da Pátria sua fé na perenidade da Democracia como apanágio das coletividades livres e conscientes.

E é essa também, no seu sentido mais profundo, a interpretação dos fatos nascidos do conteúdo cívico do movimento de renovação que, transpondo as divisas do Estado, ganha as dimensões do território nacional e unifica o Brasil na mesma pureza de ideais, numa demonstração espontânea e invencível de que já nos pusemos, definitivamente, em marcha, na campanha pela moralização dos processos políticos e administrativos e pela hegemonia, no trato dos negócios públicos, dos interesses da coletividade, de modo que sejam garantidos, nesta fase decisiva e marcante da nacionalidade, o desenvolvimento harmônico de nossa economia e o fortalecimento e a humanização de nossa estrutura social.

[6]

Mais uma vez cumpre o nosso Estado a missão que o destino lhe reservou, nos fastos de nossa Pátria, revelando, da epopeia das Bandeiras à Independência e à campanha abolicionista, da propaganda republicana à consolidação da República e à gloriosa luta de 1932 pelo império da lei, seu jamais desmentido pendor nacionalista.

Foi, Senhor Presidente e Senhores Deputados, sob o influxo dos acontecimentos ocorridos no panorama político-administrativo de São Paulo, nestes últimos anos, que se criaram as condições que haviam de determinar, e determinaram, um movimento de renovação de ampla repercussão em todo o País.

Com a Administração que me antecedeu e da qual me honro de haver participado, inaugurou-se um modo de gerir os negócios públicos que logo adquiriu características de novo estilo de governo, superando, em pouco tempo, a séria crise financeira que já impedia o Estado de atender a despesas de simples manutenção, incapacitando-o quase que totalmente para investimentos de interesse geral.

De tal ordem foi a transformação que se verificou na Administração Paulista, tão amplos e positivos foram os resultados obtidos por meu ilustre antecessor, no curto lapso de um quadriênio — os fatos são notórios e estão na memória de todos — que o Estado de São Paulo passou, muito justamente e desde aí, a servir de paradigma e exemplo do que pode ser feito em benefício da coletividade, quando a isso se propõem e empenham os governantes.

Rompendo o ceticismo e a descrença, o acontecimento encontrou eco na consciência do Povo, que acaba de conduzir pelo voto, à curul presidencial, o Doutor Jânio Quadros, na certeza, que não será desmentida, de que novos e promissores rumos aguardam nossa Pátria.

E o sopro de nova mentalidade, realista, lúcida e empreendedora, mas austera e forrada aos descaminhos, atinge a cada parcela do País e incita a todos os governantes de Estados a que contribuam com seu quinhão para a grandeza do Brasil.

[7]

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De minha parte, declaro-me satisfeito por haver concorrido para que o modesto movimento iniciado em São Paulo adquirisse amplitude verdadeiramente nacional, seja por me haver dedicado a fundo à campanha eleitoral de Jânio Quadros, seja por haver mantido o meu governo na esteira dos ideais desse movimento.

Senti, ao empenhar-me nessa campanha, em momento de importância ímpar para a vida nacional, que não deixava sem resposta o chamado ao cumprimento de um dever, por se identificar, ele, com as vozes do Povo que me elegera para o Governo deste Estado. Dedicando todo um grande e desinteressado esforço a essa campanha, jamais feri, porém, os princípios de dignidade e justiça, ou quebrei a linha de imparcialidade para pôr a máquina administrativa a serviço do candidato, pois dei ao meu gesto o caráter inofensível de adesão e apoio ao incontido anseio popular pela democratização de nossos hábitos políticos.

Da compreensão, por todo o Povo, da importância, para o nosso porvir de Nação livre, forte e rica, do movimento de renovação que se processava, dão mostra os resultados da campanha de alistamento eleitoral que empreendi para que o colégio deste Estado alcançasse a casa dos quatro milhões de eleitores, objetivo quase integralmente atingido.

Foi, também, na atmosfera criada por este espírito eminentemente nacionalista, que encontrou receptividade e guarida o movimento de integração econômica e social, que irá restituir ao País intuídas regiões até aqui esquecidas pelo desgoverno e pela inépcia e condenadas à condição de pauperismo que não encontra explicação no homem, que é bravo e batalhador, nem na terra, que é fértil e prestadia.

Afirmei alhures e devo renovar aqui a afirmação de que São Paulo se orgulha de participar desse movimento, porque é dessa forma que iremos substituir uma geografia rude por uma história dinâmica, um povo debilitado por uma nação sadia e vitalizada, um desalento improdutivo, estéril e perigoso, por uma esperança invencível e construtiva.

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A esse movimento, que retrata o reencontro do Brasil consigo mesmo, não faltou, em São Paulo, a participação ativa da classe estudantil, sempre generosa e imbuída dos mais sadios ideais nas suas manifestações.

Ouso afirmar, sem exaltação ou jactância, antes com a isenção e a franqueza que a compreensão de minhas responsabilidades e o sentimento de haver cumprido escrupulosamente os meus deveres de governante me outorgam, que, decorridos dois anos de enérgico e vigoroso esforço, de profícuos empreendimentos e realizações, não fui omisso ao povo de São Paulo, nem desmenti as esperanças dos que me confiaram tão espinhoso mandato. E isso, não obstante as dificuldades e os percalços criados pela vertiginosa inflação — que é imposto oculto que rouba os meios de subsistência àqueles que vivem de seu salário — pois não há lembrança e exemplo de uma fase a tal ponto conturbada pelas periódicas e reiteradas manifestações de descontentamento e inquietação das classes mais fortemente atingidas pela alta quase insuportável do custo de vida, situação para a qual é sabido que não concorreu o Governo de São Paulo.

Senhor Presidente

Senhores Deputados

Em mensagem que, há precisamente um ano, tive a honra e a satisfação de ler nesta Casa, fiz amplo relato dos pressupostos que informavam o meu Governo e que outros não eram senão os aspectos fundamentais da administração que me propunha desenvolver e o modo pelo qual pretendia conduzi-la.

Expus, em todos os seus pormenores, as razões que inspiraram o Plano de Ação como instrumento do Governo, a técnica que presidiu à sua feitura e o sistema do seu funcionamento como programa de investimentos para um período de quatro anos, no qual, em conjunção com o estudo e a previsão das disponibilidades financeiras, mediante o processo de planejamento-orçamento, se haviam selecionado os objetivos e escalonado sua execução,

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que assim se assegurava, segundo o princípio da máxima satisfação social e de forma a mais racional e econômica.

Já então me era dada a oportunidade de trazer ao conhecimento desta Casa o largo acervo de atividades que, num primeiro período de governo, fôra possível realizar, graças à maneira disciplinada de encaminhar e resolver os interesses da coletividade, que o Plano de Ação proporcionou.

Sem que estas palavras encerrem qualquer parcela de orgulho ou de frívola e enfatuada vaidade — porque há sempre um motivo de legítima e justificada satisfação quando se empreende algo de útil — devo confessar meu desvanecimento dado o modo pelo qual foi acolhido e se projetou por todo o País o Plano de Ação, como expressão daquele novo estilo de governo que se inaugurava neste Estado, sob o signo do primado dos interesses do Povo.

Não me iludi, nem ludibrici, quando prometi que o Plano de Ação, que não traduz mística, mas constitui simples método de trabalho, seria um poderoso fator de propulsão do nosso progresso, dinamizando o organismo estatal, acelerando o desenvolvimento econômico, pelo estímulo à iniciativa privada, e elevando as condições de vida da população.

Demonstram-no os resultados deste segundo ano de sua execução, durante o qual muitos dos objetivos foram superados.

O ritmo das obras se acelera e de tal modo que de alguns meses a esta parte é concluída uma obra em cada vinte e quatro horas — fato que, aliás, tem servido àqueles que denigrem sempre, àqueles que criticam por vocação e sistema, obedecendo a seus desígnios político-partidários, de motivo para a acusação de que o Plano de Ação, antes acioado de inútil e ineficiente, não passa de máquina desnaturada e pontual que ignora os aspectos humanos da comunidade paulista.

Nada menos verdadeiro.

Refutam essa afirmativa, em primeiro lugar, os depoimentos cotidianos das coletividades do Interior do Estado.

Ao elaborar o Plano de Ação, quis fazer dele também o instrumento da elevação do nível das condições de vida das

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populações interioranas — relegadas até há poucos anos ao abandono — precisamente pelo fato de reconhecer, como já o declarei, a disparidade que se assinala no progresso de São Paulo pelo gigantismo das áreas metropolitanas em confronto com o atraso do campo.

A necessidade da integração dos Municípios paulistas constitui, também, desiderato que não poderia ser, e não foi, esquecido na temática do Plano de Ação.

A verdade é que, desprovido, em outros tempos, de quase todos os recursos, o Interior do Estado se transforma rapidamente graças às obras do Plano de Ação e à assistência que lhe prestam a Caixa Econômica do Estado, para a realização de serviços essenciais ao bem estar das populações, e o Banco do Estado de São Paulo, com os financiamentos destinados à agricultura e à pecuária.

A crítica, por todos os motivos injusta, incorre, também, em erro de apreciação, pois a construção de obras públicas evidentemente não constitui um fim em si mesmo, antes supõe um fim diretamente ligado às necessidades essenciais da população, às quais objetiva atender. Obras públicas são os empreendimentos relacionados com a infra-estrutura — energia, ferrovias, rodovias, aeroportos, portos, navegação; obras públicas são os empreendimentos relacionados com a instalação dos estabelecimentos de ensino, de hospitais, de institutos penais, de casas de detenção, de unidades sanitárias, de casas da lavoura, de armazéns de abastecimento, de silos etc., além dos relacionados com o abastecimento de água e com os serviços de esgoto.

E não, se dirá, certamente, que essas obras não guardem íntima relação com as condições de vida e desenvolvimento das populações, em seus vários aspectos.

Mas, além disso, prevê o Plano de Ação investimentos destinados ao equipamento das unidades construídas, à concessão de subvenções a instituições de assistência social e outros.

Tenha-se em vista, finalmente, que, conforme tenho sempre esclarecido, os recursos para o atendimento da execução do

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Plano de Ação — porque aplicados exclusivamente em investimentos — não suprimem a coexistência, no orçamento do Estado, dos recursos de custeio pelos quais são simultaneamente atenuadas despesas que dizem respeito à manutenção da máquina administrativa e, portanto, também a serviços essenciais de interesse da coletividade — e aí está, justamente, um dos méritos do planejamento.

O Plano de Ação é, assim, incontestavelmente, um programa de governo que visa ao bem-estar social encarado sob suas múltiplas formas — portanto, um instrumento de humanização das estruturas sociais de nosso Estado.

Ocorre, neste passo, mencionar que, afora o Plano de Ação e objetivando robustecer essas estruturas para possibilitar a expansão cultural e o progresso científico, bem assim a preparação da mão de obra apta e tão necessária ao nosso desenvolvimento industrial e visando a introduzir normas de justiça social em benefício do trabalhador do campo, sancionei recentemente as leis que instituíram a Fundação de Amparo à Pesquisa, estabeleceram disposições sobre o melhor aproveitamento da terra (lei agrária) e sobre a reorganização do ensino profissional, questões a respeito das quais farei, em outro lugar desta mensagem, algumas considerações.

Se é esse o sentido geral da política do meu governo, cujos resultados serão objeto de capítulos especiais, devo ressaltar, mais uma vez, como o tenho feito em outras ocasiões, que a atividade do Estado é contingente, sujeita que está às influências e reflexos da política federal, principalmente no terreno econômico, mas que, por outro lado, dado o vulto e a importância da economia paulista e consideradas as proporções do orçamento de São Paulo, não deixa o nosso Estado de influir, por seu turno, nas condições gerais do País, se não para o domínio da conjuntura, já que lhe escapam os meios e a competência para fazê-lo, ao menos para atenuar, com os resultados de uma Administração prudente e produtiva, e, ao mesmo tempo, de estímulo à economia privada, as danosas consequências do desequilíbrio entre os bens de consumo e o meio circulante, que caracteriza a inflação.

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Justificam-se, portanto, algumas observações a propósito do meio-ambiente em que, durante o exercício de 1960, se processou a atividade governamental do Estado.

PANORAMA ECONÔMICO-SOCIAL

O panorama econômico-social de São Paulo, assim como o do Brasil, foi dominado, em 1960, pelo prosseguimento, em ritmo acelerado, da inflação e pelo agravamento de suas consequências sociais.

A manutenção, pelo Governo Federal, da política de gastos públicos e de emissão que, há anos, se vem constituindo na principal causa da inflação, determinou, em 1960, sensíveis elevações nos níveis de todos os preços. Assim, por exemplo, o custo da vida na cidade de São Paulo aumentou, no período janeiro-dezembro do ano passado, de 33%, aproximadamente, enquanto o acréscimo do custo da alimentação ascendia a 31%.

Essa elevação, combinada com o substancial aumento de preços ocorridos em 1959, não podia deixar de concorrer para que se tornassem mais frequentes e mais agudos os sintomas de inquietação social. Para se ter uma idéia do agravamento da situação, basta dizer que tivemos, em 1960, 954 greves contra 314 no ano anterior, envolvendo, aquelas, 105 categorias profissionais diferentes e a imobilização de 3.252.000 homens-hora, quando, em 1959, apenas 58 categorias profissionais haviam recorrido à paralisação do trabalho, com uma perda total de ... 2.800.000 homens-hora. Além disso, há a acrescentar que 1960 testemunhou, também, um aumento da mobilidade da mão-de-obra — consequência típica da inflação — aumento esse que chegou mesmo a ser interpretado por alguns setores como sintoma de imprevisto surto de desemprego.

Apesar da gravidade com que a situação se apresentou em alguns momentos, a ordem foi mantida integralmente e tiveram curso normal os dissídios coletivos, instaurados para obtenção de melhores salários, estabelecendo-se, na maioria dos casos,

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acordos totalmente satisfatórios para as partes interessadas. A despeito da extrema rigidez da legislação em vigor, que restringe aos órgãos federais o poder de atuação nessas questões, o Governo do Estado foi, repetidas vezes, chamado a prestar sua colaboração, o que fez procurando sempre reduzir as áreas de atrito e estabelecer as bases de entendimento.

É de se notar que nem toda a gravidade virtual da situação social se materializou em 1960, face aos aspectos particularmente favoráveis da situação econômica de São Paulo. De fato, o ano de 1960 testemunhou, ao lado de expressivo desenvolvimento da produção industrial, sensível redução do desequilíbrio intra-setorial da agricultura — desequilíbrio a que me referi intensamente em outra oportunidade — o que concorreu para solucionar os aspectos mais graves da crise de abastecimento com que tivemos de nos defrontar em 1959.

A conjuntura agrícola de São Paulo, em 1960, foi marcada pela diminuição da safra de café e por expressivo aumento na produção das lavouras voltadas para o mercado interno.

A produção cafeeira paulista, que, na safra 1958/59, era estimada em 15,9 milhões de sacas, regrediu, no último ano, para 9,8 milhões, em decorrência do ciclo natural da cultura da rubiácea. Essa perspectiva fez com que os órgãos federais responsáveis fixassem, em consonância, aliás, com a política que o Estado de São Paulo vem defendendo há longo tempo, preços mais remuneradores para a cafeicultura do País.

Recorda-se, a propósito, que o nosso Estado, expressando as reivindicações mínimas da lavoura cafeeira, já em 1939 pleiteava a abolição gradativa do confisco cambial; a fixação de um preço justo para o lavrador, capaz de cobrir ao menos o custo da produção; a imediata execução do plano de recuperação da lavoura; e o estabelecimento de medidas que viessem aliviar o pórtio de Santos do ônus da retenção do café que esse pórtio paulista vinha suportando sozinho.

Continuando, a situação da cafeicultura, a constituir, em 1960, objeto de graves preocupações do Governo de São Paulo, às vésperas da expedição do novo regulamento de embarques e da fixa-

ção das bases da comercialização do produto, foi reiterado, junto aos órgãos federais competentes, o ponto de vista de nosso Estado, consubstanciado nessas mesmas reivindicações em relação à safra 1960/61.

Vem assim, o Governo do Estado, prestando à lavoura cafeeira, que tão importante papel desempenha na economia nacional, sua constante e desvelada assistência.

Cumprir registrar, porém, que, embora em parte acolhidas as pretensões expostas ao Governo Federal, nem sempre o que se concertara teve, como no ano anterior, inteira execução e, ainda, que, infelizmente, não foram tomadas medidas a longo prazo, tendentes à normalização do mercado cafeeiro, não se chegando, sequer, a iniciar a aplicação do tímido esquema de renovação da cafeicultura, aprovado na segunda metade de 1959.

No que se refere às culturas de subsistência, o aumento obtido em 1960 foi dos mais expressivos, como o atestam os números índices da produção dos seis principais produtos de alimentação: arroz, feijão, milho, batata, tomate e cebola. Tomando-se 1948 como base, o índice agregativo desses seis produtos se elevou de 123, em 1959, para 145, em 1960, ou seja, um acréscimo de 18% no último ano. Responde, em grande parte, por esse resultado, a política seguida por este Governo, de incentivo às lavouras de subsistência, dentre cujas medidas sobressai a concessão, pelo Banco do Estado de São Paulo, de empréstimos, a 4% ao ano, para o plantio de arroz, feijão e milho. Tais empréstimos, aliados à expansão dos serviços de fomento e assistência técnica da Secretaria da Agricultura, contribuíram, sem dúvida, para que se obtivessem, em 1960, safras recordes de feijão e milho, permitindo, assim, que se pusessem fim aos aspectos mais graves da crise de abastecimento desses produtos, verificada no ano anterior.

Fato auspicioso, ainda, para a economia agrícola do Estado, foi o prosseguimento da recuperação da lavoura algodoeira, em crise há longo tempo, e que, em 1960, viu a sua produção se elevar de 12%. Os estímulos para esse acréscimo de produção, bem como para o aumento de 11%, verificado nas exportações da mal-

vácea nos onze primeiros meses do ano, dever-se-ão buscar no melhor tratamento cambial dispensado ao produto e na melhoria da sua posição no mercado internacional. Face aos resultados obtidos, é indispensável que se adotem, no ano em curso, novas medidas tendentes a fortalecer a recuperação da lavoura algodoeira através de estímulos às exportações e à produção, objetivo este que o Estado recentemente conseguiu ao aprovar e sancionar a lei (*) que isenta do pagamento do imposto de vendas e consignações as transações intermediárias do algodão.

O ano de 1960 caracterizou-se, ainda, por intensa expansão da produção industrial: os dados disponíveis revelam que o consumo de energia elétrica pelas indústrias localizadas na área servida pela São Paulo Light aumentou, em 1960, de 15%, aproximadamente, o que leva a situar o desenvolvimento industrial de São Paulo no ano passado como um dos maiores ocorridos no último quinquênio.

De um modo geral, os setores de bens de consumo se desenvolveram mais lentamente, como vinha se acentuando nos últimos anos, ao passo que os setores predominantemente de bens de produção tiveram crescimento mais rápido.

Surto bastante acentuado acusou a indústria automobilística, cuja produção de veículos de todos os tipos se elevou a mais de 130 mil unidades em 1960, contra 93,6 mil no ano anterior. Tal produção, é de notar-se, foi conseguida com índices de nacionalização bastante elevados, os quais, em alguns casos, superaram mesmo os limites fixados pelo plano inicial de implantação dessa indústria. O nível de desenvolvimento por ela atingido levou, ainda, os órgãos federais responsáveis, acolhendo as conclusões do simpósio promovido pela Secretaria da Agricultura do Governo de São Paulo, a dar início ao plano de implantação no País da indústria de tratores, cujas primeiras unidades aqui fabricadas acabam de ser entregues ao mercado. Como era de se esperar, face às vantagens locais oferecidas por São Paulo, parcela substancial da novel indústria deverá localizar-se em nosso Estado.

(*) Lei n.º 6.026, de 31 de dezembro de 1960.

A implantação, no País, da indústria de tratores, a fabricação interna de equipamentos de transporte e os sucessos obtidos pela Petrobrás no campo da produção e refino de combustíveis líquidos e de adubos, são empreendimentos industriais necessários à execução de uma verdadeira política de aumento da produtividade agrícola, política essa indispensável à continuidade do processo de desenvolvimento industrial e social de nossa terra. É, por isso, que se considera a expansão da indústria nacional, ocorrida em 1960, como etapa decisiva na senda do progresso do País.

Deve-se notar, ainda, que o significativo desenvolvimento industrial, ocorrido no último ano, verificou-se em meio à grave crise assinalada no balanço de pagamentos do País. Esta circunstância constitui, sem dúvida, indício seguro do grau de integração a que já atingiu o parque industrial brasileiro, integração essa que já lhe permite assegurar taxa expressiva de desenvolvimento, com dispêndios cambiais proporcionalmente menores que no passado. Não quer isto dizer que as variações da capacidade para importar não mais tenham importância para o posterior desenvolvimento industrial do País; significa apenas que a importância desse fator é bem menor, hoje, do que o era, por exemplo, no princípio da década de 1950.

Essa maior integração do parque industrial brasileiro foi possibilitada, sem dúvida, pelo grande desenvolvimento que vem registrando, nos últimos anos, a indústria mecânica nacional, desenvolvimento esse que cumpre apoiar e incentivar através do encaminhamento da solução de seus principais problemas: o do financiamento de suas vendas e o da carência de técnicos especializados, de alto nível, capazes de projetar unidades fabris complexas e especificar os equipamentos necessários em função das possibilidades de atendimento pela indústria nacional.

Foi por reconhecer a gravidade do problema e a importância do financiamento de vendas para o ulterior desenvolvimento da indústria mecânica que decidi solicitar desta douta Assembléia autorização para criar, nos quadros do Plano de Ação, o Fundo de Financiamento das Indústrias de Bens de Produção. Concedida a autorização, não foi possível ainda, concretizar-se a criação de tal Fundo, devido a fatores supervenientes, que se passam a considerar. Em primeiro lugar, a intensa elevação dos ni-

veis de preços que, nos últimos dois anos, tem obrigado a Administração a rever, em escala maior que a prevista, os padrões de vencimentos de todo o funcionalismo, ocasionando dispêndios adicionais bastante elevados. Em segundo lugar, a existência, na Câmara Federal, de projetos, em vias de aprovação, que alteram substancialmente a sistemática da cobrança do imposto sobre vendas e consignações, alterações essas que poderão ocasionar diminuições essenciais da receita do Tesouro Estadual. Diante de tais motivos e fiel ao princípio, que adotei, de não iniciar programa sem perspectivas de levá-lo a termo, decidi diferir a criação daquele importante Fundo de Financiamento. A sua criação — que, espero, será a semente indispensável ao estabelecimento de um sistema nacional de financiamento de vendas de equipamentos fabricados no Brasil — deverá ser efetuada dentro em pouco, uma vez que se tem agora a certeza de que nova e salutar orientação será imprimida aos negócios públicos do País. A criação do Fundo, entretanto, virá apenas resolver um dos dois mencionados problemas da indústria em causa, restando solucionar ainda o segundo — o do "engineering" nacional — a fim de que se crie um clima particularmente favorável ao desenvolvimento da indústria mecânica brasileira. O encaminhamento da solução deste, se bem que apoiado no Poder Público, compete, porém, fundamentalmente, aos próprios industriais e às suas entidades representativas.

SÃO PAULO E A ECONOMIA NACIONAL

A política perilhada por este Governo, de apoio e incentivo à expansão da indústria mecânica, ilustra bem a importância e o valor da contribuição de São Paulo no encaminhamento dos problemas fundamentais do desenvolvimento econômico social do Brasil. Essa importância não se restringe, porém, a este setor específico, embora tenha ele grande relevância no processo de crescimento considerado no seu todo. Ela se amplia, quando se leva em consideração a magnitude dos investimentos que vêm sendo realizados pelo Estado nos setores rodoviário, ferroviário e, principalmente, no da energia elétrica; quando se tem em vista que São Paulo decidiu desbravar caminhos, instituindo fun-

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dos específicos destinados a financiar o desenvolvimento agropecuário e o das pequenas e médias empresas industriais.

Tais medidas e decisões não constituem obra do acaso, mas promanam do estudo sistemático e acurado dos problemas e das potencialidades da economia paulista. Além disso, por dizerem respeito à área mais desenvolvida do País, ao centro mais dinâmico do desenvolvimento nacional, estão destinadas a influir decisivamente sobre o processo de crescimento da economia brasileira.

A contribuição de São Paulo para esse processo, porém, não se reduz ao fator mencionado: no momento em que o novo Governo da República decide empreender uma política realmente eficaz de desinflação, as restançadas finanças paulistas e o seu principal estabelecimento de crédito constituem elementos importantes para que aquela política se realize com um mínimo de efeitos negativos sobre a nossa taxa de desenvolvimento. De fato, a manutenção, pelo Banco do Estado, de encaixe elevado, como o atual — encaixe à disposição das autoridades federais através do Banco do Brasil — há de poupar a estas o recurso a significativo montante de emissões, o que, sem dúvida, diminuirá a intensidade da restrição de crédito que certamente se fará ao setor privado da economia.

A possibilidade dessa cooperação e entendimento entre as duas esferas de Poderes constitui, sem dúvida, um dos bons frutos da memorável jornada de 3 de outubro último.

REFORMA ADMINISTRATIVA

No documento que acompanhou o projeto de lei que concedia ao Governo do Estado os meios necessários à efetivação do seu Plano de Ação, afirmava-se o seguinte:

"Todo Planejamento que quiser antepor à sua realização uma reorganização administrativa de base, isto é, der predominância a modificações nas atividades-meio, tende a perder seu objetivo fundamental de pôr em ação as atividades-fim. As modificações administrativas que se fizerem necessárias serão realizadas regularmente e dentro das possibilidades e conveniências da Administração Geral do Estado".

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Assim, à medida que a execução do Plano de Ação vem demonstrando a existência de pontos de estrangulamento e setores deficientes na máquina administrativa do Estado, impõe-se a necessidade da reforma administrativa, efetivada dentro do mesmo critério de objetividade que presidiu à elaboração do Plano.

Por outro lado, a necessidade de melhoria dos serviços, através da atualização de métodos e incorporação de técnicas modernas aos sistemas de trabalho vigentes, tornou-se mais saliente e urgente à luz dos compromissos assumidos pela administração, no Plano de Ação.

Ficou evidenciada a inadaptação da máquina administrativa do Estado às exigências novas da Administração, por força das dimensões a que foi levada pelo crescimento natural e pelo acúmulo de tensões decorrentes das modificações que se processam nas funções do Estado, frente às realidades sociais em evolução. Essa verificação garantiu a exata perspectiva para as tarefas de melhoria dos serviços prestados pelo Estado, a serem efetivadas progressivamente, pelas alterações na estrutura dos órgãos e pela adaptação dos funcionários às novas exigências impostas ao serviço público.

Têm sido de quatro tipos as iniciativas tomadas pelo Governo estadual frente ao problema da atualização da máquina administrativa.

O primeiro diz respeito às iniciativas de coordenação dos vários setores da administração, quando tarefas específicas o exigiam.

A criação do Grupo de Planejamento, junto ao meu Gabinete, foi a principal medida nesse campo. Compete ao Grupo, entre outras funções, entrosar e coordenar os trabalhos dos vários setores administrativos, simplificar e metodizar contactos e ligações entre repartições, estabelecer rotinas mais eficazes, propiciar entendimentos que visem a maior aproximação de objetivos e intenções, evitar descentendimentos, duplicações e esforços, indefinição de funções. Inúmeros trabalhos têm sido realizados nesse sentido, alguns já transformados em normas a se-

[20]

rem adotadas e todos determinando um maior entendimento geral dentro da Administração, de forma a se obter o máximo rendimento dos recursos materiais e humanos com que conta o Estado. Exemplo típico desse trabalho é a metodização dos processos de desapropriação de terrenos necessários às obras do Plano de Ação. A exata definição de funções, o estabelecimento de fluxograma e de prazos para o andamento de processos, revelaram a capacidade dos vários órgãos e das várias unidades administrativas para fazer frente ao volume de trabalho determinado pelo Plano de Ação.

Poderia ser lembrado, ainda, o serviço de vários órgãos na organização da Campanha de Combate à Falsa Mendicância e da Recuperação Social, ou, mais recentemente, a coordenação das atividades de socorro aos atingidos pelas enchentes.

O segundo tipo de iniciativa é o que objetivou a reorganização interna dos órgãos existentes. A reestruturação da Secretaria da Educação, do Departamento de Defesa Sanitária do Instituto Biológico, do Instituto de Botânica e reorganizações em andamento, como a da Diretoria de Obras Públicas, da Universidade de São Paulo, do Departamento de Engenharia e Mecânica da Secretaria da Agricultura e do Instituto Agronômico, constituem providências de indiscutível significação no sentido de adequar o funcionamento desses setores às suas reais finalidades.

O terceiro tipo de iniciativa no campo da reforma administrativa é o referente à criação de novos órgãos. Destinam-se tais órgãos, ou a promover novas tarefas, cuja especificidade ficou determinada pela análise das necessidades, ou para cobrir lacunas no sistema administrativo existente. Entre esses órgãos, salientam-se o Fundo de Construções Escolares e o Fundo de Construção da Cidade Universitária, sendo que a estruturação desses organismos já se inspirou em moldes administrativos renovados, de forma a garantir o máximo de eficiência. Cabe menção também ao Conselho Superior de Saúde, encarregado da orientação geral da política sanitária do Estado, aos gabinetes técnicos junto às Secretarias da Educação, da Agricultura e da Saúde, aos gabinetes de controle do andamento do Plano de Ação, instalados nas várias Secretarias, especialmente na Secretaria da Via-

[21]

05 10

ção e com ligação contínua com o Grupo de Planejamento, de forma a que, em meu próprio Gabinete, se mantivesse atualizado o conhecimento do ritmo da execução do Plano de Ação.

E, em quarto lugar, encontramos a iniciativa no sentido de introduzir, progressivamente, no sistema administrativo estadual, a técnica do Planejamento-Orçamento. Visando a vincular toda a elaboração orçamentária, que é anual, com a programação de cada Secretaria, de forma a definir preliminarmente programas e estudar o seu mérito, para depois, então, calcular os recursos necessários à sua efetivação, essa técnica, que introduz novas normas na elaboração e na apresentação do orçamento, é iniciativa que reputo da maior significação no plano da reforma administrativa. Exigindo maior participação de todos os órgãos de cada Secretaria na preparação do seu orçamento e uma objetividade crescente na definição do trabalho de cada órgão, para que lhe sejam propiciados os recursos necessários, esse método tem a capacidade de relacionar cada despesa com um determinado rendimento, o que capacita a administração a medir continuamente o seu próprio rendimento, ampliá-lo quando necessário e, em consequência, dar-lhe mais plena utilização.

Como exemplo marcante da extensão e importância das reformas determinadas pela execução do Plano de Ação e da atualização que o mesmo vem determinando na estrutura básica das unidades administrativas, deve ser mencionado o que ocorreu na Secretaria da Educação, com a criação do Fundo Estadual de Construções Escolares, previsto no Plano, destinado a manter atualizando o levantamento das necessidades da rede escolar e estabelecer e executar programas periódicos de construção dentro de uma escala de prioridade e com a criação do Gabinete Técnico de Planejamento, (*) com a finalidade de examinar e coordenar os estudos encaminhados pelos órgãos técnicos da Secretaria, promover o levantamento dos problemas do ensino, realizar pesquisas e estudos de base para formulação da política educacional do Estado e realizar planejamento de conjunto das atividades da Pasta.

(*) Ato n.º 36, de 18 de julho de 1968.

FUNCIONALISMO

Não poucas vezes me foi dado o ensejo, durante minha administração, de me referir ao funcionalismo público civil e militar do Estado, para acentuar o aprêço que o Governo dá à inestimável colaboração que ele presta para que se assegure o funcionamento regular dos serviços públicos e, portanto, para que se criem e mantenham aquelas condições indispensáveis ao satisfatório e eficiente atendimento das necessidades da população do Estado em todos os aspectos em que se desdobra a atividade do Poder Público.

Ressaltei, mesmo, em várias oportunidades, o sentido altamente valioso e expressivo que sempre reconheci nessa colaboração, quando, como agora acontece, se trata de pôr em prática o programa contido no Plano de Ação, não apenas no terreno de obras públicas, de resto todas elas ligadas a interesses fundamentais da comunidade, como no dos aspectos intimamente relacionados com as condições de vida e a cultura do povo.

O próprio Plano de Ação é fruto, não exclusivamente do trabalho e da orientação pessoal do Chefe do Poder Executivo, mas de um trabalho de equipe, do qual participaram com entusiasmo, numa demonstração de capacidade, compreensão e espírito público, os próprios servidores do Estado.

Se é esse o conceito que formo a respeito da contribuição do funcionalismo, quaisquer que sejam as atribuições das categorias que o integram e sem incabíveis distinções, não poderia ser indiferente às suas aspirações, aos justos anseios de uma remuneração condigna, ao legítimo desejo de assistência adequada e de meios que lhe propiciem melhores condições de vida, inclusive no plano da cultura e do aperfeiçoamento profissional.

Que não fui indiferente aos reclamos da classe, provam-no as medidas postas em prática no curso destes dois anos de meu Governo.

Sobrelevam, dentre elas, as que se referem à melhoria das retribuições, precisamente aquelas que, pela incompreensão de

uns, pelo erro de apreciação de outros, ou ainda pelos propósitos preconcebidos de outros, têm provocado agitações que, em verdade, não se justificam.

Posta a questão em seus devidos termos, o que se verifica é que não tem faltado o Governo com sua atenção e seu desvelo para com seus servidores, a fim de capacitá-los financeiramente a enfrentar as rudes condições que lhes têm sido impostas pela inflação desmedida que avassala o País e que, aliás, sacrifica a todas as categorias de assalariados, como invariável e inexoravelmente acontece em tais conjunturas.

Devo renovar aqui afirmação feita em recente mensagem dirigida a esta nobre Assembléia, a propósito da expressão bastante significativa, em face da elevação do custo de vida e em razão dela, dos benefícios e vantagens atribuídos ao funcionalismo nestes últimos anos.

É isso pelo reconhecimento de uma situação de fato — a necessidade de premunir os servidores do Estado dos meios com que enfrentar o encarecimento da vida — mas não sem consequências para o ritmo da execução de obras e serviços programados, uma vez que os recursos indispensáveis à concessão desses benefícios sempre excederam as possibilidades orçamentárias.

Para ajustar-se da exata proporção dos aumentos concedidos pelo Estado aos seus servidores, basta considerar que esses aumentos assumem posição preeminente se comparados, no período de 1958 a 1961, com os do salário mínimo, pois, enquanto este se elevou na proporção de 63%, aqueles alcançaram a percentagem entre 85 e 112%, tendo o custo de vida sofrido uma elevação de 80%.

Não podem ser ignoradas outras vantagens, também atribuídas ao funcionalismo, entre elas a concessão (*) de adicionais por tempo de serviço, com o que se atende a uma velha aspiração da classe; a execução da lei (**) editada já na Administração anterior, que, estabelecendo o regime de pensões, resol-

(*) Lei n.º 6.043, de 20 de janeiro de 1961.

(**) Lei n.º 4.832, de 4 de setembro de 1959.

veu, para o funcionalismo do Estado — e, por lei (*) recente, também para o dos Municípios do Interior — o magno problema de previdência social, levando aos lares dos servidores a tranqüilidade pelo futuro da família na eventualidade da falta de seu chefe; a entrega iminente, aos servidores, do Hospital construído pelo Instituto de Previdência do Estado; a elevação (**) do valor dos empréstimos concedidos pela Caixa Econômica do Estado; a elevação (***) para 30 dias do período de férias, além de outras.

Por tudo o que acaba de ser exposto, pode ser demonstrado que o Governo não desampara os seus servidores e lhes tem proporcionado o que deve ser reputado justo e equitativo.

Passo, agora, a relatar as atividades governamentais durante o ano de 1960.

PLANO DE AÇÃO

REALIZAÇÃO DOS OBJETIVOS SETORIAIS

Atuando sobre uma entidade dinâmica, qual seja a Administração, não poderia o Plano de Ação manter-se estático. Daí porque se previa a revisão anual do Plano (****), para que ele fosse adaptado às mutações da conjuntura econômico-financeira e às decorrentes da própria execução dos empreendimentos e serviços considerados, para garantia de sua maior flexibilidade, sem prejuízo, é claro, da rigidez e imutabilidade das importâncias globais dos investimentos constantes de autorização legislativa.

Iniciada, assim, a fase executiva do Plano de Ação, instalou-se simultaneamente o controle de sua execução pela atividade coordenada do Grupo de Planejamento com os Gabinetes dos Secretários de Estado, a qual se estabelece pelo fluxo periódico e constante de informações e relatórios que permitem o conhecimento, sempre atualizado, do andamento de obras e serviços e

(*) Lei n.º 6.047, de 27 de janeiro de 1961.

(**) Resolução n.º 20, de 1960, do Conselho Administrativo da C.B.E.S.P.

(***) Lei n.º 6.050, de 3 de fevereiro de 1961.

(****) Decreto n.º 24.855, de 12 de fevereiro de 1960.

a adoção, com a necessária antecedência, das medidas indicadas, para que se concretizem os objetivos dentro dos prazos prefixados.

É o mesmo sistema de controle que, mediante a análise do programa elaborado, a verificação do estado das obras ou dos serviços e o exame dos custos e dos recursos disponíveis, permite a revisão, em cada exercício, das previsões originais, de modo a se adaptarem, mediante ampliações, modificações ou reduções, os objetivos setoriais e o correspondente plano de seu financiamento anual ao plano quadrienal de investimentos.

Os resultados desse controle, expressos em termos de custo, fornecem, em cada exercício, os elementos de previsão orçamentária para o exercício seguinte.

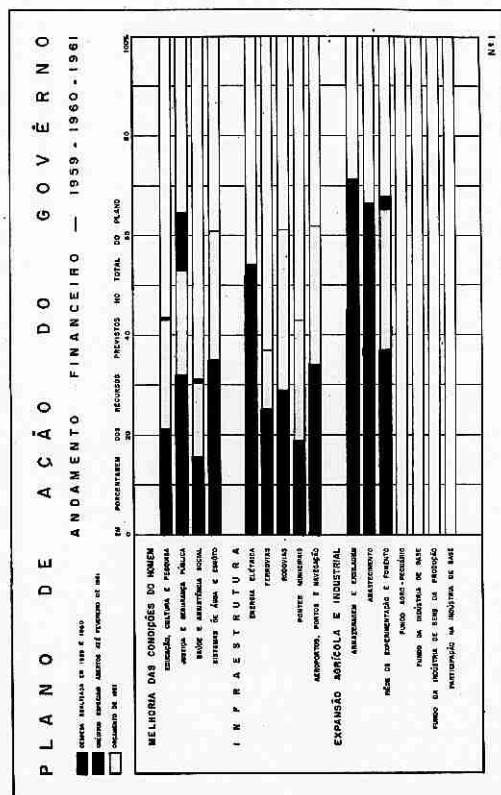
Da realização dos objetivos setoriais, no exercício de 1960, trata o quadro anexo (n.º 2), que representa a execução física de obras programadas.

Não figuram os programas setoriais, de modo geral expressos englobadamente e em alguns casos representados pelas realizações mais significativas do setor, ou que melhor se prestam à indicação quantitativa.

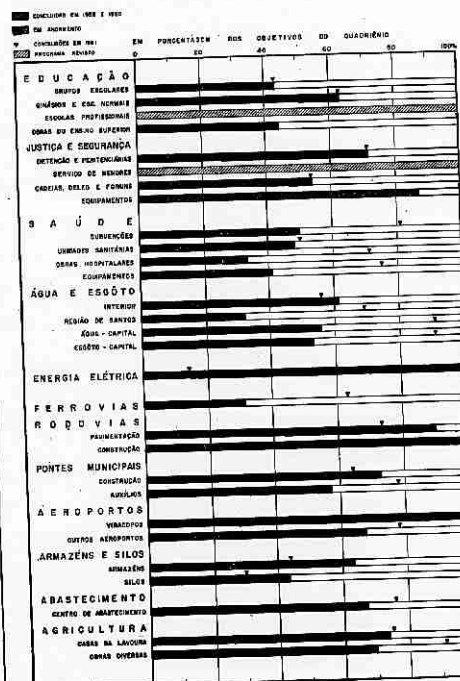
A apresentação desse quadro, ao qual corresponde o gráfico (n.º 2), tem por escopo oferecer elementos de confronto para a verificação do desenvolvimento do Plano de Ação e seus próximos objetivos.

A simples inspeção dos dados que o quadro representa deixa claro que, em certos casos, os objetivos almejados não foram integralmente atingidos em 1960, enquanto que outros foram superados, o que se explica pela circunstância já apontada de os índices anuais não expressarem valores absolutos que devam bitolar rigidamente os programas executivos. Como simples decorrência daquela flexibilidade que se quis precisamente atribuir ao Plano de Ação, as variações havidas significam melhor adaptação do programa anual a situações de fato, daí resultando, ou transposição dos índices prefixados, ou defasagens que atingem temporariamente esses índices, sempre, porém, em benefício da maior perfeição do plano considerado no seu aspecto geral.

[26]



PLANO DE AÇÃO DO GOVERNO REALIZAÇÃO DOS OBJETIVOS SETORIAIS



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PLANO DE AÇÃO
ANDAMENTO FINANCEIRO - 59/60/61

(em milhões de cruzeiros)

Quadro nº 1

SECTOR	Plano		Despesa		CÉDULOS ABERTOS				Total	
	1949-50-51		Estimada		Orcamentada		Alocada		Acumulado	
	Valor	%	Valor	%	Valor	%	Valor	%	Valor	%
A - Educação, Cultura e Pesquisa	9.128	32	9.128	32	3.160	31	26	0	9.249	33
B - Saúde e Segurança	2.582	10	1.710	23	1.196	15	418	12	2.582	10
C - Saneamento e Assistência Social	6.184	22	4.493	15	1.454	15	59	1	7.221	21
D - Saneamento de Água e Esgoto	875	3	411	3	310	26	256	3	5.294	54
E - Energia	4.409	16	1.204	23	559	12	—	—	12.329	81
F - Transportes	10.259	35	3.706	25	4.526	32	—	—	1.268	17
G - Rodovias	1.597	62	855	19	—	—	—	—	878	63
H - Portos Marítimos	861	77	311	84	—	—	—	—	370	71
I - Aeroportos, Fretos e Navegação	375	71	325	45	—	—	—	—	659	52
J - Armazenamento e Refrigeração	853	37	180	41	—	—	—	—	2.671	86
K - Saneamento e Potabilização	2.558	80	1.553	31	—	—	—	—	—	—
L - Abastecimento	4.780	98	—	—	—	—	—	—	—	—
M - Saneamento	3.135	41	—	—	—	—	—	—	—	—
N - Saneamento	3.135	41	—	—	—	—	—	—	—	—
O - Saneamento	3.135	41	—	—	—	—	—	—	—	—
P - Saneamento	3.135	41	—	—	—	—	—	—	—	—
Q - Saneamento	3.135	41	—	—	—	—	—	—	—	—
R - Saneamento	3.135	41	—	—	—	—	—	—	—	—
S - Saneamento	3.135	41	—	—	—	—	—	—	—	—
T - Saneamento	3.135	41	—	—	—	—	—	—	—	—
U - Saneamento	3.135	41	—	—	—	—	—	—	—	—
V - Saneamento	3.135	41	—	—	—	—	—	—	—	—
W - Saneamento	3.135	41	—	—	—	—	—	—	—	—
X - Saneamento	3.135	41	—	—	—	—	—	—	—	—
Y - Saneamento	3.135	41	—	—	—	—	—	—	—	—
Z - Saneamento	3.135	41	—	—	—	—	—	—	—	—
TOTAL	66.211	64	23.043	23	10.552	15	1.324	1	40.119	40

PLANO DE AÇÃO
Realização dos Objetivos Setoriais - Programa de 1961

REALIZAÇÃO DOS OBJETIVOS SECTORIAIS - PROGRAMA Nº 1981																		Percentual de atuação em 1981
Setor	Objetivo do Setor	ORÇAMENTO em mil Cruzeiros		COMISSÃO em mil Cruzeiros		COMISSÃO em mil Cruzeiros		TOTAL em mil Cruzeiros		em 1980		em 1981		em 1982				
		Execu.	Total	Execu.	Total	Execu.	Total	Execu.	Total	Execu.	Total	Execu.	Total	Execu.	Total			
A - ENERGIA																		
Grupos Geradores Cabo e Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Linhas de Transmissão Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Subestações Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Outros Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
B - JUSTIÇA																		
Órgãos de Defesa Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Órgãos de Defesa Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
C - SAÚDE																		
Órgãos de Saúde Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
Órgãos de Saúde Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
D - AVIAÇÃO																		
Órgãos de Aviação Rio das Águas	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	

E - ENERGIA																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
F - FERROVIAS																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
G - ESCOLAS																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
H - PONTES MISTURADAS																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
I - AEROPORTOS																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
J - AERONÁUTICA																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
K - AERONÁUTICA																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
L - AERONÁUTICA																	
Grupos Geradores	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Linhas de Transmissão	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Subestações	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Outros	Outros	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

O programa de trabalho é baseado no Plano de Trabalho com 1.500 KW.
+ + + + + Mostra o total do programa.
+ + + + + Abaixo a unidade em relação a 1959, para comparar com os equipamentos.

EDUCAÇÃO, CULTURA E PESQUISA

No campo educacional, cuidou o Governo de complementar o Plano de Ação. Foi elaborado programa de atividades que atendessem aos vários aspectos dos problemas do ensino, de modo a se obter solução global, baseada no conhecimento da realidade decorrente de pesquisas e estudos minuciosos.

Visando à adoção de uma política educacional pela fixação de seus objetivos, foram constituídos, junto ao Gabinete Técnico de Planejamento do Secretário da Educação, dez Grupos de Trabalho, cuja missão é o estudo dos seguintes temas:

- I — Melhoria da qualidade e redução do custo do Livro Escolar.
- II — Edifício Escolar.
- III — Modernização do Equipamento e do Material Escolar.
- IV — Melhoria das condições e adequada seleção do Professor.
- V — Aperfeiçoamento dos Métodos de Ensino.
- VI — Reestruturação da Secretaria.
- VII — Cooperação entre a Escola, a Comunidade e as Instituições Auxiliares da Escola.
- VIII — Ensino Industrial.
- IX — Escola Primária no Meio Rural.
- X — Assistência Médico-Dentária.

Resultados efetivos foram obtidos por estas comissões nos citados setores educacionais.

Assim, no que se refere ao problema do livro, o Grupo de Trabalho, após as reuniões que promoveu, apresentou seu relatório, em que, entre outras, é feita recomendação para constituir-se entidade, de natureza privada, do tipo Fundação, com a finalidade de editar obras didáticas, mediante contratos industriais com empresas especializadas; adquirir diretamente, das empresas editoras, livros didáticos para distribuição escolar e promover pesquisas e estudos sobre o livro didático.

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Cuida-se, atualmente, da elaboração do anteprojeto de lei que autoriza a instituição da Fundação do Livro Escolar.

Quanto aos métodos de ensino, os membros da comissão, encarregada de estudá-los, trataram de sua aplicação no ensino pré-primário, primário e normal, devendo a parte referente aos adotados no secundário ser objeto de atenção no corrente ano.

É opinião, deste Grupo de Trabalho, que se faz mister mudar ou pelo menos aperfeiçoar os métodos de ensino vigentes, tradicionais e obsoletos. Para tanto, porém, a primeira exigência é a formação de professores capazes de aplicar os métodos preconizados pela moderna pedagogia.

O anteprojeto, ainda em exame, que regulamenta a concessão de Bolsas de Estudo, contribuirá grandemente para a formação e aperfeiçoamento do magistério paulista.

Urge que se transforme a escola tradicional, de crianças passivas na classe, mas turbulentas fora dela, em verdadeira escola ativa, onde a constante participação do aluno, nos trabalhos, faz nascer, nêle, a compreensão da necessidade da disciplina.

No tocante à reestruturação da Secretaria da Educação, o Grupo de Trabalho respectivo empenhou-se em pesquisar e examinar as deficiências da estrutura atual, propondo soluções novas, de modo a melhor aparelhar a máquina administrativa.

Orientando-se no sentido de valorizar os órgãos técnicos e com a finalidade de planejar, orientar, coordenar e controlar as atividades da Secretaria, a proposta prevê uma descentralização administrativa, mediante a criação de sistema de órgãos distribuídos, do ponto de vista geográfico, em três níveis: órgãos de sede, órgãos regionais e órgãos locais.

Encontra-se em fase final o estudo do anteprojeto de lei que reestrutura a Secretaria da Educação.

No que diz respeito à cooperação entre a escola, a comunidade e as instituições auxiliares da escola, propuseram os integrantes do Grupo de Trabalho, entre outras, as seguintes medidas: criação oficial, dentro da Secretaria de Educação, de órgão

[31]

05 17

que se encarregue da coordenação e orientação técnica, no que se refere às instituições auxiliares e entrosamento entre escola e comunidade, órgão, aliás, já previsto no plano da reestruturação; e criação de funções e cargos de Assistente Social no quadro da Secretaria de Educação, cuja atribuição principal será a de estabelecer contactos com as famílias, com os diferentes grupos sociais e outras instituições.

ENSINO PRIMÁRIO

Em 1960, foi dado especial relevo à organização e expansão do ensino primário. Justifica-se tal preocupação pelo fato de constituir esse grau do ensino a escolarização mínima compatível com as necessidades decorrentes das nossas atuais condições de existência social, bem como por ser o fundamento de todo o processo de escolarização subsequente e o único de caráter obrigatório.

Como primeira etapa de um plano a longo prazo, foram abordados alguns dos múltiplos problemas da escola primária, segundo um conjunto de critérios de que derivou uma escola de prioridade. A adoção de medidas práticas foi precedida de estudos, sendo que o tempo a eles dedicado variou em função da natureza do problema e do volume de trabalho requerido. Assim sendo, ao findar-se o ano, os trabalhos atinentes às várias esferas de ação encontravam-se em diferentes fases de realização — alguns em estudos, outros já concluídos.

Foram examinados os problemas referentes a:

I — Prédios e equipamento escolar.

A solução deste problema básico está afeta ao Fundo Estadual de Construção Escolar, criado pela lei (*) que aprovou o Plano de Ação, e adiante referido.

II — Adequação do ensino às condições peculiares do meio, do ponto de vista ecológico, sociológico e an-

(*) Lei n.º 5.444, de 17 de novembro de 1959.

tropológico, bem como perspectivas de seu desenvolvimento.

III — Continuidade, durante o ano letivo, das atividades docentes e seleção do pessoal do magistério primário.

Com base nos estudos feitos, estão em andamento as providências aconselhadas para cada caso.

Objetivando o melhor atendimento da clientela escolar e disciplinando a aplicação e distribuição de recursos materiais e humanos, salientam-se ainda as seguintes medidas, já em vigor:

A regulamentação (*) das leis (**) referentes a classes e escolas de emergência. Disciplinou-se área em que havia certa confusão e que dava margem a abusos quanto ao provimento de cadeiras e à criação de unidades escolares.

A proibição (***) do comissionamento de professores primários com menos de um ano de exercício no cargo.

A racionalização (****) do aproveitamento em tarefas docentes, de professores primários adidos.

Dentre as várias tarefas de caráter técnico, encetadas em 1960, vale salientar, com referência à educação de adultos, a orientação metodológica dada aos professores dos cursos e a preparação de material didático relativo à Psicologia Aplicada, Pedagogia e Didática.

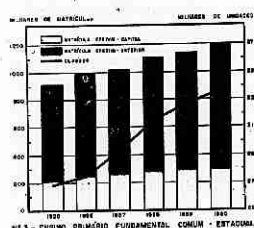
Tendo em vista o elevado índice de reprovação verificado, foi planejada e executada a campanha de melhoria de rendimento escolar. Os trabalhos relativos a este item terão prosseguimento com a fase de controle dos resultados obtidos para fins de comparação e orientação da ação imediata e mediata.

(*) Decreto n.º 37.575, de 28 de novembro de 1960.

(**) Lei n.º 3.763, de 5 de fevereiro de 1967 e 5.822, de 16 de agosto de 1960.

(***) Decreto n.º 37.557, de 24 de novembro de 1960.

(****) Ato n.º 56, de 1960.



dos especialmente aos professores que se destinam aos cursos post-graduados e superiores. No ano de 1960, foram proporcionados 108 comissionamentos e bolsas.

Concluíram-se, em 1960, 81 Grupos Escolares que representam mais 37.000 vagas.

ENSINO SECUNDÁRIO E NORMAL

A atual política educacional, no que se refere ao Ensino Secundário e Normal, visou à consolidação da ampla cadeia de escolas e seu adequado equipamento, a seleção e o aperfeiçoamento do pessoal docente e administrativo e a elevação do nível de ensino.

Esta orientação esteve estreitamente relacionada com as iniciativas e decisões tomadas com referência ao Ensino Industrial e a seguir indicadas.

Com apoio em estudos e levantamentos feitos sobre capacidade de matrícula e matrícula efetiva nos estabelecimentos cujos prédios foram concluídos de 1955 a 1960, chegou-se à conclusão de que, nesse período, foram construídos 144 edifícios escolares de grau médio, com capacidade para 112.640 alunos, mas com a matrícula efetiva de apenas 45.308 alunos. Estes dados apresentam

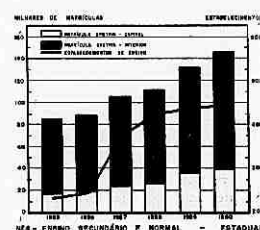
um aparente excesso de capacidade dos ginásios e falta de alunos. As razões desta situação são várias e entre elas pode-se apontar o sistema de instalação indiscriminada de escolas com inobservância de critérios objetivos.

Dêse modo, com a finalidade de atender aos mais altos interesses da Educação e em coerência com a política adotada, enquanto se cuidou de incentivar a instalação de Escolas Industriais, conteve-se a instalação indiscriminada de Ginásios e Escolas Normais, embora estas últimas sejam tipicamente de formação profissional e mantenham relação com os objetivos e ideais do ensino profissional e industrial.

A instalação de unidades escolares de ensino médio foi disciplinada (*), tendo em conta as possibilidades de organização dos quadros docentes, as condições dos prédios destinados às escolas ou agrupamento populacional a ser atendido, o contingente potencial dos alunos, além de outros elementos.

Procurou-se manter e aparelhar a rede de 421 estabelecimentos, composta de Ginásios, Colégios, Escolas Normais e Institutos de Educação, que conta com a matrícula de 150.190 alunos.

Cuidou-se, ainda, de sanar a deficiência qualitativa e quantitativa da composição dos quadros do ensino, com a criação de novos cargos e a fixação de critérios para provimento dos cargos docentes e administrativos (**). Providenciou-se, também, o desdobramento de classes e períodos escolares nos estabelecimentos de Ensino Secundário e Nor-



(*) Decreto n.º 38.860, de 26 de junho de 1960.

(**) Lei n.º 6.061, de 3 de fevereiro de 1961.

mal e regulamentou-se a função de Assistente de Diretor em substituição ao cargo de Vice-Diretor.

Visando a oferecer condições de aprimoramento técnico-pedagógico aos responsáveis diretos pela educação dos jovens e conseqüente elevação do nível de ensino, promoveram-se estudos no sentido de tornar possível a vinda de uma missão pedagógica francesa a São Paulo. O Grupo de Trabalho, que examinou a proposta do Governo Francês, elaborou programa a ser desenvolvido por 11 especialistas franceses, que ministrarão aulas e farão demonstrações aos professores e administradores escolares, através de 5 cursos, durante o período de um ano.

Nesta linha de preocupações renovadoras, iniciaram-se, em 5 estabelecimentos oficiais, as denominadas "Classes Experimentais". O objetivo deste empreendimento é ensaiar um novo sistema de ensino com a instituição de novos currículos e novos programas, sob planejamento e controle de professores especializados.

No ano findo, concluíram-se 26 edifícios destinados a estabelecimentos de ensino secundário, ou seja, 51% da previsão quadrienal.

FUNDO ESTADUAL DE CONSTRUÇÕES ESCOLARES

Para dar execução ao plano governamental de construção de prédios escolares previu o Plano de Ação fosse criado este Fundo, cuja função é coordenar, financiar, acelerar e controlar aquelas obras.

Já regulamentado (*) e instalado, o Fundo elaborou, inicialmente, um programa de construções escolares, para o biênio 61/62, no qual foi dada prevalência ao ensino primário. Dentro desta categoria, concedeu-se prioridade aos municípios de maior população, onde se faz mais sensível a falta de prédios para grupos escolares.

(*) Decreto n.º 38.709, de 21 de junho de 1960.

Na programação da rede de prédios escolares para o ensino primário da Capital, aproveitaram-se todos os dados disponíveis sobre o assunto. Foi feita a análise da evolução das matrículas nos estabelecimentos estaduais e municipais, durante os últimos três anos e levantamento de salas de aula disponíveis; com isso se obteve o nível das necessidades em matéria de edifícios para grupos escolares e dos respectivos recursos com que a Administração desde já pode contar.

Concomitantemente, fizeram-se cálculos, com base na taxa de crescimento das matrículas, sobre a demanda de vagas para os próximos dez anos, após o que foi determinado o programa de construções para o período 61/62. Idêntico método foi usado nos diversos municípios paulistas.

Quanto ao ensino secundário, o plano da rede levou em consideração a localização das unidades escolares existentes ou em construção, a análise da distribuição da população a ser atendida e sua distribuição pelos diferentes bairros, as zonas de influência que comportam a localização de unidades e outros fatores rigorosa e cientificamente selecionados.

ENSINO INDUSTRIAL

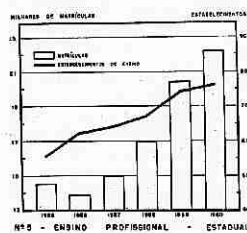
O Brasil, e principalmente o Estado de São Paulo, tem sofrido, no último quinquênio, transformações na sua estrutura sócio-econômica com múltiplas manifestações delas decorrentes, notáveis principalmente no campo industrial, onde o desenvolvimento se processa em ritmo ascensional. Informam alguns pesquisadores que mais de duzentas profissões surgiram no País a partir de 1953, salientando-se as relacionadas com as indústrias automobilística, naval, elétrica, siderúrgica, mecânica e outras de menor porte. Daí a necessidade de estudos que visassem a formular novas bases e diretrizes para o ensino industrial, de forma a atender às necessidades de um Estado e de um País em franco desenvolvimento.

O objetivo dessa reforma é preparar operários qualificados, técnicos e cientistas, tendo-se em vista a competição que, no terreno industrial e tecnológico, se processa em todo o mundo. Co-

locado o problema da hegemonia das nações em termos de produção e equipamento técnico-científico, é natural que todos os países se empenhem, hoje, em preparar técnicos e cientistas para terem assegurada sua emancipação econômica. Não poderia o Brasil e, particularmente, o Estado de São Paulo, furtar-se a uma reorganização de seu sistema de ensino técnico, em face dessa conjuntura econômica e tecnológica.

Essa reforma se tornou possível, em parte, graças à nova legislação federal (*), que alterou as bases desse ensino, permitindo a organização em cada Estado do seu sistema de ensino industrial com características próprias, desde que adotados os princípios gerais por ela fixados.

A Comissão Especial criada por Decreto (**) e encarregada de proceder aos estudos e elaborar anteprojeto de lei sobre a nova organização do ensino industrial, entregou seus trabalhos em 13 de junho de 1960, vendo seus objetivos atingidos com o mensagem governamental sobre a matéria, de que resultou o projeto de lei n.º 118/60. Posteriormente, substitutivo, apresentado nesta Casa, ampliou, em alguns aspectos, o trabalho original. Transformado em lei (***), deu ao Ensino Profissional, agora denominado Ensino Industrial, nova e atualizada orientação.



(*) Lei n.º 3.052, de 18 de fevereiro de 1959.
 (***) Decreto n.º 35.073, de 11 de junho de 1959.
 (***) Lei n.º 6.052, de 3 de fevereiro de 1961.

[38]

habilitados e permitirá o aperfeiçoamento ou a especialização de pessoal da indústria. Em decorrência disso, pois, teremos, concomitantemente, com maior e melhor habilitação, salários mais elevados que possibilitarão melhoria do padrão de vida das classes trabalhadoras.

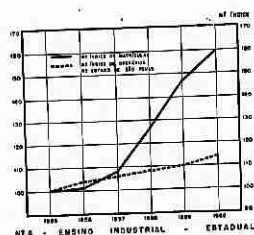
Esta nova legislação do Ensino Industrial, elaborada com base em pesquisas de mercado de trabalho, dispõe que tal ensino, bem como o de economia doméstica e de artes aplicadas, de organização paralela, far-se-á em dois ciclos, visando a:

- formação de operários qualificados ou especializados, através de cursos rápidos e flexíveis, de aprendizagem, criados consoante as solicitações da mão de obra industrial e para indivíduos a partir de 14 anos de idade; e
- formação de técnicos industriais, isto é, de elementos intermediários entre engenheiros e operários, possuidores de boa formação teórica e aos quais cabem os trabalhos de execução do sistema de produção industrial, estabelecido por profissionais de nível superior.

É importante assinalar que, nessa legislação, a aprendizagem industrial, para formação de operários qualificados, passa a constituir tarefa do Estado, sendo, além disso, oferecida a todos, indistintamente, uma vez que a realizada pelo Serviço Nacional de Aprendizagem Industrial está adstrita aos menores empregados na indústria. Lembre-se, mais, que São Paulo é o primeiro Estado a instituir um sistema oficial de ensino de Economia Doméstica e Artes Aplicadas, com o objetivo de preparar a mulher para as responsabilidades do lar, dando-lhe base para a melhoria dos padrões de vida familiar.

[39]

0521



Uma inovação radical, que foi planejada e será instituída como complemento a esse novo sistema é a criação de ginásios vocacionais, com a duração de 4 anos, para menores de 11 a 14 anos, e que visam a:

a) fornecer cultura de base e formação humanística, necessária a qualquer situação posterior; e

b) oferecer oportunidades exploratórias nos ramos da indústria, do comércio, das profissões liberais e outras, a fim de que o jovem que não se diploma possa escolher com mais acerto uma atividade profissional ou um tipo de curso posterior, se continuar seus estudos.

Os ginásios vocacionais terão, ainda, com relação ao ensino industrial, a vantagem de atrair jovens operários bem dotados para as carreiras técnicas da indústria, de nível especializado ou técnico. Estes ginásios terão, a par de sua finalidade educativa, um sentido social de grande relevo, qual seja o de eliminar o "hiato nocivo" existente entre o término da educação primária (11 anos) e o ingresso no emprego (14 anos).

Evidentemente, um plano de tão grande envergadura não poderia ser estabelecido sem denso e metódico planejamento e este constituiu o trabalho principal realizado em 1960. Vários problemas foram dispostos em ordem de preferência para serem resolvidos progressivamente em 1961, visando à implantação definitiva do sistema em 1962. Entre esses, salienta-se o planejamento da rede de escolas industriais e técnicas, na Capital e no Interior do Estado, elaborado por equipe de especialistas de nível superior. No tocante à localização dessas esco-

las na Capital, fizeram-se estudos referentes às condições das diversas áreas, quanto à população, população industrial, população escolar, concentração de indústrias, vias de comunicação, facilidades de transporte, tendência e direção de crescimento da cidade e tamanho das áreas disponíveis para a construção, campo de ação das Escolas do S.E.N.A.I. e outros.

Selecionada a área, dentro do equilíbrio de fatores concorrentes, procedeu-se a um levantamento das necessidades da mão de obra, determinando-se, assim, os tipos de cursos que devem funcionar, bem como a capacidade de matrícula e o equipamento necessário.

Para o Interior do Estado, foram feitos, também, estudos baseados em dados estatísticos e situações existentes, com o fim não só de dotá-lo de modernas e bem equipadas escolas, como de fixar critério para a criação, instalação e funcionamento de novas unidades que possibilitem o atendimento das necessidades da nossa indústria e das comunidades dos educandos em geral.

Foram firmados convênios com o Ministério da Educação e Cultura, para a construção de escolas técnicas em Santos e Campinas, e com a Comissão Brasileiro-Americana de Educação Industrial (C.B.A.I.), para organização de cursos de preparação de pessoal para o novo regime.

Com entidades industriais estabeleceram-se acordos para a realização de cursos que venham a atender à formação de mão de obra qualificada exigida pela indústria. Esse foi um grande passo dado no sentido da maior articulação da escola industrial com a comunidade, contribuindo, assim, o Estado, através de medidas objetivas e práticas, para a formação e treinamento de pessoal especializado.

Arquitetos e engenheiros da Diretoria de Obras Públicas, em conexão com o Fundo Estadual de Construções Escolares e com a Comissão Interna de Planejamento, Construção e Equipamento das Escolas, da Secretaria da Educação, elaboraram os projetos para a construção das Escolas Industriais da Casa

Verde, Ipiranga, Vila Prudente, Vila Leopoldina, Santo Amaro, Pinheiros, Tatuapé, Vila Maria e Bom Retiro.

ENSINO DE CEGOS E AMBLÍOPES

Duas importantes medidas foram baixadas pelo Governo em prol do ensino de cegos e amblíopes. A primeira delas (*) disciplinou os aspectos essenciais da educação dos portadores de deficiências visuais, dispondo sobre a criação de classes especiais (criação de classes "Braille", de "Conservação da Vista para Amblíopes", de "Ajustamento", e de "Especiais para Cegos") e a instituição de ensino itinerante. A outra providência consistiu na celebração do Acórdão (**) entre o Estado de São Paulo e a "Fundação para o Livro do Cego no Brasil", visando à execução da lei (***) que dispôs sobre a criação de classes "Braille" nos cursos pré-primário, primário, secundário e de formação profissional em geral.

Revelam essas medidas a constante preocupação do Governo na campanha que encetou e que tem desenvolvido com a finalidade de alcançar, pelo ensino e pela educação especializada, a recuperação social do cego.

ENSINO SUPERIOR

O ritmo acelerado e violento do progresso científico deste século proporcionou meios e recursos tecnológicos para a eclosão de um desenvolvimento material imprevisto e desconcertante, que trouxe o poder a certos povos e, a outros, a consciência de seu subdesenvolvimento. As agitações sociais da época serão uma resultante fatal de anseios e inconformismo gerados pelo próprio progresso.

O desenvolvimento, em seu sentido amplo, é, hoje, um imperativo para a paz social e para a própria sobrevivência. To-

(*) Lei n. 5.391, de 26 de dezembro de 1960.
(**) Lei n. 5.989, de 20 de dezembro de 1960.
(***) Lei n. 2.287, de 8 de setembro de 1953.

das as Nações voltam suas vistas para as fontes da ciência e da tecnologia. As Universidades assumiram, assim, a posição de criadoras de poder e de desenvolvimento, e continuam a exercer a sua missão eterna de repositório do pensamento, do espírito e dos valores éticos e morais. Delas emana o conhecimento que pode ser utilizado e, também, o pensamento filosófico que dá a perspectiva dos valores espirituais. Em direta proporção à relevância de seu papel na vida moderna, assumem responsabilidades cada vez maiores e estão, também, sujeitas aos mesmos legítimos anseios de crescimento e modernização.

Fundada há 26 anos, a Universidade de São Paulo vem adquirindo momento na aceleração de seu progresso. O seu magno problema consistia na integração de seus antigos institutos em uma mentalidade universitária. É verdade que o tempo amadureceu os espíritos para esta concepção e que os homens de ciências básicas vêm reconhecendo as afinidades de seus interesses comuns e entre si colaboram. Mas, a construção da Cidade Universitária é que abriu perspectivas novas para a solução definitiva do problema. A acolhida dispensada pelas escolas e pelos professores à planificação de construções que permitam a cooperação em atividades afins, e, ao mesmo tempo, o encontro cultural de mentalidades afeitas a problemas diferentes, dá segurança de que a Universidade de São Paulo saberá cumprir sua missão.

Da integração física à integração espiritual, que já se delineia, há apenas um passo e o seu corolário imediato será o enorme aumento das atividades universitárias em suas tarefas primordiais de difundir o ensino e realizar investigações novas.

A assistência de nossa Universidade ao desenvolvimento econômico do Estado de São Paulo e do País — matéria que compete, hoje, a todas as Universidades — é outra tarefa que ela se dispõe a cumprir e para a qual pretende se aparelhar devidamente. Já conhece bem a indústria de São Paulo o que deve aos institutos técnicos da nossa Universidade. A sombra da ciência cresce a tecnologia e é somente sob a tutela científica que podem ser criadas técnicas adequadas à obtenção de trabalho produtivo e rentoso no mundo moderno.

CIDADE UNIVERSITÁRIA POLÍTICA

Pode-se dizer que o ideal da integração efetiva dos Institutos Universitários no "campus" da Cidade Universitária "Armando de Salles Oliveira" constitui o principal objetivo da política setorial e o pressuposto que determina o melhor dos esforços da atual administração da Universidade.

Para a consecução desse ideal, foram tomadas medidas realmente inovadoras, com base em decisões do Conselho de Administração do Fundo para a Construção da Cidade Universitária.

Fixou-se o princípio de eliminação do supérfluo e do real aproveitamento das áreas de construção, com a unificação de muitas obras, a fim de que o empreendimento ganhe estrutura orgânica e possa ser levado a bom termo até o fim de 1962, com a transferência integral de diversas Faculdades e Institutos para o "campus".

A convite do Conselho do Fundo, foi reunida uma equipe de dez arquitetos para, sob a presidência do Diretor Executivo do Fundo, levar a efeito a reorganização do programa de obras da Cidade Universitária dentro do plano de conjunto. Com esta medida se obteve a necessária unidade de comando e de pensamento entre os profissionais incumbidos de projetar os diversos Institutos de Ensino, atingindo-se, assim, a desejada integração universitária e humana, o que evitou a pulverização da idéia orgânica básica numa série de edifícios insulados e desvinculados entre si.

A solução, em termos de trabalho de equipe, sem representar qualquer óbice ao espírito criador dos arquitetos em suas tarefas individuais, permite ademais a integração dos projetos parciais num planejamento geral, constituindo-se, por isto mesmo, a construção da Cidade Universitária de São Paulo, numa contribuição fundamental para a evolução da arquitetura contemporânea no País. Espera-se para breve a apresentação de todos os anteprojetos em elaboração, devendo as obras ser iniciadas logo após.

Esta reformulação da política de obras da Cidade Universitária, que começou a ser estudada em 1960, tem seu supedâneo nos

vultosos recursos que lhe foram reservados no Plano de Ação do Governo, graças aos quais, já no ano findo, foi possível se imprimir um ritmo novo e positivo às construções em andamento e por executar.

Simultaneamente com a planificação de obras, realizam-se, com grande intensidade, os estudos visando à planificação da estrutura funcional da Universidade. Diversos grupos de trabalho, junto ao Gabinete do Reitor, vêm procedendo ao levantamento dos vários aspectos da vida universitária. O Instituto de Serviço Social da Universidade procede a um estudo metódico sobre as condições atuais de vida dos estudantes para se atender, da melhor forma possível, ao provimento das instalações materiais e funcionais dos órgãos estudantis.

CIDADE UNIVERSITÁRIA "ARMANDO DE SALLES OLIVEIRA". REALIZAÇÕES E PROGRAMAS.

Em 1960, efetuou-se a mudança do Departamento de Matemática e das Aulas de Desenho e Descritiva, bem como do Departamento de Física, órgãos da Escola Politécnica, para os prédios próprios na Cidade Universitária. Completou-se, pois, praticamente, a transferência do biênio fundamental dos cursos para aquele "campus". Prevê-se, até 1962, a translação das demais dependências da Escola, em obediência ao que foi fixado no programa de desenvolvimento de sua capacidade didática.

Imprimiu-se ritmo bastante acelerado às obras do edifício dos laboratórios de química, última seção do Instituto de Pesquisas Tecnológicas a ser instalada na Cidade Universitária, esperando-se sua conclusão para este ano. O Instituto de Eletrotécnica, além de seu 1.º Pavilhão de Ensaios de Máquinas, a ser inaugurado na segunda quinzena de março, viu a complementação da parte remanescente do Pavilhão de Alta Tensão.

No que respeita à Faculdade de Filosofia, Ciências e Letras, foram ultimadas as medidas indispensáveis para que, em 1961, funcionem em boas condições, na Cidade Universitária,

os cursos de Geografia, de Botânica, de Biologia Geral, de Fisiologia Geral e Animal, de Zoologia, que lá já se acham instalados, e mais os de História e de Física, que ali passarão a funcionar completos. Assim, dos 15 cursos existentes, 3 funcionarão completos na Cidade Universitária, esperando-se a transferência dos demais no decorrer de 1961 e 1962. No Setor de Biologia, cujo respectivo prédio está quase terminado, o ideal que preside à mudança para a Cidade Universitária já vem se concretizando, através da colaboração efetiva entre o Departamento de Fisiologia da Faculdade de Filosofia, Ciências e Letras e o da Faculdade de Medicina Veterinária; passo importante nesse sentido é a edificação, já iniciada, de um Biotério comum para o setor de Biologia, que servirá ainda à Faculdade de Farmácia e Odontologia.

Foi elaborado o projeto do edifício da Faculdade de Arquitetura e Urbanismo, localizado junto à Escola Politécnica e próximo ao setor de Ciências Sociais. O projeto tem em vista o conjunto universitário e obedece ao sistema de ensino em "ateliers". As obras serão iniciadas em 1961.

Está em fase final de acabamento o prédio da Reitoria da Universidade, que centralizará os seus serviços administrativos, a serem transferidos para a Cidade Universitária nos primeiros meses deste ano. Com esta medida espera-se dar impulso decisivo no sentido da pronta integração das unidades universitárias naquele "campus".

OUTROS PROGRAMAS E REALIZAÇÕES DA UNIVERSIDADE

O programa de realizações da Universidade não se esgotou nas medidas relativas à Cidade Universitária. Assim, por exemplo, a Escola Superior de Agricultura "Luiz de Queiroz" executou o plano de complementação das instalações mais necessárias ao seu programa didático e técnico-experimental. Foram reiniciadas as obras do Pavilhão de Horticultura, onde as Cadeiras de Fitopatologia, Botânica e Horticultura terão instalações mais apropriadas. O Pavilhão de Química está sendo re-

[46]

formado na sua parte elétrica, a fim de possibilitar o total aproveitamento de sua aparelhagem técnica. A 8.ª Cadeira — Química Tecnológica — foi localizada junto ao Instituto Zimotécnico, onde poderá desenvolver seu programa didático experimental, prevendo-se, assim, o incremento das atividades da Escola no importante setor da tecnologia agrícola e indústria da alimentação.

A Faculdade de Ciências Econômicas e Administrativas ampliou sua área, com a locação de um novo prédio, onde funcionarão as salas de aula, a Contadoria-Piloto, os serviços administrativos. Melhorar-se-ão as dependências dos professores em regime de tempo integral, o que facilitará sobremaneira o desempenho de suas atividades, dentro da recente reestruturação curricular.

A Escola de Engenharia de São Carlos encetou as obras do novo Pavilhão de Mecânica, destinado a abrigar um laboratório de Metrologia de Alta Precisão, para servir à indústria nacional, e também para pesquisa e formação de técnicos de alto padrão. Prevê-se sua conclusão nos primeiros meses de 1961. Um pavilhão social destinado aos alunos e um prédio com 4 anfiteatros são as outras obras em andamento.

Na Faculdade de Filosofia, Ciências e Letras de São Paulo, registraram-se melhoramentos nas instalações do Laboratório de Biologia Marinha, em São Sebastião.

Na Faculdade de Medicina de Ribeirão Preto, foi dado prosseguimento às obras de emergência, destinadas à adaptação das instalações já existentes às suas necessidades mais imediatas e iniciaram-se as obras do plano de integração das respectivas unidades no "campus" de Monte Alegre, onde deverão ter também suas sedes definitivas o Hospital das Clínicas e a Escola de Enfermagem de Ribeirão Preto.

O Instituto de Zootecnia concluiu os laboratórios de Bacteriologia do Leite, de Física e de História Natural e colocou em pleno funcionamento a Usina-Piloto de Laticínios, onde os alunos tiveram a oportunidade de realizar trabalhos práticos, de tratamento e industrialização do leite.

[47]

0525

CAPACIDADE DIDÁTICA

Em 1960, registrou-se um ritmo ascensional de matrículas nos vários cursos universitários. De 8563 alunos matriculados em 1959, passou-se, em 1960, a 10.090. O número de vagas, no primeiro ano dos cursos universitários, foi de 2.334. Esta política de aumento da capacidade didática traduz o empenho da Universidade em dotar nosso País de um número cada vez mais expressivo de profissionais de nível universitário, o que está em vinculação direta com as necessidades de nosso meio, e, como é o caso, por exemplo, das Escolas de Engenharia, de nossa indústria em franco desenvolvimento. Assim, a Escola Politécnica, em 1960, aumentou para 1.205 o número de matrículas que atingia o índice de 1.132 em 1959; a Escola de Engenharia de São Carlos dobrou, em 1960, o número de engenheirandos e, em 1961, poderá ampliar de 50 para 80 o número de vagas para matrícula inicial. A Faculdade de Filosofia, Ciências e Letras de São Paulo quase duplicou o número de vagas dos Cursos de Física, pretendendo fazer o mesmo com os demais. Fato expressivo foi a colação de grau, em 1961, da 1.^a turma de 27 geólogos, diplomados pelo Curso de Geologia. Estes profissionais são absorvidos rapidamente pelas empresas interessadas em extração mineral, principalmente a Petrobrás, e pela própria Universidade. Essa Faculdade deu também desenvolvimento ao curso de Psicologia, registrando-se em 1960 a colação de grau dos 18 primeiros diplomados. As Escolas de Enfermagem de São Paulo e de Ribeirão Preto empenharam-se em campanhas de divulgação do ensino de enfermagem, visando a despertar futuras vocações. Houve 90 alunos matriculados nos cursos de nível médio do Instituto de Zootecnia e Indústrias Pecúárias "Fernando Costa".

PESQUISA

Além das atividades normais de pesquisa, que se processam nos Institutos Universitários, cabe mencionar alguns acontecimentos expressivos neste setor de tão alta importância num organismo universitário:

[48]

— a criação do Instituto de Pesquisas Matemáticas (*), que será dirigido por representantes da Escola Politécnica, da Faculdade de Filosofia, Ciências e Letras e por outros matemáticos, com o objetivo de estimular o estudo e a pesquisa nos domínios da Matemática Pura e Aplicada e concorrer para a formação, nesse campo, de pesquisadores e pessoal docente superior;

— a criação e instalação do Laboratório de Cálculo da Faculdade de Ciências Econômicas e Administrativas, que servirá aos Departamentos de Estatística e de Matemática;

— os trabalhos, pioneiros no Brasil, realizados no Laboratório de Estruturas da Escola de Engenharia de São Carlos, relativos a medidas feitas, muitas vezes, com aparelhos fabricados ou adaptados no próprio Laboratório. Concorreu esse Laboratório para a solução final da cobertura do Pavilhão da Exposição Internacional de Indústria e Comércio (Rio de Janeiro); efetuou estudos para a Ponte Internacional junto à Foz do Iguaçu e orientou a fábrica de protendidos do Departamento de Estradas de Rodagem;

— na Faculdade de Farmácia e Odontologia de São Paulo tiveram particular relevo as pesquisas no campo da histoquímica, que valeram a um dos membros do seu corpo docente o prêmio "Sylvio Maia", da Associação Paulista de Medicina;

— na Faculdade de Filosofia, Ciências e Letras, da Capital, merecem menção as pesquisas realizadas no campo da Biologia Marinha, graças às grandes possibilidades de exploração do mar que proporciona o Laboratório de São Sebastião, pesquisas estas levadas a efeito não só pelo pessoal do Departamento de Fisiologia Geral e Animal, como por estagiários e visitantes estrangeiros. Intensificaram-se ainda as investigações nos laboratórios de Botânica, Mineralogia e Petrografia, Geologia e Paleontologia, Física, Química, Biologia Geral, Fisiologia Geral e Animal e Zoologia;

— na Faculdade de Medicina de São Paulo, ressalta-se a criação e instalação de novos Laboratórios de Endocrinologia Experimental, de Fisiologia de Parasitas e de Fracionamento de Plasma;

(*) Decreto nº 27.235, de 14 de setembro de 1960.

[49]

0526

— além de 13.000 ensaios, análises e pesquisas para terceiros, que realizou em 1960, colaborando assim expressivamente com a nossa indústria, o Instituto de Pesquisas Tecnológicas efetuou as seguintes importantes atividades especiais: a) assistência no setor de solos, fundações, geologia aplicada e concreto nos trabalhos que se desenvolvem, em cumprimento ao programa do Governo, de construção de barragens e usinas hidrelétricas; b) colaboração com o Instituto de Energia Atômica nos trabalhos de produção de combustíveis nucleares; c) trabalhos na separação de isótopos, tendo em vista o enriquecimento do urânio natural; e d) trabalhos no setor da tecnologia da madeira (preservação de dormentes). O Instituto de Pesquisas Tecnológicas ampliou ainda vários de seus setores especializados, tendo em vista um melhor atendimento dos problemas propostos pela engenharia e pela indústria;

— o Instituto Oceanográfico, reorganizado e consolidado em sua estrutura, desenvolveu seus trabalhos de Biologia da Pesca, de grande importância futura para a indústria pesqueira, sob a orientação de especialista da Food Agricultural Organization — F.A.O. — e em colaboração com o Departamento de Produção Animal, da Secretaria da Agricultura. Contratou a construção de um pequeno barco, que auxiliará o já existente nos trabalhos de observação e coleta ao largo do litoral do Estado; ultimou os estudos para a construção, no exterior, do navio oceanográfico; instalou um Laboratório de Química (Santos) para trabalhos de caráter tecnológico sobre o valor nutritivo e a conservação dos produtos marinhos e fez ainda levantamento oceanográfico, na Enseada do Mar Virado, no litoral norte do Estado, para a Comissão Nacional de Energia Atômica;

— no Instituto Astronômico e Geofísico, em 1960, podem ser apontados os serviços de previsão ionosférica, para fins de transmissão radiotelegráfica; os trabalhos do setor de meteorologia, que servirão de base para o estudo da climatologia de São Paulo; a contribuição ao "Programa das Posições Lunares" do "Ano Geofísico Internacional", consubstanciada em cerca de 300 fotos da lua e estrelas vizinhas, programa que dará ao Brasil o

seu primeiro "datum Geodésico" e um estudo teórico sobre perturbações das órbitas de satélites artificiais;

— o Instituto de Genética executou trabalhos no setor do melhoramento do milho, da cana de açúcar, de plantas forrageiras, hortaliças e outras, colaborando assim com as forças produtoras da lavoura. Iniciou suas atividades o setor de "Genética de Micro-organismos" e encontra-se em organização o "Setor de Genética e Melhoramento de Aves", estando assim em funcionamento ou já organizados 12 dos 15 setores de pesquisa e ensino previstos em sua estrutura;

— o Instituto de Medicina Tropical deu ênfase às pesquisas sobre os agentes das grandes endemias que assolam o País. Estão em funcionamento as Seções de Bioquímica, de Sorologia, de Cultura de Tecidos, de Entomologia Médica, de Patologia Experimental, de Rickettsias, de Arbovírus, de Hepatologia e de Hematologia. O prédio-sede está concluído e equipado os novos laboratórios;

— no Centro de Medicina Nuclear, estão em fase de organização a Divisão de Física, que tem por finalidade a Proteção Radiológica e a Higiene da Radiação, e o setor de Radiobioquímica, da Divisão de Pesquisas Biológicas. Nesta última, ocorrem a complementação total das instalações do setor de Bioquímica, equipado com laboratório-modelo. Todas essas medidas favorecerão o incremento das pesquisas no Centro;

— o Instituto de Energia Atômica, integrado no sistema estadual de Ensino Superior como Instituição Complementar da Universidade de São Paulo, obteve, em 1960, posição de especial projeção no campo da pesquisa, com a descoberta de processo efetivo, incluindo fases originais, para a produção de urânio com o grau de pureza nuclear exigido para a construção de elementos combustíveis de reatores de pesquisa e de potência. Este resultado foi acolhido, por autoridades nacionais e estrangeiras, como do mais alto significado para o progresso do País no campo da energia nuclear. O Instituto realizou ainda: o projeto, construção e operação de usina-piloto para estudo da produção indus-

trial do urânio nuclear puro; o estabelecimento da tecnologia e início de produção de pastilhas de dióxido de urânio sinterizado para reatores, isto em colaboração com o Instituto de Pesquisas Tecnológicas; e projeto e início de construção de elementos combustíveis para reatores, com utilização de pastilhas de dióxido de urânio. Criou ainda as Divisões de Engenharia Nuclear e de Metalurgia Nuclear, em colaboração com o Instituto de Pesquisas Tecnológicas e realizou numerosas outras pesquisas de caráter fundamental, nos setores de física nuclear, radioquímica, física de reatores, metalurgia nuclear e radiobiologia.

OUTRAS ATIVIDADES UNIVERSITÁRIAS

No ano findo, as atividades de intercâmbio com instituições congêneres do País e do exterior tiveram singular relevo. Registrou-se a visita de professores e estagiários dos demais Estados e do estrangeiro a Institutos Universitários, e, reciprocamente, professores e pesquisadores da Universidade de São Paulo desempenharam missões culturais, de ensino e pesquisa, no País e fora dele. Foi também expressivo o comparecimento a simpósios e conclave científicos. Entre as distinções internacionais que atestam o alto renome de que goza a Universidade de São Paulo no exterior, basta citar a escolha da Faculdade de Medicina de São Paulo para sede do Centro Coordenador das Faculdades Latino-Americanas de Medicina, de conformidade com deliberação da II.^a Conferência das aludidas Faculdades, realizada em novembro de 1960, em Montevidéu.

Professores estrangeiros ministraram cursos de extensão universitária no Instituto Oceanográfico, no Instituto de Estudos Portugueses da Faculdade de Filosofia, Ciências e Letras e na Faculdade de Farmácia e Odontologia, da Capital. Seiscentos e trinta e sete estudantes estrangeiros cursaram, como alunos matriculados, a Universidade de São Paulo, dentre os quais cento e quarenta e um por força de convênios culturais. Foram concedidas vinte e sete bolsas de estudo.

[52]

HOSPITAIS DE CLÍNICAS DA UNIVERSIDADE

Os Hospitais de Clínicas das Faculdades de Medicina da Universidade, além das suas funções especificamente de ordem didática, desempenham função marcante na rede hospitalar do Estado.

No Hospital das Clínicas da Faculdade de Medicina de São Paulo destacou-se a inauguração do Centro Cirúrgico e da creche para filhos de funcionários, no momento com 70 crianças. Tão logo seja admitido o pessoal necessário, passará a creche a funcionar com 2 períodos e com mais 50 vagas. Instalou-se também a Casa do Convalescente, em Suzano, com 110 leitos, que serão aumentados para 300 em 1961, conseguindo-se assim mobilizar os leitos do Hospital, dando-lhe maior rendimento. O Centro e a Casa referidos permitiram o aumento de mais de 1/3 do número de operações. Prosseguiram as obras do Hospital de Psiquiatria e foram ainda numerosas as reformas e ampliações, visando a atualizar a planta física e o equipamento do Hospital Central. Também foram melhorados e ampliados o Centro Cirúrgico, a Unidade de Poliomielite e outras dependências do Hospital de Ortopedia e Traumatologia. Em 1960 o índice de atendimentos do Hospital das Clínicas atingiu a 145.769 doentes registrados, inclusive 20.404 internados.

No Hospital das Clínicas da Faculdade de Medicina de Ribeirão Preto foram instalados e postos em funcionamento Ambulatórios de Ortopedia e Oftalmologia, além dos Serviços de Rins e Endocrinologia e de Gastroenterologia. Aceleraram-se as obras de ampliação da sede provisória do Hospital, o que irá triplicar o número atual de leitos e praticamente quintuplicar o número de atendimentos no presente exercício. Esta sede provisória será aproveitada para instalação de eficiente Serviço de Pronto Socorro Rural, à disposição da zona oeste do Estado, o que permitirá seleção rigorosa de casos em benefício do ensino e da pesquisa. No ano em curso deverão ter início as obras da sede definitiva do Hospital, em terras da Fazenda Monte Alegre, com integração total das cadeiras básicas da Faculdade de

[53]

0528

Medicina de Ribeirão Preto. Os índices de atendimento do Hospital, em 1960, cresceram sensivelmente: de 27.522 em 1959 a 33.259 de janeiro a novembro de 1960. O seu Serviço de Enfermagem ficou sob a responsabilidade da Escola de Enfermagem de Ribeirão Preto.

AUXÍLIOS E SUBVENÇÕES RECEBIDOS PELA UNIVERSIDADE

Além das verbas do Plano de Ação, que permitiram o progresso e o incremento das atividades universitárias, cumpre lembrar que a Universidade de São Paulo recebe ponderáveis auxílios de órgãos federais, de organismos internacionais e de fundações particulares e que possui, ainda, rendas próprias. Institutos há que, no exercício de 1960, viveram exclusivamente de subvenção federal, como é o caso do Instituto de Energia Atômica, anexo à Universidade. Outros, como o Instituto de Genética, só necessitaram de recursos estaduais durante o interregno entre o esgotamento da subvenção federal de 1959 e a liberação da relativa a 1960 (de 1.º-9-60 a 31-12-60). Finalmente, o Centro de Medicina Nuclear praticamente se manteve só com o auxílio federal de Cr\$ 38.997.018,00.

INSTITUTOS ISOLADOS

A rede escolar do Ensino Superior Público é constituída pela Universidade de São Paulo e pelos Institutos Isolados, estes orientados pelo Conselho Estadual do Ensino Superior.

Para atender ao movimento do Ensino Superior não integrado na Universidade de São Paulo, foi criado o Serviço dos Institutos Isolados do Ensino Superior - S.I.I.E.S. -, junto ao Gabinete do Secretário da Educação. Atende o S.I.I.E.S. a doze Institutos Isolados do Ensino Superior, assim distribuídos: seis Faculdades de Filosofia, Ciências e Letras, sediadas nos municípios de Araraquara, Assis, Marília, Presidente Prudente, Rio Claro e São José do Rio Preto, que mantêm Cursos de Pedagogia, Letras Anglo-Germânicas, Letras Néo-Latinas, Letras Clás-

sicas, Geografia, História, História Natural e Matemática, com um total geral de dezoito cursos; cinco Faculdades de Farmácia e Odontologia, situadas nos municípios de Aracatuba, Araraquara, Piracicaba, Ribeirão Preto e São José dos Campos, com um total geral de sete cursos; e uma Escola de Educação Física, localizada na Capital, com cinco cursos em funcionamento.

Apesar de sua instalação recente, pois a maior parte dos Institutos conta apenas dois anos de atividades, já possuem mais de mil e trezentos alunos, dos quais aproximadamente 500, matriculados nos 18 cursos existentes nas Faculdades de Filosofia, Ciências e Letras; 700, nos 7 cursos das Faculdades de Farmácia e Odontologia e 150, nos 5 cursos da Escola de Educação Física.

FUNDAÇÃO DE AMPARO À PESQUISA

Cumprindo o artigo 123 da Constituição Estadual, que prescreve a criação da Fundação de Amparo à Pesquisa, orientou-se o Governo no sentido de criar essa entidade de ação normativa e supletiva, mas não intervencionista, das atividades científicas.

Seu objetivo primordial, nos termos da lei que a criou (*), é conceder apoio financeiro a projetos de pesquisa desenvolvidos no Estado. Nenhuma restrição será imposta ao tipo de pesquisa a ser patrocinada, a não ser a idoneidade do projeto e a sua integração no quadro harmônico das atividades científicas do Estado, tomadas estas no seu sentido mais amplo, incluídas todas as unidades, oficiais ou particulares e aferidas as necessidades por meio de levantamentos anuais, publicados e difundidos de maneira a que goze a Fundação da crítica sã dos setores interessados.

Espera o Governo, ao instituir a Fundação nesses moldes, dar-lhe, não apenas exemplar eficiência social e científica, mas torná-la capaz de refletir, exprimir e caracterizar a evolução de um conceito cultural propriamente nosso.

(*) Lei n.º 5.916, de 18 de outubro de 1960.

Os recursos da Fundação serão eficazmente aplicados na realização de seus fins, limitando-se as despesas administrativas e vedada a adoção de compromissos permanentes capazes de comprometer as possibilidades de constante reformulação e adaptação dos objetivos da entidade à evolução científica do País.

CULTURA

Por meio das atividades do Conselho Estadual de Cultura e das Comissões que o constituem — de Teatro, de Cinema, de Música e de Literatura — pretende o Governo não só estimular, em todo o território do Estado, a produção original no domínio da arte, mas também difundir o interesse pelas manifestações artísticas. Cuida-se, portanto, de revelar vocações e de criar o ambiente onde essas vocações possam despontar e desenvolver-se.

Esse objetivo vem sendo gradativamente alcançado, mediante planos, programas e diretrizes claramente fixados pelas Comissões e coordenados pelo Conselho.

Pondo em prática sua função coordenadora, o Conselho realizou pela primeira vez, em 1960, com a assistência das Comissões de Teatro, Música e Literatura, os primeiros Festivais Regionais de Arte, nas cidades de Lins, Marília, Piracicaba, São Carlos e Taubaté.

Ainda dentro de sua missão coordenadora, o Conselho editará o primeiro número de revista que sirva às várias manifestações artísticas de São Paulo, e, supletivamente, procurará apoiar a dança e o "ballet", bem como repetirá, ampliando, o concurso de reportagens e artigos culturais que promoveu em 1960 com a cooperação do Sindicato dos Jornalistas Profissionais do Estado de São Paulo.

Outras providências tomará ainda em 1961, como a instalação da Orquestra Sinfônica Estadual (*), a qual se processará sob a orientação técnica da Comissão Estadual de Música. Parte do equipamento da Orquestra será adquirido com dotações reservadas a investimentos do Plano de Ação do Governo, dotações pelas

(*) Lei n.º 2.723, de 13 de setembro de 1954.

quais, aliás, está sendo construído o Conservatório Dramático e Musical de Lorena, obra arquitetônica moderna, de caráter pioneiro no gênero.

TEATRO

As grandes linhas de ação da Comissão Estadual de Teatro acham-se consubstanciadas (*) no Plano Estadual de Estímulo ao Teatro. Em obediência a esse Plano, a C.E.T. adotou as seguintes medidas em 1960:

- auxílio à montagem de espetáculos de alto nível, por elencos profissionais, tendo sido já beneficiados vários conjuntos;
- envio de elencos categorizados a 15 cidades do Interior;
- estímulo à atividade de grupos amadores artisticamente bem orientados;
- auxílio financeiro a entidades representativas de atividades da classe ou assistenciais, bem como a circos, pavilhões e circos-teatro;
- manutenção de cursos de aperfeiçoamento vocal e de aperfeiçoamento plástico, ambos para atores, de iniciação teatral, em São Paulo, Santos e Campinas, e de marionetes;
- realização do 1.º Festival do Teatro Brasileiro em Santos, durante o mês de julho, com a afliência de mais de 20.000 espectadores, e ainda dos Festivais Amadores de Santos e do Litoral e de Rio Claro; e
- realização da Quinzena Teatral, em São Paulo, a preços reduzidos, entre 1.º a 15 de novembro e à qual compareceram cerca de 70.000 pessoas.

Além dessas atividades, o Governo atendeu a pedidos de financiamento pelo Banco do Estado, formulados por vários elencos teatrais, dentro do limite, para cada empréstimo, de Cr\$ 600.000,00. Ingressaram também, na Caixa Econômica do Estado, com pedidos de financiamento para construção de casas de espetáculo, várias Prefeituras do Interior, entre as quais podem ser mencionadas as de Jundiaí, Campinas, São Carlos e Mari-

(*) Decreto n.º 30.765, de 27 de janeiro de 1958.

lia. Continuam em construção os teatros de Botucatu e São José dos Campos, estando o primeiro para ser em breve inaugurado.

No corrente exercício, além de atividades normais, a C.E.T. transformará em realidade a idéia do Seminário Permanente de Teatro, a ser iniciado com uma Convenção do Teatro Paulista. Esse Seminário servirá de órgão de esclarecimento e orientação da classe.

Será distribuído, finalmente, o prêmio "Anchieta" à melhor peça brasileira, de acordo com bases de concurso ao qual se dará amplitude nacional.

C I N E M A

A Comissão Estadual de Cinema também trabalhou planejadamente, interessando-se de modo especial por um convênio com a Cinemateca Brasileira, segundo o qual o Estado dará à entidade condições de preservação dos filmes e de regular funcionamento, comprometendo-se a Cinemateca, por seu turno, a manter registro histórico e colaborar com o poder público na divulgação do cinema como forma de arte e instrumento de cultura. Cooperará, igualmente, a Cinemateca, com órgãos cuja ação proveja o uso do cinema educativo. Foi determinada a transformação da Cinemateca em Fundação e o Convênio será imediatamente assinado para envio à Assembléia Legislativa.

Continuou a Comissão a estudar, em 1960, a constituição de uma sociedade de economia mista para a distribuição de filmes nacionais. Tomou outras iniciativas para melhor situação dos problemas do nosso cinema e seu estímulo, entre as quais merecem referência os contratos firmados para a realização de dois documentários coloridos, de alto nível técnico e artístico, a realização da 1.ª Convenção Nacional da Crítica Cinematográfica, que reuniu críticos de todo o País em São Paulo, e o curso de atores.

Com o escopo de chamar a atenção dos países cultos do Velho Mundo para o cinema nacional, entabulou a Comissão, ainda, os entendimentos necessários e tomou as providências

[58]

preliminares para a realização da I Semana do Cinema Brasileiro no Exterior, que constará da exibição, na Europa, de filmes brasileiros seletos, de curta e longa metragem. Essa Semana deverá ser levada a cabo no corrente exercício. Em 1961 a C.E.C. desenvolverá suas atividades legais e regulamentares, como a confecção de documentários, a distribuição dos prêmios Governador do Estado, o Curso de Técnicos e Atores, bem como tomará sob seu patrocínio direto a edição de volume informativo sobre o cinema brasileiro.

As Comissões de Cinema e Teatro proclamaram, em 1960, os vencedores dos Prêmios "Governador do Estado" de Cinema e Teatro, tendo esses prêmios sido entregues pelo Chefe do Poder Executivo.

M Ú S I C A

Defende a Comissão Estadual de Música a diretriz de que é necessário levar às populações do Interior, que se acham à margem dos movimentos artístico-culturais, os benefícios da cultura musical, por meio de concertos e recitais de grandes artistas nacionais e estrangeiros, bem como de jovens vocações que mereçam ser estimuladas. Simultaneamente, bate-se pelo aprimoramento do ensino musical no Estado.

Com relação a este último ponto, aberto que foi, em 1960, a título experimental, o curso de formação de professores, previsto para 4 anos, apresentaram-se às provas de seleção mais de 200 candidatos do Interior e da Capital. E após um período de vários meses de funcionamento, o êxito obtido permite afirmar que o Curso veio atender aos anseios gerais de alunos adiantados e de jovens professores que se achavam sem possibilidades de obter formação técnica no nível desejável. Para ainda mais aperfeiçoar esses alunos, pretende a C.E.M. promover cursos públicos, conferências, recitais e concertos a cargo desses mesmos alunos, sob a orientação de seus mestres.

No plano da difusão musical no Interior, processaram-se concertos e recitais nas cidades de Araraquara, Barretos, Bauru,

[59]

0531

Campinas, Franca, Lins, Marília, Piracicaba, Ribeirão Preto, Rio Claro, São Carlos, São José dos Campos, São José do Rio Preto, Sorocaba e Taubaté.

No campo do incentivo a compositores, intérpretes e estudantes, foram abertos quatro concursos, com apreciável número de concorrentes e bom nível geral, tanto técnico como artístico. Esses concursos referiram-se a composição de "suite, série ou ciclo de 4 peças para piano", execução para quarteto de cordas e para violinista e monografia para estímulo de jovens estudantes.

L I T E R A T U R A

Pretende o Governo, por intermédio da Comissão Estadual de Literatura, não só difundir o gosto pela leitura, como criar ambiente favorável à produção original, nos vários ramos da literatura. Para isso, a ação da C. E. L. é direta e indireta, por meio de recitais de declamação, no Interior, a cargo de conjuntos especialmente preparados, de edições de livros de caráter manifestamente não comercial, de cursos e de estímulo e assistência às bibliotecas do Interior.

As edições da C. E. L. têm alcançado repercussão até mesmo nos círculos estrangeiros interessados no estudo das letras brasileiras, podendo citar-se, a esse propósito, expressões elogiosas emanadas de catedráticos da Alemanha, França, Itália, Bélgica, Portugal, Estados Unidos.

No corrente exercício, a C. E. L., além de suas edições normais, iniciará o preparo de duas obras pioneiras, o "Dicionário de Literatura Brasileira" e o "Dicionário de Termos de Crítica Literária". Preparará para publicação, também, o texto da "Academia dos Felizes", até hoje inédito, e cujo apógrafo pertence ao historiador J. F. de Almeida Prado.

Ainda no campo das letras, o poder público levou a termo a "Semana de Paulo Setúbal", com a instituição de concurso de ensaios e distribuição de prêmios, por iniciativa da Secretaria do Governo e do Conservatório Dramático e Musical "Dr. Carlos de Campos" de Taubaté, bem como realizou as comemorações anuais euclidianas em São José do Rio Pardo.

[60]

ARTES PLÁSTICAS

No setor de artes plásticas, o Governo prosseguiu estimulando a produção original de pintores, escultores, decoradores e arquitetos, promovendo o XXV Salão Paulista de Belas Artes e o IX Salão Paulista de Arte Moderna. Para suscitar vocações, promoveu também duas exposições circulares de obras pertencentes ao acervo da Pinacoteca do Estado, a primeira em São Caetano do Sul e a segunda em São José do Rio Pardo.

EDUCAÇÃO FÍSICA E ESPORTES

Pela sua repartição especializada, a administração pública organiza, orienta, fiscaliza e difunde a prática da educação física, dos esportes e da recreação nos estabelecimentos oficiais e particulares de ensino, bem como nos órgãos de recreação. Também ampara o esporte amador e fiscaliza a prática da educação física e esportes em organizações esportivas particulares afins, estimulando essas atividades com a realização de certames e competições de variada natureza. Deferiu, ainda, subvenções e auxílios a entidades esportivas, promove o registro de instituições de educação física e esportes e concede alvarás de funcionamento desportivo por intermédio do Conselho Regional de Desportos.

De modo geral, as atividades do Departamento de Educação Física e Esportes se avolumaram em 1960. No campo da educação física, que abrange 763 estabelecimentos de ensino, dos quais 169 na Capital e 594 no Interior, houve fusão de atividades, com o incremento das demonstrações de ginástica, certames de diversas modalidades e torneios que reuniram equipes de várias regiões, em autênticas olimpíadas promovidas pelas Delegacias Regionais de Educação Física e Esportes.

De outra parte e no que se refere estritamente aos esportes, o plano se desenvolveu, em toda a sua plenitude, com a realização dos Jogos Regionais e de campeonatos com caráter

[61]

0532

poli-esportivo, que tiveram a participação de representações de mais de uma centena de cidades.

A U X Í L I O S

O Governo garantiu alojamentos a esportistas em geral e a numerosas caravanas estudantis que vieram a São Paulo para as competições ou com objetivos culturais. As praças de esportes do Departamento de Educação Física e Esportes foram cedidas a clubes, federações, instituições particulares e colégios, para a prática de espetáculos e realização de competições de toda natureza. A piscina e ginásio, situados na Água Branca, o ginásio e o velódromo, existentes no Conjunto Esportivo do Ibirapuera, foram palcos de empreendimentos de natureza variada.

Merecem, contudo, relevo especial, os auxílios financeiros propiciados pelo Governo às Federações Esportivas e às entidades esportivas de diferentes pontos do Estado, ao lado de respeitável parcela despendida com passagens ferroviárias para a locomoção de caravanas de clubes esportivos que participaram de certames oficiais e torneios de federações especializadas, com o que se procurou assegurar estímulo constante às práticas esportivas.

Nesse particular, cabe referência especial à concessão de isenção do imposto de transmissão de propriedade imobiliária "inter vivos" às aquisições de imóveis, feitas por entidades esportivas, para a construção ou instalação de suas sedes para a prática das modalidades esportivas, previstas em seus estatutos (*).

PLANOS PARA 1961

Pretende-se estudar a construção de um centro popular de educação física, em área que integra o conjunto esportivo do Ibirapuera; adquirir equipamento elétrico para a iluminação do Velódromo desse parque, e instalar gabinete médico para pesquisas dos métodos científicos do esporte e educação física, notadamente o "Interval Training".

(*) Lei n.º 5.317, de 16 de agosto de 1960.

Quanto a auxílios e subvenções, foram consignadas dotações para cada uma das Federações Esportivas de São Paulo, o que representa grande passo no amparo a todos os ramos oficialmente organizados do desporto no Estado. Possibilidades existem ainda, de serem outras entidades auxiliadas pelo Governo, por intermédio de recursos disponíveis do Departamento de Educação Física e Esportes.

JUSTIÇA E SEGURANÇA PÚBLICA

PROBLEMA DO MENOR

No campo da assistência ao menor, a política do Governo se orientou no sentido de reaparelhar e dinamizar o Serviço Social de Menores.

Grças às verbas do Plano de Ação do Governo e aos recursos do Fundo de Assistência ao Menor, foi possível reequipar totalmente os estabelecimentos desse Serviço.

Iniciaram-se substanciais reformas nos pavilhões do Serviço de Abrigo e Triagem e, bem assim, no Instituto de Iaras, no de Batatais, no de Guarujá e no Patronato "Anita Costa", de Lins, a fim de possibilitar-lhes melhor funcionamento e aumentar-lhes a capacidade de internamento.

Já no início do ano, inaugurou-se o Instituto "Dna. Paulina de Souza Queiroz", na Água Funda, destinado a recolher meninos excepcionais — estabelecimento cuja falta, de há muito, se fazia sentir. Tal estabelecimento foi dotado, com os recursos do Plano de Ação, do pessoal e do equipamento necessários ao seu normal funcionamento.

De outra parte, foi aumentado o número de convênios com as entidades particulares, contando agora, o Governo, com a colaboração de oitenta e três instituições para o encaminhamento de menores.

A atividade da Administração, porém, não se cingiu à tomada de medidas visando a minorar a situação dos menores aban-

donados, necessitados ou infratores. Entendeu-se que seria imperioso, também, dinamizar a atuação do Serviço Social de Menores, a fim de que não continuasse a ter apenas a finalidade única de receber menores carecentes de assistência.

Se é indispensável abrigar crianças necessitadas, não menos relevante é o trabalho que leva a não precisar recebê-las.

Nessa esteira de pensamento, participaram os especialistas da Secretaria da Justiça de inúmeras concentrações de juizes de direito, prefeitos, professores e diretores de entidades assistenciais no Interior.

Nesses simpósios, discutiu-se, em público, amplamente, o problema do menor, preparando-se essas regiões para a organização de consórcios intermunicipais destinados à prestação de assistência a menores, consórcios esses sediados em cidades que, no futuro, serão sedes de agências do Serviço Social de Menores.

Foram realizadas quarenta e uma conferências no Interior, onze na Capital e estimuladas as criações de centros de estudo do problema do menor em Matão e Lins.

FUNDO DE ASSISTÊNCIA AO MENOR

O Fundo de Assistência ao Menor, órgão criado por lei junto ao Serviço Social de Menores, desenvolveu grande atividade no exercício passado, dentro de sua função de auxiliar da administração direta.

Por três vezes, durante o ano, foram distribuídos subvenções e auxílios a cerca de 166 entidades particulares da Capital e do Interior, num total da ordem de 60 milhões de cruzeiros.

O Conselho autorizou ainda a aquisição de equipamentos especiais para os diversos Institutos de Menores, de forma a atualizar a sua aparelhagem e a desenvolver a sua eficiência, com o objetivo de instrução e ocupação dos seus internados.

A arrecadação do Fundo de Assistência ao Menor, no ano anterior, alcançou a casa dos 100 milhões de cruzeiros, cifra que bem demonstra a pujança do Fundo e as enormes possibilidades que oferece como órgão auxiliar da Administração.

Por outro lado, o Governo concedeu verbas substanciais para o Serviço Social de Menores e, em especial, para o estabelecimento de convênios com entidades particulares assistenciais.

REFORMA DO SERVIÇO SOCIAL DE MENORES

Entretanto, sem embargo das medidas tomadas, objetivando enfrentar o problema do menor, forçoso é reconhecer que o Serviço Social de Menores luta ainda com sérias dificuldades, especialmente em razão de não possuir prédios adequados. Atento a isso, providenciou o Governo a elaboração de projetos de construção de novos prédios.

Tais projetos permitirão se torne realidade um Serviço Social de Menores bem planejado, organizado e orientado, contando com estabelecimentos adequados para abrigar e educar os menores recebidos.

Pelos estudos em andamento, a orientação fundamental a ser seguida, na reforma do Serviço, deve ser, em princípio, a seguinte:

- I — Para o adequado atendimento do menor abandonado ou infrator, o Estado selecionará os diversos campos de trabalho. Assim, unidades mantidas pelo Estado ou por particulares, terão características próprias e empregarão métodos específicos na execução das respectivas tarefas.
- II — O Estado tomará a seu cargo os seguintes setores:
 1. Triagem — cobrindo todas as necessidades (até 18 anos, de ambos os sexos).
 2. Internamento de
 - a) normais;
 - b) oligofrênicos educáveis e não educáveis;
 - c) menores com problemas de conduta; e
 - d) casos de personalidades psicopáticas.

III — O Estado manterá um sistema de convênios com entidades particulares e instalações hospitalares em geral, para encaminhamento e internamento de menores.

IV — Para cobrir todas as necessidades, incentivará a organização de instituições particulares, tanto para o internamento de menores normais, quanto para atuação em setores mais especializados. Manterá, para isso, um sistema de orientação e fiscalização, inclusive propiciando estágios de funcionários, de entidades particulares, nas instalações do Estado tomadas como padrão.

Ao se efetivarem as medidas afinal sugeridas por aqueles estudos, estará o Serviço Social de Menores apto a melhor preencher suas altas finalidades.

PROBLEMA PENITENCIÁRIO

Dando desenvolvimento às atividades iniciadas no ano anterior, no setor penitenciário, intensificou-se a ação do Departamento dos Institutos Penais, durante o ano de 1960.

A política do Governo, no referido setor, já havia sido realmente delineada no exercício passado, quando, depois de cuidadoso levantamento das necessidades no âmbito carcerário, em todo o Estado, se estabeleceu amplo e extenso programa, tanto na parte técnica, quanto na de construções.

Assim, foram concluídos os estudos e as especificações técnicas e científicas necessárias à construção das 2.^a e 3.^a penitenciárias regionais e do Instituto Profissional, com localizações agora fixadas, respectivamente, em Avaré, Araraquara e Matui.

Essas novas penitenciárias, com capacidade cada uma para 450 sentenciados, foram projetadas obedecendo ao que de mais adiantado existe no assunto e atendendo às recomendações dos mais categorizados estudiosos da ciência penitenciária. Serão estabelecimentos modelares, com todos os requisitos aconselhados pela ciência e pela técnica, a fim de atingirem plenamente o objetivo de recuperação e de reintegração, na sociedade, dos elementos que delinqüiram ou praticaram infrações.

[66]

Foi também acelerada a construção da primeira penitenciária regional, localizada em Presidente Venceslan, com capacidade para 400 sentenciados.

Na Penitenciária do Carandiru — a já antiga mas sempre afamada Penitenciária do Estado — foi feita a adaptação de um pavilhão, parcialmente usado como almoxarifado, e nele instalado um moderno e bem aparelhado hospital, com capacidade para 40 leitos, destinado a presos tuberculosos, de forma a permitir a retirada, das cadeias e estabelecimentos penais, de todos os detentos portadores desse mal.

Atacando com decisão o problema do alojamento e recuperação das mulheres condenadas, o Governo fez construir, no ano passado, um pavilhão novo, ao lado do Presídio Feminino do Carandiru, de forma a ampliar a capacidade deste, para mais 50 sentenciadas.

Dessa forma, e com a construção de novo presídio feminino na cidade de Tremembé, com capacidade para 80 sentenciadas, terá o Governo resolvido o problema das mulheres condenadas, em todo o Estado de São Paulo.

Para a instalação do presídio de Tremembé, foi aproveitado um próprio estadual, cuja adaptação está sendo feita de maneira acelerada, de modo a ensejar sua inauguração ainda este ano. Será um presídio modelo, destinado ao cumprimento dos três primeiros estágios da pena, e dotado de todos os recursos necessários à reeducação e reintegração social das detentas.

Por outro lado, foi aumentada a capacidade da Casa de Custódia e Tratamento de Taubaté, destinada aos fronteiriços. Tanto ela, quanto o Instituto de Reeducação de Tremembé — destinado ao cumprimento das medidas de segurança — constituíram-se num dos pontos altos do Departamento dos Institutos Penais.

Cabe acentuar, aqui, os últimos resultados obtidos nos três presídios abertos, mantidos pelo Departamento, respectivamente, em São José do Rio Preto, Bauri e Itapetininga. Bem aparelhados e com elevado índice de produção agrícola, esses estabelecimentos têm permitido que se realize, plenamente, o objetivo de recuperação do delinqüente.

[67]

0535

Durante o ano passado, concluíram-se os estudos para a feitura do regulamento geral dos presídios e para a instituição do Fundo de Trabalho Penitenciário, medida esta já em execução (*) e de cuja aplicação é de se prever grande benefício, especialmente para os presídios abertos. Não só permitirá perfeito controle da movimentação dos produtos dos institutos agrícolas, como ainda propiciará maior incentivo para o trabalho penitenciário. A laborterapia encontrará, certamente, maior campo de ação, com as providências determinadas e permitidas pelo decreto.

ASSISTÊNCIA JUDICIÁRIA

Setor em que se fez sentir, de maneira intensa, a atividade do Estado, é no da prestação de assistência judiciária gratuita aos economicamente fracos.

É a assistência judiciária gratuita levada a efeito em todos os ramos do direito: civil, penal, trabalhista, da família, e sob todas as formas: preventiva, repressiva, ou, ainda, postulatória.

Pelos advogados da Procuradoria de Assistência Judiciária, em 1960, foram atendidas 70.187 pessoas e ajuizadas 2.678 ações.

REFORMA JUDICIÁRIA

Embora seja assunto, cuja iniciativa é, no momento, (**) do Egrégio Tribunal de Justiça, a Reforma Judiciária vem sendo acompanhada de perto pelo Poder Executivo, com estreita colaboração da Secretaria da Justiça à Comissão de Desembargadores encarregada do assunto.

Sua primeira fase, ainda em exame nesta Assembléia (***), objetiva, especialmente, a organização dos serviços judiciários do Interior, tendo ficado para uma segunda etapa a solução de problemas atinentes à organização judiciária da Capital.

(*) Decreto n. 37.621, de 3 de janeiro de 1961.

(**) Artigo 124, n.º 1, da Constituição Federal.

(***) Projeto de lei n.º 531, de 1960.

O Governo designou Comissão para estudar o regime jurídico das serventias de justiça, a qual já apresentou seu trabalho, agora objeto de exame por parte da Secretaria da Justiça.

Continuaram em atividade, nessa Secretaria, as Comissões criadas em 1959 (*) e destinadas ao estudo das medidas que devam ser propostas, pelo Governo do Estado, com o objetivo de reforma dos Códigos de Processo Penal e de Processo Civil.

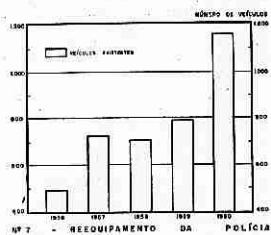
REAPARELHAMENTO DO ORÇAMENTO POLICIAL

Já na Mensagem anterior foram ressaltadas as graves consequências, para a segurança pública, decorrentes do ritmo de crescimento da nossa Capital, conjugado com o dos municípios de Santo André, São Bernardo, São Caetano e Guarulhos; entre outros problemas, resulta que uma enorme área de 400 km², servida por 20.000 vias públicas, deve ser policiada dia e noite. Para tal seria necessário um efetivo aproximado de 100.000 homens.

Torna-se evidente, pois, que a solução do problema de policiamento uniformizado tem que ser deslocado do campo pessoal para o campo predominantemente mecânico. A patrulha a pé é substituída pela motorizada, em operação dentro de setores rigorosamente estudados que, em conjunto, devem cobrir toda a área a policiar. O patrulhamento a pé será destinado ao policiamento de focos de grande incidência criminal, onde se torna indispensável mais íntimo contacto.

Dai a importância de se desenvolver a frota de patrulha e o empenho do Governo nesse sentido. Conta já o município da Capital com 286 viaturas em serviço de patrulha (286 setores), com um total de 380 veículos, dadas as necessidades de reserva para substituições ordinárias (vistoria, pequenos reparos, lavagem e lubrificação) e extraordinárias (grandes reparos ou substituições definitivas). Nesse número incluem-se, também, reservas para ocasiões excepcionais, como as de perturbação de ordem pública, por exemplo.

(*) Projeto de lei n.º 531, de 1960.



Durante o ano de 1960, o Governo aumentou o número de setores de patrulha mecanizada, de 45 para 137. Espera-se elevá-lo, no presente ano, para 200, sem prejuízo do fornecimento de veículos a outros municípios e do atendimento das demais necessidades policiais.

Não teria sentido, porém, cuidar da melhoria das frotas de polícia sem atentar para os problemas de sua manutenção. Foi prevista a descentralização dos trabalhos por quatro garagens-oficiais, a serem localizadas nas zonas policiais da Capital que circundam as Zonas Centro (Norte, Sul, Este e Oeste). Dos quatro edifícios necessários às instalações, um já se encontra em construção e dois têm os respectivos contratos já aprovados.

DESCENTRALIZAÇÃO DA POLÍCIA NA CAPITAL

A centralização dos trabalhos policiais, hoje existente na Capital, constitui um dos grandes problemas da segurança pública. No regime atual, as Delegacias distritais — Delegacias de bairro — funcionam em períodos limitados: fecham-se durante a noite, quando as suas atribuições passam a ser exercidas por cinco plantões de Zona, em toda a área da cidade.

Para se compreender como este sistema é prejudicial ao trabalho da polícia, basta lembrar as grandes distâncias que, em consequência, devem ser percorridas pelos funcionários policiais e pelas partes interessadas e, especialmente, a circunstância de terem os inquéritos que voltar, para prosseguimento, à Delegacia distrital própria.

[70]

Liga-se este problema à descentralização policial. Ainda outro é o da centralização dos trabalhos no Departamento de Investigações. Atualmente todos os casos de autoria incerta ou desconhecida são da competência desse Departamento. Como consequência, para ele afliu imenso volume de trabalho, sem caráter especializado e que, assim, deveria constituir atribuição das Delegacias distritais. Esse regime desvirtua a natureza especializada do Departamento de Investigações e dificulta seu funcionamento.

Distribuir, pois, pelas Delegacias distritais, toda matéria, cujo tratamento não exija alta especialização policial, constitui o segundo aspecto da descentralização. Como, porém, as instalações das Delegacias de distrito não comportam qualquer acréscimo de trabalho e o seu número é insuficiente para o atendimento mesmo das presentes necessidades, impõe-se a construção de novos edifícios.

Rigorosos estudos foram realizados antes de se lançar o Estado à tarefa extensa e delicada de oferecer condições indispensáveis à descentralização policial. Tais estudos incluíram a determinação do número exato de distritos necessários ao bom funcionamento da polícia por dez anos; a divisão racional da área da Capital; a localização ideal das sedes distritais e os projetos de edifícios funcionais. Manteve-se, o Governo, em 1960, empenhado em criar condições indispensáveis à descentralização dos serviços policiais. Foi ultrapassada a fase inicial — a mais morosa — que se estende da escolha do terreno à contratação da obra: 20 edifícios já têm os respectivos contratos autorizados e um já se encontra em construção.

INSTALAÇÕES POLICIAIS NO INTERIOR DO ESTADO

Também no interior do Estado teve prosseguimento a atividade da Administração no sentido de proporcionar melhores condições de trabalho à Polícia.

Trata-se, entretanto, apenas de atendimento do que há de mais urgente, porque, assim como na Capital, padece também o Interior dos graves problemas de centralização de trabalhos e de inadequada divisão territorial.

[71]

0537

Para enfrentar essa situação, fazem-se atualmente estudos cuja extensão e rigor jamais foram alcançados. O organismo policial do interior do Estado constituirá rede cuidadosamente tecida. Consideram-se, no momento, os sistemas ferroviário e rodoviário — estaduais e federais — e as alterações nêles previstas, a situação atual e as tendências de desenvolvimento dos municípios e, finalmente, o movimento policial de cada município.

Do resultado conjunto destes estudos advirá a solução dos problemas: a) da divisão territorial, que será processada de acordo com os sistemas de transporte e da amplitude de controle; b) da centralização, a ser resolvida de acordo com o princípio de amplitude de controle e através de agrupamento de Regiões em Zonas, com sede no Interior; e c) da classificação, mediante a observação global do desenvolvimento dos municípios e dos respectivos movimentos policiais.

Terá então nova significação a obra do Governo, empenhada em melhorar as instalações policiais do interior do Estado.

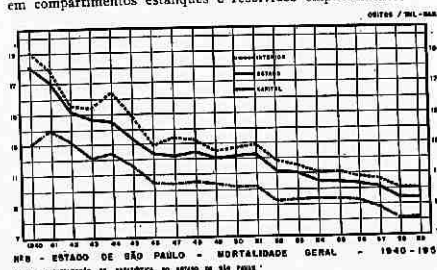
SAÚDE PÚBLICA E ASSISTÊNCIA SOCIAL

Não constitui segredo, nem representou demérito para a história progressa da Saúde Pública em São Paulo — pois se tratava apenas do reflexo de uma época e de uma mentalidade — certa imprevisão, certa rigidez, certa confiança em demais nos postulados que a norteavam e na suficiência das suas realizações pelos anos afora.

Mas, como nos demais setores em que se exerce a ação do Estado, também no campo da saúde houve uma "aceleração da história". Não foi suspeitada nem sentida, apesar da inquietação destes três ou quatro decênios. Mas, de súbito, verificou-se que era preciso renovar a política do Governo no complexo campo da saúde, rejeitando idéias retrógradas, revogando disposições arcaicas e substituindo o instrumental considerado obsoleto.

Parcialmente, essa compreensão já aflorara, o que permitiu tantas obras e empreendimentos relevantes, a despeito da inexistência de uma política de saúde permanentemente atualizada e sistemática.

Enquanto isso, São Paulo crescia demograficamente, agigantava-se economicamente e sua influência se projetava por vastos territórios limítrofes, cujas populações e interesses, pelas condições econômicas, geográficas e culturais, passaram a gravitar à sua volta. Esse impulso, em lapso de tempo relativamente curto, transformou por completo o panorama político-econômico-social do Estado. Novos problemas surgiram em todos os campos a exigir maior plasticidade no seu tratamento, mais presteza nas decisões, exame amplo e profundo de causas, consequências e inter-relações dos mesmos problemas e normas atualizadas de ação. Impunha-se, pois, uma superior política de saúde e não a perspectiva limitada de fatos isolados, estudados em compartimentos estanques e resolvidos empiricamente.



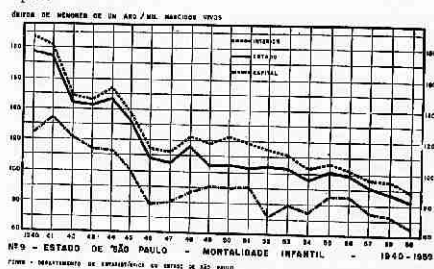
Já não basta encarar o presente e resolver os problemas mais imediatos; é mister pensar no futuro mediante planejamento a longo prazo.

No biênio 1959/1960, apoiado no Plano de Ação, focalizou o Governo os problemas gerais da Saúde Pública acelerando o ritmo da máquina administrativa e fazendo face à tripla dificuldade: crescimento da população a acarretar maiores demandas na prestação de assistência médico-sanitária; migrações internas tendo São Paulo como destino preferencial e em cujos contingentes, como é óbvio, avultam portadores de graves infes-

ações parasitárias e infecções, de diminuída ou nula resistência para certas doenças transmissíveis; e o próprio progresso das ciências médicas, ensejando recursos terapêuticos inacessíveis à bolsa das classes menos favorecidas que, assim, recorrem, cada vez em maior número, ao amparo e auxílio dos serviços públicos médico-assistenciais.

Problema importante a ser enfrentado é o da zona rural, com todas as suas particularidades e complexidades, onde se conjugam a falta de recursos, a desconfiança em relação à assistência a ser prestada e por vezes a indiferença dos donos da terra — tudo o que, em seu conjunto, assegurou até há pouco, a quase impenetrabilidade do meio rural à assistência médico-sanitária.

Mas o quadro pôde ser mudado ultimamente, porque, sem sombra de dúvida, dinamizaram-se os serviços de saúde: vai-se ao encontro do homem do campo e, pouco a pouco, ganha-se-lhe a confiança, tanto na prevenção da doença, quanto no seu tratamento; o seu negativismo transforma-se em colaboração e apoio.



Dispõe São Paulo de uma rede de Unidades Sanitárias cobrindo toda a superfície territorial, mas, se o número delas é vultoso, a prestação de serviços, embora nitidamente superior ao que se fazia há poucos anos, está ainda aquém do desejável, não

[74]

só quanto ao material humano, como quanto à estruturação e aparelhamento dos órgãos de ação.

Esse problema vem merecendo a maior atenção do Governo, estando, de maneira mais imediata, sob a apreciação do Conselho Superior de Saúde, há mais de ano em funcionamento e integrado por nomes ilustres da cátedra, das associações médicas e dos quadros da saúde pública.

Estão sendo elaborados projetos de grande significação e extensão, capazes de equiparar São Paulo, no campo da saúde, às regiões mais adiantadas do mundo.

UNIDADES SANITÁRIAS

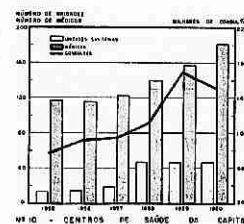
Constituem as unidades sanitárias célula mater da organização de Saúde Pública, representando a primeira linha de defesa sanitária.

Partindo do modesto Posto de Assistência Médico-Sanitária, exercendo medicina preventiva e curativa e ao qual são progressivamente adicionados serviços especializados, chega-se às grandes unidades — o Centro de Saúde Integrado, de atividades polivalentes.

Especial atenção deu o Governo à criação e instalação de unidades deste último tipo, havendo já na Capital algumas delas em atividade, como a de Vila Maria.

A reunião destes serviços num mesmo local assegura eficaz rendimento, que não representa simplesmente a soma dos serviços isolados, mas sim a sua potencialização.

A rede de unidades sanitárias, excluída a Hospitalar, espalhada pelo Estado, está representada pelos seguintes serviços:



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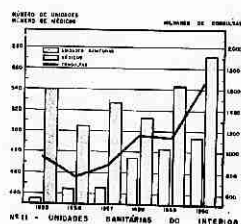
Serviços de Centros de Saúde — 46 unidades
Departamento Estadual da Criança .. — 117 "

Na Capital:

Divisão de Tuberculose — 16 "
Departamento de Lepra — 12 "
Instituto de Tracoma e Higiene Visual — 6 "
Divisão do Serviço do Interior — 482 "
Departamento Estadual da Criança .. — 469 "

No Interior:

Divisão de Tuberculose — 36 "
Departamento de Lepra — 38 "
Instituto de Tracoma e Higiene Visual — 80 "



Essa gigantesca rede, somando um total de 1.302 unidades de diferentes tipos e finalidades, está sendo paulatinamente integrada nas unidades polivalentes.

ASSISTÊNCIA MÉDICA

A assistência médico-sanitária, prestada pelo Governo, não se limita à medicina preventiva.

Além da rede hospitalar geral e especializada, os ambulatórios médicos das diferentes unidades sanitárias prestam assistên-

cia curativa à população, incluindo o fornecimento, não só de medicamentos ou outros agentes terapêuticos, como também de alimentos.

Assim, cerca de 8 milhões de pessoas foram examinadas, no ano findo, por médicos da Saúde Pública; cerca de um milhão e meio de exames de laboratórios foram realizados; dois milhões e quatrocentas mil latas de leite em pó foram entregues à população infantil, sem contar o leite "in natura" (um milhão de litros) e alimentos diversos.

Mercê dos amplos recursos que a Saúde Pública oferece no que tange à medicina curativa em São Paulo, corrente intensa de doentes de outras regiões se dirige para cá, não só do Brasil como também de países da América Latina.

ASSISTÊNCIA SANITÁRIA

Especial atenção foi dada à profilaxia das moléstias infecto-contagiosas. Essa profilaxia, além de cura dos doentes, é feita através da vacinação preventiva.

Em 1960, foram aplicadas cerca de cinco milhões de vacinas preventivas, destacando-se três milhões e novecentas mil de vacinas antivariolicas; cento e cinquenta mil de vacinas Salk; duzentas mil vacinas anti-diftéricas, além de outras.

Esta profilaxia intensa e praticamente em massa não impediu o aparecimento de alguns focos de moléstias infecto-contagiosas, como o de varíola em Barretos, com 180 casos, e o de Limeira, com 175 casos; o de febre tifóide, em Pinhal, com 38 casos e o aumento dos casos de poliomielite nesta Capital, com 789 em 1960, contra 451 em 1959.

Estes pequenos focos não chegaram a comprometer a situação sanitária do Estado, que pode ser classificada como boa.

Basta comparar o coeficiente de mortalidade infantil (até 1 ano) em nosso Estado: 74 e 103 na Capital e Interior, respecti-

vamente, com os 183 de Vitória (Espírito Santo); 105, da Guanabara; 139, de Porto Alegre; 421, de Natal (Rio Grande do Norte). Sem dúvida

nenhuma, concorre para este estado de coisas, não só a contribuição da medicina curativa, como a vacinação em massa, a educação sanitária — que fez imprimir e distribuir, pelos diferentes serviços, mais de 1 milhão de folhetos educativos — o saneamento do meio através dos médicos sanitaristas, complementando a atuação da engenharia sanitária.

DESIDRATAÇÃO INFANTIL

No ano findo, registraram-se 171 mil casos de desidratação infantil. Dos 80.500 casos da Capital, cerca de 34.200 exigiram hidratação parenteral, feita nos chamados Postos de Retaguarda oficiais ou particulares, subvencionados pelo Estado, com um total de 1.035 óbitos, portanto, com um coeficiente de mortalidade igual a 3%.

Aumentadas, em 1960, as mesas de hidratação para 340 (comparando-se com as 244 de 1959), pôde o Governo dar melhor assistência às vítimas da desidratação.

PROFILAXIA DA RAIVA

No ano passado, foram atendidas 19.415 pessoas atacadas por cães raivosos. O Estado se limita à aplicação da vacina preventiva nas pessoas suspeitas de estarem contaminadas. A profilaxia verdadeira — a eliminação dos cães vadios, que somam cerca de 600.000 na Capital — não se compreende em sua competência legal, pois é de órbita municipal.

[78]

ASSISTÊNCIA MÉDICO-SANITÁRIA A OUTROS ESTADOS

Não se limita à população de São Paulo a assistência médico-sanitária prestada pela Secretaria da Saúde.

Ainda estão bem vivas na memória de todos as lamentáveis inundações no Vale do Jaguaribe, por ocasião do rompimento da barragem de Orós, no Estado do Ceará. Muitas vidas foram poupadas graças à rapidez de mobilização de recursos e à flexibilidade dos serviços de saúde pública paulista.

No ano de 1960, 8 Estados da Federação — Ceará, Piauí, Maranhão, Amazonas, Bahia, Rio Grande do Norte, Espírito Santo, Pernambuco — se valeram da assistência médico-sanitária (técnica e medicamentosa) proporcionada pelo Estado de São Paulo.

ENDEMIAS RURAIS

Entre as endemias que atingem predominantemente as populações rurais, avultam a malária e a doença de Chagas (tripanossomíase americana), que incidem em extensas áreas de nossa hinterlândia.

A malária caminha rapidamente para solução definitiva — a erradicação. O advento dos inseticidas de efeito residual (DDT), em 1945, abriu novos horizontes para a efetiva profilaxia desta parasitose, que infestava praticamente todo o Estado, poupando apenas a Capital e o Vale do Paraíba e constituía sério ônus para a economia agrária. Com a nova arma, foi obtido e mantido o controle da endemia, verificando-se redução de 80% em sua incidência, o que desde logo tornou superado o problema econômico-social que afligia as comunidades rurais.

Entretanto, permaneceu o problema sanitário a exigir nova diretriz na luta antimalárica, porque o desenvolvimento de resistência dos mosquitos aos inseticidas, comprovado em outros países, passou a constituir séria ameaça às conquistas obtidas.

Entrosando-se na campanha continental promovida pela Organização Mundial de Saúde e atendendo a compromissos assumi-

[79]

0541

dos com aquele órgão internacional, o Governo do Estado celebrou convênios, visando à erradicação da malária no território paulista.

Atualmente, ainda se verifica ocorrência de malária em maior ou menor intensidade, em 44% do território do Estado. A área malarifera de 110 mil quilômetros quadrados abrange, total ou parcialmente, 232 municípios, onde se encontram 477 mil habitações, na quase totalidade em áreas rurais, que devem ser beneficiadas semestralmente pelo DDT, a fim de proteger 2.380 mil habitantes expostos à infecção.

Quanto à endemia de Chagas, encontram-se em pleno desenvolvimento os trabalhos de profilaxia, visando a mantê-la sob controle. Até o advento dos inseticidas de efeito residual (BHC), quase nada se podia fazer no combate a esta parasitose. Em 1950, iniciaram-se medidas eficientes de profilaxia, através da aplicação do inseticida nas habitações rurais infestadas pelos triatomídeos ("barbeiros") transmissores da infecção. Entretanto, até há pouco, os serviços de profilaxia cobriam apenas um terço das necessidades, em rodízio irregular, não permitindo cobertura sistemática e permanente de toda a área endêmica. Os trabalhos realizados autorizam a concluir-se pela redução da endemia, não sendo possível precisar o alcance dos resultados porque ainda deficientes os conhecimentos científicos e meios teóricos da atualidade.

A solução deste problema esbarra, ainda, em sérios obstáculos quanto ao conhecimento epidemiológico e métodos de profilaxia, exigindo incremento de pesquisas científicas, mormente por se tratar de zoonose quase que exclusivamente centro e sul americana, pouco interessando os meios estrangeiros providos de grandes recursos para a pesquisa científica.

A endemia de Chagas se estende por 401 municípios, onde se encontram cerca de 680 mil habitações que necessitam pelo menos de uma aplicação anual de BHC, a fim de proteger 3.400.000 habitantes, na sua quase totalidade moradores de áreas rurais. A superposição das áreas endêmicas de malária e doença de Chagas, em larga extensão, possibilita a profilaxia conjunta de ambas as endemias em 197 municípios, com reais vantagens econômicas.

No combate a estas endemias rurais, propagadas por insetos, objetiva-se a cobertura integral das áreas endêmicas por meio do rociamento domiciliar com DDT e BHC, duas ou uma vez por ano, beneficiando cerca de 800.000 habitações em 436 municípios e protegendo 4 milhões de habitantes do Interior. A política sanitária traçada visa a:

- 1) Erradicar a malária, por meio de campanha de curta duração.
- 2) Manter sob controle a endemia chagásica e promover pesquisas científicas em busca de solução definitiva.

A campanha de erradicação da malária, cuidadosamente planejada e preparada em 1959, entrou em execução em fevereiro de 1960, tendo sido, por lei (*) criado um Fundo junto ao Serviço especializado, a fim de proporcionar a flexibilidade administrativa exigida.

Visando às pesquisas científicas, em abril foi celebrado convênio com o Ministério da Saúde. (**)

Desenvolvem-se os trabalhos na Faculdade de Medicina de Ribeirão Preto, com 8 pesquisas concluídas e 15 em andamento.

A esquistossomose mansônica, talvez a mais grave das endemias ocorrentes no País, instalou-se no Estado há alguns decênios, na região da baixada santista e recentemente invadiu, também, o Vale do Paraíba. Helmintose particularmente grave pelas lesões orgânicas que produz e carecente de terapêutica eficaz, torna-se ainda mais séria pela precariedade dos meios de profilaxia. Propagada pela água, seu combate exige ação coordenada de vários órgãos de saúde pública, visando especialmente ao saneamento do meio físico e à educação sanitária das populações. Esta endemia constitui fator de primeiro plano no problema de saúde pública, oriundo, para o meio paulista, do permanente e considerável intercâmbio demográfico do Estado com as regiões do Nordeste do País, onde está extremamente disseminada a parasitose, que ali chega a atingir 20% da população.

(*) Lei n.º 5.583, de 2 de fevereiro de 1960.

(**) Lei n.º 5.805, de 26 de setembro de 1960.

Durante o ano de 1960, ocorreram 385 casos novos no Estado e foram identificados 542 casos procedentes de outras unidades da União. Cabe especial referência ao novo foco da endemia que se instalou em Campinas, contribuindo com 246 casos novos no contingente citado. Ação rápida e enérgica, mobilizando todos os recursos necessários, possibilitou a definitiva solução deste problema, erradicando o novo e perigoso foco que se iniciava naquela próspera região.

Foi completado o levantamento epidemiológico dos municípios endêmicos do Vale do Paraíba e outros municípios também foram estudados, num total de 70, colhendo-se para pesquisa 41.526 moluscos (caramujos vetores da parasitose). Os trabalhos de profilaxia prosseguiram, tanto na região da baixada santista, como, com especial atenção, no Vale do Paraíba, dando-se prioridade à construção de fossas de tipo econômico e facilmente executável nos próprios locais de trabalho do homem rural. Os doentes são sistematicamente assistidos, o combate do caramujo é realizado por meio de lança-chamas ou moluscocidas e a educação sanitária vem operando em caráter permanente.

Mas é a ancilostomose, o decantado "amarelão" do nosso caibido, a mais difundida endemia rural no Estado, atingindo cerca de 70% da população do Interior. Felizmente, sendo a maioria das infestações de moderada intensidade, não permite consequências mais sérias sobre a saúde e produtividade do trabalhador agrícola. A sua profilaxia entre nós, como em todas as áreas de baixo nível econômico e cultural, desafia qualquer trabalho de saúde pública, por estar ligada a hábitos de higiene dificilmente removíveis. O sistemático tratamento dos doentes, tem seus resultados anulados pela certa reinfestação do indivíduo curado.

O controle da endemia exige ação permanente de educação sanitária e saneamento das áreas rurais.

O substancial reforço de viaturas, que as unidades sanitárias do Interior receberam, está possibilitando maior penetração dos trabalhos de saúde pública no meio rural. O entrosamento destes com os dos "Clubes Agrícolas" tem produzido resultados

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animadores, por isso que despertam o interesse e provocam a colaboração do próprio rurícola na solução de seus problemas de saúde.

O setor de higiene e saneamento rural terá melhor sucesso com o estabelecimento de convênios com as prefeituras locais, que permitirão a instalação e o funcionamento das equipes médico-rurais, cuja experiência já demonstrou a eficácia de rendimento que delas se pode obter.

TUBERCULOSE

Se é bem verdade que o problema da tuberculose, em São Paulo, apresenta aspecto nitidamente favorável em relação ao resto do País, graças à decidida luta que se lhe vem travando e malgrado o ingresso ininterrupto de doentes de outros Estados, as autoridades no assunto desaconselham qualquer arrefecimento na campanha.

Os estudos epidemiológicos, de si bastante complexos e a exigir alto senso crítico na apreciação dos dados, estão a recomendar intensificação nos programas de profilaxia, sob pena de malbaratarmos as conquistas conseguidas a tanto custo.

Com essa finalidade, dentro do Plano de Ação, vêm-se ampliando a rede dispensarial, atualmente com 52 unidades, adquirem-se unidades móveis de abreuografia, e, paralelamente, cresce o número de leitos disponíveis, já que um terço dos novos doentes identificados apresenta formas iniciais da doença susceptíveis de tratamento ambulatorial. Neste particular, é de ressaltar, no ano de 1960, a inauguração do Hospital de Catanduva, com 672 leitos e o término da lotação do Hospital de Santa Rita, agora com 1.000 leitos. Dispõe a rede hospitalar da Divisão do Serviço de Tuberculose de 4.538 leitos distribuídos por 9 nosocômios e, mercê de convênios, de mais outros 750, totalizando 1.311.102 leitos-dia.

No setor dispensarial, foram feitas 853.478 abreuografias, onde se diagnosticaram 8.834 doentes novos e se administraram 781.616 doses de B.C.G..

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0543

Para 1961, além da renovação do equipamento radiológico e aumento de produção de B.C.G., estão programados 7 novos dispensários, mais unidades móveis de abregoграфия, a construção do Hospital de Sorocaba, a ampliação do Hospital de Santos, construção do Centro Piloto de Reabilitação dos Tuberculosos Curados e início do Instituto de Pesquisas Clemente Ferreira e da sede da Divisão do Serviço de Tuberculose.

L E P R A

A Escola Paulista de Leprologia, de reputação internacional, conseguiu manter relativamente inalterada a incidência do mal, que entre nós oscila na proporção de 1 para cada 400 habitantes (2,5 por 1.000).

Urge, porém, a sua erradicação ou, pelo menos, o controle perfeito da infecção. Para tanto, duas condições se afiguram indispensáveis: evitar que "contactos" se transformem em doentes e estes em casos abertos.

A responsabilidade maior da luta passaria dos sanatórios, atualmente representados por uma rede de 5 sanatórios com 5.200 leitos, para os dispensários, em número de 50 no Estado, unidades dinâmicas de educação sanitária e reconhecimento dos casos precoces. Reservar-se-iam aos sanatórios as tarefas de observação dos doentes, tratamento e pesquisa. A par disso, deve en-sejar-se a assistência social a doentes e familiares, a qual se se prolongaria, após a cura através de programas de reabilitação e reintegração social do egresso.

Dentro do Plano de Ação, não só os atuais dispensários serão adequadamente equipados e lotados, como, por outro lado, 15 outras unidades dispensárias riscarão do mapa de São Paulo regiões onde nem sequer se conhece a prevalência do flagelo.

SAÚDE MENTAL

Um dos problemas de maior relevância a se impor ao poder público, em São Paulo, é o da assistência ao doente mental e, mais ainda, o da profilaxia das perturbações mentais. Sabe-se

que 56% dos leitos disponíveis, nos países mais desenvolvidos, são ocupados por tais enfermos, de difícil recuperação e que acarretam maiores dispêndios.

Essa é uma das razões por que a tendência é intensificar o tratamento precoce em ambulatórios psiquiátricos, em clínicas de tratamento intensivo, de par com providências de higiene mental. Exemplo disso é o Pronto Socorro Psiquiátrico de Vila Mariana, onde, no seu primeiro ano de funcionamento, entre 9.168 casos agudos atendidos, apenas 42% tiveram necessidade de internamento. É este o rumo a seguir: prevenção, tratamento precoce nos ambulatórios, clínicas de tratamento intensivo.

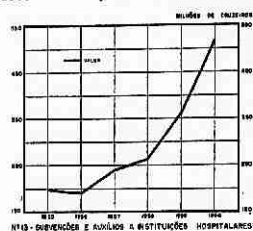
Durante decênios, concentrou-se na Capital e em Franco da Rocha a assistência a doentes de todo o Estado, em regime de superlotação que anulava qualquer velocidade de resolver o problema. A solução técnica e verdadeira é a instalação de Hospitais Colônias em diversas zonas do território para os casos de internamento e a construção de anexos psiquiátricos junto às instituições beneficentes, tipo Santa Casa de Misericórdia. Convém notar que nos hospitais de Franco da Rocha, para 10.300 leitos há um excedente de 4.700 internados.

Dentro do Plano de Ação, e em vista das prementes necessidades no tocante ao internamento, o Governo reservou cerca de 450 milhões de cruzeiros para reformar e construir novas instalações em Juqueri, Vila Mariana, Pinel, Água Funda, salientando-se a construção do Hospital de Botucatu, que irá aliviar a situação na primeira zona hospitalar e especialmente em Franco da Rocha.

ASSISTÊNCIA HOSPITALAR

Através dos diferentes órgãos, em uníssono, estimula-se, orienta-se, controla-se e se auxilia efetivamente o desenvolvimento da rede hospitalar no Estado, não só no tocante aos seus próprios hospitais, gerais e especializados, mas, sobretudo, dando não forte a instituições filantrópicas e à iniciativa particular bem intencionada.

Atualmente, a rede hospitalar é representada por 24 hospitais oficiais, gerais ou especializados, com 20.938 leitos, 750 leitos-convênio com 17 instituições e mais 247 instituições privadas, subvencionadas pelo Estado, com 5.195.925 leitos-dia, em 1960.



É de se ressaltar, no exercício de 1960, o montante de 287 milhões e oitocentos mil cruzeiros destinados a subvencionar 247 instituições particulares, o que representa acréscimo de mais de 50 milhões de cruzeiros sobre as verbas de 1959.

INSTITUTO DE CARDIOLOGIA

O Instituto de Cardiologia ampliou notavelmente as suas atividades assistenciais e de pesquisas, merecendo reparo a nova seção de radiocisótopos, de enorme valia no estudo da fisiopatologia cardíaca.

Projetou-se, para breve, a construção do Hospital de Cardiologia, complemento indispensável na luta contra o inquietante problema das doenças cardíaco-vasculares.

Em 1960, este órgão atendeu a mais de 25.000 pacientes.

Para 1961, nova aparelhagem possibilitará maior atividade da seção de hemodinâmica.

HOSPITAL DE ISOLAMENTO

Datam de 1880 e 1894 as instalações do Hospital de Isolamento Emílio Ribas. Grande parte do seu aparelhamento era arcaico e precário e angustiante a escassez de leitos agravada pela natureza das doenças de que aí obrigatoriamente se cuida.

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O Governo não poderia ficar indiferente a esse estado de coisas e já em 1959 providenciava no sentido de se edificar novo prédio e de prover de moderno material a tradicional instituição.

Os trabalhos estão muito adiantados, o que permitirá que, em 1961, o Hospital de Isolamento inicie nova fase de sua existência, em condições de desempenhar, com eficiência, as altas funções que lhe cabem na saúde pública de São Paulo. Com essa finalidade, o Plano de Ação reservou-lhe cerca de 200 milhões de cruzeiros.

FISCALIZAÇÃO ESPECIALIZADA

O alimento constitui típico problema de saúde pública por isso que é veículo permanente de introdução no organismo de agentes agressores da saúde.

A ação protetora do Estado deve visar não só à qualidade dos alimentos oferecidos à população, desde os fabricados e acondicionados até àqueles apresentados "in natura", assim como o controle das condições sanitárias dos locais de produção, armazenamento, venda e consumo público. Esta atividade já evoluiu do mero conceito de "policiamento" para o sentido mais amplo e eficiente da educação.

A ação fiscalizadora foi incrementada, elevando-se o índice de visitas de 1 em 1959 para 1,3 no ano findo. Igualmente, o índice de colheita de amostras para análises fiscalizadoras de produtos alimentícios elevou-se de 1 em 1959 para praticamente o dobro, ou seja 1,99 em 1960.

A proporção de produtos fraudulentos foi mínima: 0,5%, indicando o bom resultado da atuação preventiva.

Acompanhando o vertiginoso progresso da cidade, sentiu a saúde pública que não podia ficar indiferente aos graves problemas de vícios sociais que encontram clima propício ao seu desenvolvimento nas chamadas grandes capitais. Trata-se principalmente de uma ação preventiva, protetora sobretudo em relação

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à juventude, de molde a evitar a facilidade na aquisição de drogas entorpecentes ou excitantes e a ingestão de bebidas fraudadas. Estas são medidas que exigem uma colaboração também repressiva por parte de órgãos especializados, sobretudo no que diz respeito aos entorpecentes.

Com tal finalidade, a Saúde Pública articulou-se intimamente com a Segurança Pública, promovendo fiscalização em equipes conjuntas de ambos os órgãos. Obteve-se, assim, ao mesmo tempo, a colheita de amostras de bebidas, a pesquisa de drogas nos ambientes noturnos e a imediata repressão, por parte das autoridades, dos possíveis traficantes encontrados.

Esta ação conjunta, realizada em caráter experimental, revelou-se de alta eficiência e a sua programação deve ser objeto de estudos para futuro desenvolvimento.

LABORATÓRIOS

Esta atividade básica de saúde pública foi executada através de uma rede de laboratórios regionais, distritais e locais, além dos grandes laboratórios centrais, cabendo especial referência à inauguração do Pavilhão de Vírus e Rickettsias, unidade construída e equipada dentro dos mais modernos padrões científicos da atualidade.

Os laboratórios de saúde pública se destinam, não somente às análises indispensáveis para o controle da qualidade e pureza de drogas e alimentos, mas também aos exames para esclarecimento de diagnósticos e identificação dos agentes biológicos de agressão à saúde. Por outro lado, dedicam-se, também, à produção em escala industrial de produtos químicos e biológicos de alto padrão exigidos pelas atividades de saúde pública e realizam as investigações e pesquisas necessárias para o conhecimento científico de inúmeros problemas.

A demanda, em todos esses sentidos, tem crescido consideravelmente, a ponto de se encontrarem os laboratórios com a sua capacidade esgotada.

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O setor de microscopia do café, em convênio com o I. B. C., examinou 9.500 amostras, no ano findo, sendo evidente a sua atuação na melhoria de nossa principal produção econômica: a proporção de análises condenatórias caiu de 43,4%, em 1950, para menos de 1% em 1960.

Quanto ao câncer, a alta incidência de tumores malignos nos exames histopatológicos realizados (19,6%), está a indicar a urgente necessidade de se completar a instalação do laboratório de cito-diagnóstico.

Foram realizadas investigações sobre vírus, visando à elucidação de problemas de varíola, poliomielite, influenza e rickettsioses. O laboratório especializado foi equipado para realizar, em 24 horas, o diagnóstico diferencial entre os vírus da varíola e da varicela, processo de grande interesse em saúde pública.

No setor da produção industrial de preparados de uso sanitário (bacterinas, vacinas e vírus, toxóides, anavenenos, antitoxinas, antivenenos e quimioterápicos), ocorre também considerar o acréscimo da demanda, colocando os laboratórios no limite máximo de sua capacidade. As solicitações são oriundas, não somente da população crescente do Estado e de sua rede de unidades sanitárias cada vez mais extensa, mas, ainda, de outros Estados do País e mesmo do estrangeiro. Basta citar que no exercício em apêgo foram vacinados ou revacinados no Estado mais de 4 milhões de pessoas, ou seja, um terço de nossa população.

Além disso, iniciou-se a produção de soro anti-rábico de alta potência, destinado ao atendimento dos casos graves ou dos tratados com atraso, elevando ainda a produção de soro antiofídico a níveis nunca atingidos. O soro aracnídeo-escorpiônico começou a ser produzido pela primeira vez no mundo.

A produção químico-farmacêutica avolumou-se consideravelmente.

Com relação ao preparo de pessoal técnico de nível médio, foi celebrado convênio com o Ministério da Saúde e a Repartição Sanitária Pan-Americana (Organização Mundial de Saúde), tendo se realizado no ano findo o primeiro curso para treinamento de

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técnicos de laboratório frequentado por 20 candidatos, que receberam 1.290 horas de aula em 11 meses.

As atividades de pesquisas científicas, essenciais ao desenvolvimento dos trabalhos de saúde pública, tiveram prosseguimento, sendo agora facilitadas pela existência dos "Fundos de Pesquisas". Foram realizados numerosos trabalhos sobre venenos animais, ofiologia, parasitologia, aracnologia, bacteriologia, bromatologia e química-farmacêutica.

ASSISTÊNCIA SOCIAL

Durante longo tempo, a assistência social não passou de uma especificação a mais na designação de uma Secretaria de Estado; hoje já se compreende a inter-relação quase vital desses dois aspectos da assistência ao cidadão, num prólogo de esplêndidas promessas que se vão tornando auspiciosa realidade. A repressão à mendicância, por exemplo, já não é simples ideia em marcha. Não se pode negar a transformação sofrida na fisionomia da Capital paulista, no que tange a esse problema.

Os benefícios sem conta, decorrentes da campanha, paulatinamente se estenderão ao Interior, numa feliz e esclarecida cooperação entre as Secretarias da Saúde, Justiça e Segurança.

A fim de atender à complexa missão que cabe aos serviços de assistência social, naturalmente fez-se necessária a celebração de numerosos convênios com entidades particulares, com recursos do Plano de Ação, contratos esses que montaram a 35 milhões e seiscentos mil cruzeiros, aproximadamente. Dentro dessa mesma finalidade, concederam-se subvenções a 1.020 instituições, 344 na Capital e 676 no Interior, às quais coube um total de 18 milhões e 530 mil cruzeiros e 27 milhões e 520 mil cruzeiros, respectivamente.

Do par com as realizações — e nem poderia deixar de ser assim — prosseguem os trabalhos de campo e as investigações de caráter social, que servirão de base ainda mais segura para os empreendimentos futuros.

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ASSISTÊNCIA OFTALMOLÓGICA

O tracoma perdeu em São Paulo a feição trágica de outrora, quando invalidava dezenas de milhares de seres humanos. A sua incidência reduziu-se, de tal forma, que o Instituto do Tracoma, há anos, vem dedicando a maior parte de sua atividade à assistência oftalmológica em geral, atendendo principalmente às classes menos favorecidas economicamente, quer na Capital, quer no Interior.

Através do Plano de Ação, seus dispensários vêm recebendo o aparelhamento técnico indispensável.

SANEAMENTO

REGIÃO DA CAPITAL ÁGUA

No setor de abastecimento de água, o Departamento de Águas e Esgotos prosseguiu na execução de todas as obras e instalações, constantes do Plano de Ação, e destinadas a atender, até 1962, toda a população abastecível do município da Capital.

O Plano compreende obras de adução, novas instalações de tratamento de água, reservatórios, subadutoras e redes de distribuição em bairros ainda não beneficiados com esse melhoramento.

Para assegurar o volume de água necessário, foram atacadas, com maior intensidade, as obras de adução do Sistema Guarápiranga, tendo sido instalados o 6.º e 7.º grupos elevatórios e concluído o assentamento da 4.ª linha de recalque.

Essas obras possibilitaram um aumento de adução de ... 86.400.000 litros diários, volume suficiente para suprir cerca de 400.000 consumidores.

As instalações para utilização das águas do Baixo Cotia, em fase adiantada de execução, e a barragem, do Ribeirão do Cam-

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po, destinada a regularizar o Rio Claro, completam as obras de adução programadas para o ano.

Os melhoramentos introduzidos nas estações de tratamento de água e as ampliações para aumento de capacidade acompanharam o ritmo dos trabalhos de adução, tendo sido atacadas as obras da segunda e terceira etapas da Estação de Tratamento de Águas do Alto da Boa Vista e postas em funcionamento novas unidades com capacidade para purificar 2m³/seg.

Após a conclusão de todas as obras programadas, até 1962, para a Estação de Tratamento de Água do Alto da Boa Vista, essa estação se classificará entre as maiores e mais modernas instalações do mundo, no gênero.

As obras da nova Estação de Tratamento do Baixo Cotia, com capacidade para purificar 43.200.000 litros/dia, iniciadas em 1960, ficarão concluídas no início deste ano.

Na parte relativa a reservatórios, tiveram prosseguimento os trabalhos de acabamento dos reservatórios de Vila Mascote, Chácara Flora, Artur Alvim e São Miguel.

Foi iniciada a construção de novos reservatórios no Setor da Avenida e junto às estações de tratamento de Água no Alto da Boa Vista, cada um com capacidade de 10.000.000 de litros.

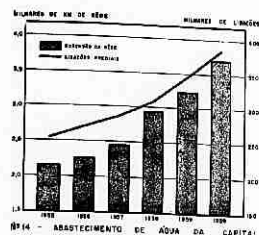
Na Estação de Tratamento de Água Prof. Teodoro Ramos foi concluído e entrou em funcionamento o reservatório de água filtrada, com 2.400.000 litros de capacidade, destinado a manter um tempo de contacto da água com o cloro e a compensar as variações entre a produção de água e a quantidade retirada pelas subadutoras.

Para melhoria do sistema de alimentação das redes, foi construída a subadutora de Vila Olímpia, importante linha de 1,00 m de diâmetro e 5.300 m de extensão.

O aumento de adução possibilitou a execução de extenso programa de desenvolvimento da rede distribuidora, tendo entrado em funcionamento 430.000 metros de novas canalizações.

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O número de prédios servidos pela rede pública elevou-se, de 344.167 para 377.056, podendo-se estimar em 2.640.000 o número de seus habitantes, ou seja, 90% da população abastecível. O Plano de Ação visa a elevar este valor a 100%, nos próximos dois anos.



Importantes projetos foram elaborados durante o ano de 1960, incluindo-se estudos para o aproveitamento do Tietê Superior, destinado a novo reforço de adução, o projeto do sistema de abastecimento de água de Guarulhos e o plano de esgotos para toda a parte baixa dos bairros da Luz, Bom Retiro, Barra Funda e para a bacia do Aricanduva.

Projeto e execução de novas redes de esgotos, de proporções sem precedentes, estão sendo programados para os anos de 1961 e 1962.

Em obras novas de águas e esgotos foi aplicada, no exercício de 1960, importância de cerca de 2 bilhões e cento e cinquenta milhões de cruzeiros, proveniente de recursos próprios do Departamento de Águas e Esgotos e de empréstimos das Caixas Econômicas Estadual e Federal.

Com vistas às necessidades futuras de água de toda a área metropolitana de São Paulo, até o fim deste século, a Comissão Coordenadora dos Planos de Aproveitamento das Águas desenvolveu um extenso programa de trabalho, tendo sido estudados os seguintes recursos hídricos:

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Mananciais já aproveitados:

Guarapiranga	9,5 m3/seg
Rio Claro	5,2 "
Alto Cotia	1,0 "
Baixo Cotia	0,5 "
Cabuçú — Cantareira	0,5 "
Buquiritu	0,3 "
Rio Grande	2,0 "

19,0 m3/seg

Novos recursos em estudos:

Alto Tietê	7,0 m3/seg
São Lourenço — Laranjeiras	3,5 "
Cupirivari — Monos	6,0 "

16,5 m3/seg

Verifica-se, portanto, que os mananciais considerados totalizam 35,5 m3/seg, ou seja, o volume necessário ao abastecimento normal de cerca de 8.000.000 de habitantes.

REGIÃO DA CAPITAL
ESGOTOS

No setor de esgotos as obras tiveram um desenvolvimento sem precedentes: a rede de esgotos da Capital foi ampliada de 186.000 m, atingindo a extensão total de 1.417.301 m, excluindo-se 110 quilômetros em fase adiantada de execução.

Com o acréscimo de 32.889 novas ligações efetuadas na rede pública durante o ano de 1960, o número total de prédios a ela ligados passou a ser de 194.196, correspondendo a uma população servida de 1.550.000 pessoas.

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Era esperado que

o aumento do número de ligações domiciliares à rede de esgotos não acompanharia o mesmo ritmo do desenvolvimento da rede sanitária, pois há sempre um espaçamento entre os dois serviços. Entretanto, logo que a rede pública é posta à disposição

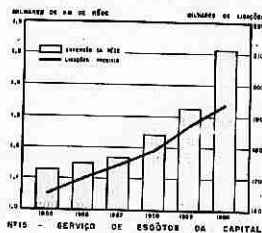
dos beneficiados, já passa a ter a rentabilidade prevista, sendo aplicáveis as taxas sanitárias.

Com o objetivo de facilitar, para a população economicamente mais fraca, a execução das ligações aludidas, o Departamento está estudando modalidade de financiamento para esses serviços.

Na atualização do Plano Geral de Esgotos, foram previstas 8 grandes estações de tratamento de esgotos, destinadas a eliminar completamente os lançamentos de despejos nos cursos de água que atravessam a região.

Dessas instalações, já se encontra em pleno funcionamento a Estação de Vila Leopoldina, que recebe duas terças partes dos esgotos da cidade. Em seqüência, cuidou-se da construção imediata da Estação de Tratamento de Pinheiros, que servirá a Zona Sul de São Paulo e que está destinada a aliviar o Canal de Pinheiros e a reprêsa Billings da grande sobrecarga recebida através dos despejos de extensa rede sanitária.

Com esse objetivo, o D.A.E. procedeu à desapropriação do terreno necessário, elaborou os planos técnicos da Estação e abriu concorrências públicas para aquisição dos equipamentos e execução das obras.



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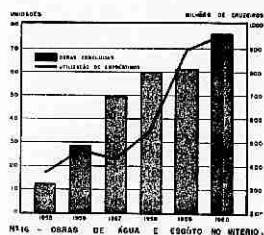
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ÁGUAS E ESGOTOS E OUTRAS OBRAS SANITÁRIAS INTERIOR DO ESTADO

O sistema de financiamento racional ao alcance da quase totalidade dos municípios interioranos e a atuação do Departamento de Obras Sanitárias dentro do campo técnico da engenharia sanitária contribuíram para oferecer um panorama, dentro do Estado de São Paulo, que dificilmente encontra paralelo na América Latina.

As condições atuais de saneamento do Estado apresentam um aspecto dos mais sugestivos: das 503 sedes de município existentes, cerca de 330 dispõem de sistema de abastecimento de água e, destas, mais de 170 possuem rede de esgotos sanitários.

A evolução dos trabalhos de saneamento em São Paulo tem sido objeto de estudo por organismos de outros Estados e mesmo internacionais, que procuram observar os fatores que influíram para o êxito do programa ora em realização. Esquemas semelhantes aos aqui adotados deverão, com pequenas modificações, ser experimentados em outras regiões do Brasil e da América Latina.



NT 16 - OBRAS DE ÁGUA E ESGOTO NO INTERIO.

A Organização Mundial de Saúde, o Serviço de Cooperação Interamericano (antigo Ponto IV) e outras instituições já manifestaram, através de técnicos que nos visitaram, a admiração pela maneira racional e efetiva como vem sendo solucionados, gradativamente, os problemas

No I Congresso Brasileiro de Engenharia Sanitária, realizado no Rio de Janeiro em julho de 1960, atraiu a atenção geral dos congressistas uma comunicação feita sobre o programa de saneamento do interior paulista, ora em execução pelo Governo.

A programação futura, dentro do previsto no Plano de Ação, possibilita esperar um aumento ainda maior de atividades, visando a dotar o Interior de condições ambientais apropriadas para a preservação da saúde da população e seu conseqüente progresso e desenvolvimento.

Para serviços de saneamento no interior do Estado, compreendendo projetos e obras de água, esgotos, matadouros e galerias de águas pluviais, a Caixa Econômica do Estado de São Paulo concedeu, só em 1960, financiamentos de perto de um bilhão e quinhentos e setenta milhões de cruzeiros, o que, somado ao saldo disponível de 1959, significou um total de compromissos no valor de cerca de dois bilhões, cento e setenta milhões de cruzeiros.

Dêse total, o Departamento de Obras Sanitárias, da Secretaria da Viação, aplicou efetivamente, em pagamentos de projetos, aquisição de materiais e equipamentos e em serviços de construção propriamente ditos, a quantia de 956 milhões de cruzeiros.

No setor de estudos e projetos, o Departamento, pela sua Divisão de Projetos, atende a 263 comunidades, realizando os seus técnicos 212 inspeções preliminares para aquele fim. Foram elaborados ou examinados 150 projetos de obras de saneamento e 51 levantamentos topográficos, existindo, no final do exercício, 63 projetos em andamento.

A política adotada neste setor, foi a de entregar os projetos, sempre que possível mediante concorrências administrativas, a firmas inscritas regularmente no Departamento.

Assim, realizou a Divisão de Obras do Departamento de Obras Sanitárias, durante o ano, cerca de 300 concorrências, tendo sido assinados contratos respectivos em número superior a 170.

Com os recursos da Caixa Econômica Estadual do Estado de São Paulo, já mencionados, foram iniciadas 91 obras, sendo 42 de abastecimento de água, 21 de esgotos sanitários e ainda 28 de matadouros, beneficiando, ao todo, 78 municípios.

Durante o ano findo, foram concluídas, no interior do Estado, 61 obras, sendo 41 de abastecimento de água, 15 de esgotos sanitários e 5 de matadouros, em 54 municípios. Estão em andamento 165 serviços.

REGIÃO DE SANTOS ÁGUA

Tiveram prosseguimento, através do Serviço de Água de Santos e Cubatão, não somente as grandes obras destinadas ao reforço do abastecimento de Santos e Cubatão, como os serviços de expansão da rede distribuidora.

Foram iniciadas, durante o ano, as seguintes obras programadas no Plano de Ação do Governo:

- 1 — Estação de Tratamento de Água, parte civil e equipamento, no valor aproximado de 140 milhões de cruzeiros e cuja conclusão (1.ª etapa) está prevista para setembro de 1961;
- 2 — Trecho de 2 km para conclusão da Adutora de $\varnothing$ 1m, no valor de 10 milhões de cruzeiros e que deverá estar terminado no início deste ano;
- 3 — Semi-anel I: linha circular de distribuição no valor de 29 milhões de cruzeiros, incluindo material, com término previsto para maio de 1961;
- 4 — Subadutora, reservatório e Estação Elevatória dos morros de São Bento e Cruzeiro, no valor aproximado de 20 milhões de cruzeiros. É obra de grande alcance so-

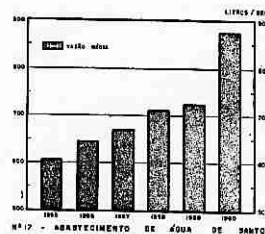
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cial, que irá permitir o abastecimento de cerca de 30.000 habitantes dos morros santistas, com término previsto para março de 1961;

- 5 — Subadutora de concreto pretendido de $\varnothing$ 1m, no valor aproximado de 9 milhões de cruzeiros, com término previsto para o 1.º semestre de 1961; e
- 6 — Estação de Recalque do reservatório do Saboó, no valor de cerca de 12 milhões de cruzeiros, já praticamente terminada.

Em 1960, foram concluídas obras de adução no valor aproximado de 20 milhões de cruzeiros, que haviam sido iniciadas em 1959, e instalações de recalque no valor aproximado de 7 milhões de cruzeiros.

Durante o ano transato, a rede de distribuição de água de Santos foi acrescida de 17.056m, atingindo, pois, a uma extensão total de 550 km. Ao mesmo tempo, foram feitas 1.315 novas ligações de água e o volume aduzido passou para 75.340 m³/dia.

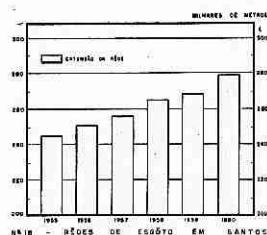


REGIÃO DE SANTOS ESGOTOS

Por conta de verbas do Plano de Ação do Governo, foram iniciados, no exercício findo, coletores principais nos bairros do Macuco e Ponta da Praia, obras essas no valor aproximado de 15 milhões de cruzeiros.

[99]

0551



Foi iniciada, ainda, e concluída a obra de garagem e dependências da Usina Terminal do José Menino, permitindo abrigo para 50 carros. Os serviços custaram cerca de 8 milhões de cruzeiros.

No programa de acréscimo da rede de esgotos foram construídos cerca de 8.800 m. de coletores, nos quais foi aplicada a importância da ordem de 27 milhões de cruzeiros.

A extensão da rede deu-se da seguinte forma:

Santos	5.800m
São Vicente	1.700m
Guarujá	1.300m

Foram projetados, para serem executados no exercício de 1961, cerca de 14.000m de novas redes de esgoto.

Em serviços de rotina de limpeza de canais, a Repartição de Saneamento de Santos dispendeu cerca de um milhão e duzentos mil cruzeiros.

SERVIÇOS PÚBLICOS DO GUARUJÁ

De acordo com as necessidades do município do Guarujá, as principais atividades do Departamento de Obras Sanitárias, através dos Serviços Públicos do Guarujá, foram a reforma e ampliação da rede de energia elétrica, compreendendo construção da linha de transmissão Vicente de Carvalho e Guarujá, a iluminação pública da praia das Pitangueiras e a reforma e substituição dos

circuitos de distribuição de energia elétrica do Guarujá. Nesses serviços, concluídos em dezembro de 1960, foram aplicadas verbas no valor aproximado de 60 milhões de cruzeiros.

Essas obras permitiram 600 novas ligações e a instalação de 500 novas lâmpadas de iluminação pública.

Outro setor, também a cargo do Departamento de Obras Sanitárias, através dos Serviços Públicos do Guarujá, que mereceu especial atenção, foi o do transporte por barcas entre Santos e Vicente de Carvalho.

Adquiriram-se, em 1960, 2 motores marítimos para barcas já existentes, que custaram 4 milhões, setecentos e sessenta mil cruzeiros e foi feita concorrência pública e assinado contrato para fornecimento de uma nova barca, no valor de 15 milhões e trezentos mil cruzeiros, com capacidade para 400 passageiros, que deverá ser entregue até o segundo semestre de 1961.

O abastecimento de água, do Guarujá, foi melhorado pela extensão de cerca de 12 km de rede, serviço esse que importou em 6 milhões de cruzeiros.

O lançamento da tubulação de aço de 14" de diâmetro para as travessias do Rio Diana e Canal da Bertoga, no valor de 5 milhões e setecentos mil cruzeiros, ficou concluído em 1960.

Realizou-se concorrência pública para aquisição e montagem do equipamento da Estação de Tratamento de Água, num total estimado em 8 milhões de cruzeiros e deu-se início à construção de galeria, túnel e canal até o Rio do Meio, obra essa contratada por 22 milhões, trezentos e sessenta mil cruzeiros.

Os serviços de esgotos do Guarujá estiveram ainda, em 1960, a cargo da Repartição de Saneamento de Santos, mas, a partir de 1961, serão também abrangidos pelos Serviços Públicos do Guarujá.

ESTÂNCIAS

A orientação adotada para aplicação dos recursos estaduais nos 22 municípios constituídos em Estâncias Hidrominerais, Bal-

neárias e Climáticas é no sentido da realização de obras e serviços que permitam melhorar as condições urbanas e fomentar o turismo nas Estâncias.

Os encargos legais, previstos nos arts. 72 da Constituição e 67 da Lei Orgânica dos Municípios, somaram, em 1960, importância da ordem de 137 milhões de cruzeiros.

Além dessa cifra, o Estado reservou ou concedeu, como auxílios às Estâncias, principalmente para obras nos balneários de Lindóia, Ibirá e Santa Bárbara do Rio Pardo, cerca de 20 milhões de cruzeiros.

Mediante convênios com a Faculdade de Arquitetura, foi dado prosseguimento ao programa de elaboração dos Planos Diretores das Estâncias, tendo sido iniciados os de Itanhaém, Serra Negra e concluídos os de Campos do Jordão, Santa Rita do Passa Quatro e Socorro, no valor global de cerca de 5 milhões de cruzeiros.

TRABALHO, PREVIDÊNCIA E HABITAÇÃO

T R A B A L H O

Datam de 1952 as primeiras tentativas realizadas pelos órgãos governamentais no sentido de enquadrar e dar solução definitiva ao problema da Mão-de-Obra em São Paulo. A ausência de definição global de objetivos, só possível, realmente, dentro de um planejamento geral das atividades governamentais — como o que ora se realiza pelo Plano de Ação — acabou determinando o fracionamento da iniciativa, da qual permaneceu apenas o Serviço de Colocação, que funcionava na Secretaria do Trabalho. Uma Comissão de Mão-de-Obra chegou a ser instalada naquela Pasta, assim como um Serviço de Pesquisas do Mercado do Trabalho, ao qual se deve a primeira prospecção nesse terreno, com o propósito de determinar os índices reais da força de trabalho no Estado. Todas essas providências foram, porém, sendo aos poucos abandonadas, cessando por completo com o correr dos anos.

[102]

O processo acelerado de desenvolvimento econômico assinalável no País, e que aqui apresenta ritmo mais veloz, estabeleceu a necessidade de uma criteriosa e urgente revisão da matéria. Os estudos e levantamentos, feitos anteriormente, com o fim de possibilitar o planejamento da formação da Mão-de-Obra, indispensável à industrialização de São Paulo, foram em poucos anos superados. Em 1950, acreditavam as equipes técnicas do SENAI que bastaria formar vinte mil operários especializados por ano para que se mantivesse em nível de equilíbrio a população de trabalhadores dessa categoria no Estado, atendidas as taxas de reposição e de crescimento normal da indústria. Por esses cálculos, teríamos em 1960 conseguido formar os duzentos e quarenta mil operários qualificados que seriam necessários para atender às totais exigências do mercado de trabalho. A introdução de novos ramos industriais e o espetacular desenvolvimento dos já existentes, superaram, porém, as estimativas mais otimistas que se pudessem formular. Vinte anos antes do termo estabelecido, as necessidades do parque industrial de São Paulo atingiam os índices finais do planejamento, de tal modo que só mercê da nossa capacidade de improvisação foi possível manter equilibrado o mercado de trabalho.

Dai a instituição do Serviço Estadual de Mão-de-Obra (SEMO), na Secretaria do Trabalho, mediante a reformulação geral do problema e o aproveitamento dos quadros de algumas repartições que já se ocupavam da matéria. Foram assim unificados, nesse serviço, por Decreto (*), os serviços de Assistência Técnica de Treinamento, de Colocação e Orientação do Trabalhador e o de Registro de Oferta e Procura de Empregados Domésticos, que passaram a funcionar, sob uma direção geral, com a finalidade de cuidar de assuntos de interesse do Mercado de Mão-de-Obra, devendo, para isso, articular-se com os sindicatos, associações de classes, repartições e instituições especializadas.

O Serviço Estadual de Mão-de-Obra, dotado de uma estrutura experimental, cuja prática ensinará ao Executivo os ele-

(*) Decreto n.º 38.265, de 10 de fevereiro de 1960.

[103]

0553

atentos necessários à elaboração da mensagem e projeto de lei de que deverá resultar a sua criação, compreende quatro setores:

1 — Mercado de Mão-de-Obra, no qual se realizarão estudos e pesquisas sobre força do trabalho, salários, rotatividade da mão-de-obra, desemprego, etc.;

2 — Formação, Treinamento e Aperfeiçoamento visando a coordenar, estabelecer normas e realizar cursos com o fim de preparar pessoal habilitado para o exercício de funções administrativas e de produção na indústria, no comércio, na agricultura, nos transportes e comunicações;

3 — Seleção, Recrutamento e Encaminhamento, com as funções de registrar ofertas e pedidos de emprego; promover a distribuição regional de mão-de-obra; promover a seleção de candidatos a empregos, de acordo com as suas aptidões e possibilidades profissionais, verificando, através de acompanhamento sistemático, a adequação e eficiência dos métodos de seleção e encaminhamento adotados;

4 — Integração Social, com o fim de coordenar, estabelecer normas e executar pesquisas, estudos de programa de trabalho que visem à adaptação das correntes de mão-de-obra oriundas das zonas rurais do Estado, de outros Estados e de países estrangeiros, às condições novas de vida e trabalho dominantes no meio ao qual se destinam.

Para orientar esse Serviço, criou-se, igualmente, a título experimental, o Conselho Técnico de Política de Trabalho, composto de doze membros, sendo dois indicados pelo Departamento de Sociologia e Antropologia da Faculdade de Filosofia, Ciências e Letras da Universidade de São Paulo, um pela cadeira de Economia Política, Estatística Aplicada, Organização Administrativa da Escola Politécnica da Universidade de São Paulo, um pela cadeira de Estatística Econômica da Faculdade de Ciências Econômicas e Administrativas da Universidade de São Paulo, um pela cadeira de Clínica Psiquiátrica da Faculdade de Medicina da Universidade de São Paulo, um pelo Departamento Estadual de Administração, um pelo Departamento de Estatística do

Estado de São Paulo, um pelo Departamento de Ensino Profissional da Secretaria da Educação, um pelo Departamento de Imigração e Colonização da Secretaria da Agricultura e três de livre nomeação do Governador do Estado.

A despeito das dificuldades naturais, num processo de industrialização acelerado, que exige constante mobilização de pessoal, tivemos um ano bem sucedido no mercado de mão-de-obra, que se caracterizou por condições extremamente favoráveis ao emprego. A facilidade de encontrar emprego, observada em 1960, não só reduziu o comparecimento às agências mantidas na Capital pelo SEMO, como contribuiu para elevar os índices de encaminhamento, a ponto de não ter sido possível atender as solicitações de numerosas firmas necessitadas de trabalhadores braçais, num total aproximado de quatro mil vagas. Enquanto em 1959 tivemos 25.947 novas inscrições, em 1960 apenas 16.941 candidatos compareceram às agências do SEMO à procura de emprego. Em compensação, o encaminhamento foi de 10.540 trabalhadores, contra 9.968 no ano anterior.

O quadro abaixo dá uma idéia mais perfeita das condições favoráveis do mercado do trabalho em São Paulo no ano de 1960, devendo levar-se em consideração que o decréscimo dos índices de procura de vagas naquele serviço pode ser explicado pela facilidade encontrada pelos operários qualificados para empregar-se:

ANO	COMPARCELIAMENTO	ENCAMINHAMENTO			
		Braçais	Qualificados	Total	Porcentagem
1956	25.836	2.888	7.458	10.346	39,9%
1957	30.028	1.997	8.495	10.492	34,7%
1958	18.592	5.706	7.624	13.330	71,6%
1959	25.947	3.499	6.469	9.968	38 %
1960	16.941	5.902	4.638	10.540	62 %

Desenvolve-se, igualmente, intensa atividade no setor de Formação, Treinamento e Aperfeiçoamento, no sentido de aparelhar-se para realizar ampla pesquisa das necessidades da indústria nesse plano e poder atendê-las, mediante aplicação do método de supervisão T. W. I. e de outras técnicas de treinamento. Esse setor do SEMO vem prestando gratuitamente os seguintes serviços às empresas:

- a) apresenta regularmente, em sua sede, as 5 fases do método T. W. I.;
- b) treina supervisores nas empresas, nos cursos de 10 horas de:
 "O Ensino Correto de um Trabalho" (J. I. T.-10)
 "Relações no Trabalho" (J. R. T.-10)
 "Métodos no Trabalho" (J. M. T.-10)
 "Liderança de Reuniões" (C. L.);
- c) treina supervisores das empresas para fazerem o acompanhamento (follow up) dos supervisores treinados, a fim de que seja garantida a obtenção de bons resultados;
- d) prepara instrutores do Método para empresas, a fim de que estas possam assumir a responsabilidade de promover o treinamento;
- e) treina "Chefes de Treinamento" das empresas no "Desenvolvimento de Programas de Treinamento" (P.D.); e
- f) realiza, constantemente, trabalhos técnicos de aperfeiçoamento de material, de cursos e de instrutores.

Os dois quadros abaixo discriminam os cursos realizados por esse setor, na sede e nas indústrias, para supervisores e instrutores de supervisão:

[106]

CURSOS BÁSICOS Denominação	N.º de Cursos	N.º de Elementos Treinados
O Ensino Correto de Um Trabalho (JIT-10)	197	1.868
Relações no Trabalho (JRT-10)	181	1.671
Métodos no Trabalho (JMT-10)	159	1.378
Desenvolvimento de Programas de Treinamento (P.D.-30)	0	0
Liderança de Reuniões (C.L. 10)	36	286
Programação de Treinamento (P.T.-10) ..	4	29
Implantação de Treinamento e Métodos (ITM-10)	1	6
TOTAL	578	5.238

CURSOS PARA INSTRUTORES Denominação	N.º de Cursos	N.º de Elementos Treinados
O Ensino Correto de Um Trabalho (JIT-30)	2	21
Relações no Trabalho (JRT-30)	1	7
Métodos no Trabalho (JMT-30)	1	8
TOTAL	4	36

Estima-se de acordo com os dados recolhidos durante a prestação do serviço, que esse treinamento atingiu um mínimo de cem mil operários, cuja preparação se completa na própria linha de produção.

[107]

0555

PREVIDÊNCIA

Dedica o Governo atenção especial ao aperfeiçoamento da legislação e dos processos dela decorrentes e relativos à seguridade social.

Hoje, inscreve-se nos programas de todos os governos o princípio essencial de que o indivíduo, vivendo no seio da sociedade organizada, deve ser amparado, bem como o seu grupo familiar, sempre que decline, pela enfermidade, ou pereça, pela morte, a sua capacidade laborativa. Esse princípio responde ao anseio que mais profundamente se arraiga no coração do homem: a segurança nos dias futuros. Por isso, a Assembleia das Nações Unidas o inscreveu na Declaração Universal dos Direitos do Homem, aprovada em 1948:

"Todo ser humano tem direito à segurança em caso de desemprego, enfermidade, invalidez, viuvez, velhice ou outros casos de perda dos meios de subsistência por circunstâncias alheias à sua vontade." (art. 25 da Declaração citada).

O seguro compulsório tornou-se o mais poderoso instrumento de uma moderna política social. E o princípio evoluiu para novos rumos e conceitos até chegar com Harold Laski à concepção do Estado de Seguros Sociais e com William Beveridge à Seguridade Social Integral.

A administração, aplicação e execução da seguridade social do Estado de São Paulo é realizada pelo Governo na sua esfera de competência legal, através do Instituto de Previdência do Estado.

O campo de aplicação das atividades securitárias do Instituto de Previdência do Estado é, precipuamente, a classe dos servidores públicos estaduais. Em relação a eles, o seguro é compulsório. Entretanto, qualquer pessoa pode nele inscrever-se para garantir um pecúlio aos beneficiários que indicar e obter outras vantagens, como, por exemplo, o financiamento para aquisição de casa própria.

Visando a dar maior difusão à previdência, o Governo enviou projeto de lei à Assembleia Legislativa, já transformado em lei (*), objetivando estender aos servidores municipais, através da realização de convênios com as Prefeituras, os seguros fundamentais de que se beneficiam os servidores públicos do Estado.

Funcionam, ainda, sob a tutela jurídica e financeira do Instituto, as Carteiras de Previdência dos Advogados, a Carteira de Aposentadoria dos Servidores da Justiça, a Caixa Beneficente dos Funcionários Públicos e o Montepio dos Magistrados.

O Instituto de Previdência concede aos servidores públicos, civis e militares, os seguintes benefícios:

- a) aposentadoria com vencimentos integrais ou proporcionais, reajustáveis, facultativa ou compulsória, de conformidade com a legislação estatutária pertinente;
- b) reforma, nas condições acima referidas;
- c) pensão mensal aos beneficiários dos falecidos, de valor igual a 2/3 dos vencimentos que eram percebidos, reajustável sempre que o sejam os padrões correspondentes do funcionalismo;
- d) pecúlio, até Cr\$ 200.000,00, facultativo, aos beneficiários do falecido;
- e) auxílio para funeral e luto;
- f) financiamento para aquisição de casa própria; e
- g) seguro contra fogo.

No tocante à assistência médica e hospitalar, apresta-se o Instituto para torná-la efetiva, dentro de breves dias, através do Hospital que está concluindo nesta Capital.

As finalidades fundamentais e específicas consistem nas concessões de aposentadorias e reformas. Vejamos os dados relativos a cada um desses benefícios no ano de 1960.

(*) Lei n.º 6.047, de 27 de janeiro de 1961.

APOSENTADORIA E REFORMAS

Até esta data, 4.803 inativos (aposentados e reformados) vêm recebendo proventos mensais pelos cofres do Instituto. Importou o encargo, em 1960, em cerca de 808 milhões de cruzeiros, os quais, obviamente, serão acrescidos de novas aposentadorias e reformas em 1961 e mais 30% em consequência do recente reajustamento de vencimentos. Só em 1960 passaram à inatividade, mediante aposentadoria ou reforma, 378 servidores públicos, entre civis e militares.

PENSÕES MENSAS

Instituída em substituição ao obsoleto regime de pecúlio então vigente, a pensão mensal é atribuída aos beneficiários do servidor público falecido e consiste no pagamento de 2/3 dos vencimentos que por ele eram percebidos. Essa pensão, reajustável na mesma base em que o foram os vencimentos dos funcionários, evolui no decorrer do tempo, paralelamente ao custo de vida, de modo a assegurar proteção real àquele padrão de vida que se pretendeu manter.

Com a referida pensão, aboliu-se uma das trágicas consequências que a morte do servidor público acarretava à sua família: o pauperismo primário.

Visando a incrementar a difusão dessa proteção, o Governo do Estado promulgou a lei citada, que estende os benefícios daquela pensão aos servidores municipais, hoje com seus beneficiários totalmente desamparados, na grande maioria, em caso de morte do arrimo-assalariado.

Atualmente, estão recebendo pensão mensal no Instituto cerca de 2.050 beneficiários de servidores públicos falecidos e os pagamentos a esse título, em 1960, totalizaram 200 milhões de cruzeiros, aproximadamente.

PECÚLIO E AUXÍLIO FUNERAL

Com a instituição do regime de pensão mensal, ao qual são inscritos obrigatoriamente os servidores públicos, passou o pe-

cúlio à categoria de seguro facultativo. O funcionário, contribuinte para a pensão mensal, pode fazê-lo. Os não funcionários, para se inscreverem no Instituto, devem fazê-lo. Consiste o pecúlio no pagamento da quantia máxima de duzentos mil cruzeiros aos beneficiários do instituidor. Atualmente, há no Instituto 142.500 inscritos no regime de pecúlio. A despesa com esse item, em 1960, foi de 22 milhões e quatrocentos mil cruzeiros. Os gastos com os pagamentos de auxílio funeral e luto montaram a 1 milhão e cento e oitenta mil cruzeiros.

CASA PRÓPRIA

Do ponto de vista previdenciário, o problema habitacional é de fundamental importância. A demanda de moradias em ritmo superior à oferta, provoca o surgimento de favelas e cortiços, cujas maléficas consequências se traduzem em doenças, criminalidade, inquietações sociais etc.. É dever do Estado evitá-las ou corrigi-las. Por isso, na política social do Governo, o problema da carência habitacional é encarado com o máximo cuidado e interesse.

O Instituto de Previdência, sem prejuízo das suas finalidades precipuas (aposentadorias, reformas, pensões), vem concedendo somas extraordinárias aos seus planos de financiamento para a aquisição da casa própria.

Através do Plano "B", onde são concedidos créditos até dois milhões de cruzeiros, foram contemplados 6.000 contribuintes em 1960, ou sejam, 500 por mês.

Além disso, foram distribuídas 144 casas em Santos (Areia Branca); 44 apartamentos em São

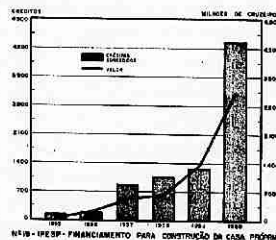
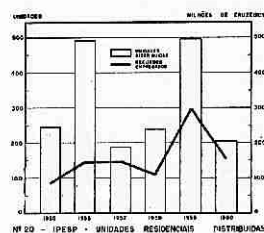


FIG. 10 - IGPSP - FINANCIAMENTO PARA CONSTRUÇÃO DA CASA PRÓPRIA

José do Rio Preto e mais 10 outras unidades residenciais na Capital, remanescentes de anteriores distribuições.



higiene e conforto.

A seriedade e garantia com que se desenvolvem os planos de financiamento da casa própria através do Instituto determinou, em 1960, a inscrição, na Carteira Predial, de 27.684 novos contribuintes.

Os números seguintes demonstram o que tem sido a atividade do Instituto no setor da casa própria nesses últimos 18 anos:

De 1942 a 1954 (13 anos)	Cr\$ 1.326.709.506,70
De 1955 a 1959 (4 anos)	Cr\$ 1.810.559.000,00
Em 1959	Cr\$ 1.670.000.000,00
Em 1960 (até dezembro)	Cr\$ 3.089.886.661,20

ASSISTÊNCIA MÉDICA E HOSPITALAR

No setor da assistência médica, hospitalar e farmacêutica, está o Instituto concluindo a construção e equipando o Hospital do Servidor Público Estadual. O conjunto possuirá um Hospital geral com 1.200 leitos e compreenderá clínicas médica, cirúrgica, pediátrica, outras clínicas especializadas e demais serviços auxiliares, escola de enfermagem, pavilhão de convalescentes, pavilhão

para moléstias crônicas, hospedaria para os acompanhantes dos doentes do Interior e alojamento para os servidores do Hospital. O custo total da construção é estimado em 950 milhões de cruzeiros. Os equipamentos necessários ao seu funcionamento estão sendo adquiridos, sendo que só as importações foram orçadas em 700 mil dólares, aproximadamente.

Para as obras do Hospital, o Instituto já adiantou 650 milhões de cruzeiros. Dessa quantia, 550 milhões foram aplicados pelo atual Governo, o que possibilitou o aceleração da construção e aquisição dos equipamentos necessários a fim de poder inaugurar o Hospital no início deste ano. A contribuição dos funcionários, representada por 1% sobre os seus vencimentos, alcançou, de 1957 até agora, pouco mais de 820 milhões de cruzeiros.

CUSTEIO DOS BENEFÍCIOS, INVESTIMENTOS E OBRAS PÚBLICAS

O custeio dos Planos de Benefícios existentes no Instituto de Previdência é feito através das rendas de contribuições (taxas pagas pelos segurados) e resultados financeiros do investimento das disponibilidades.

Os servidores públicos, desde outubro de 1958, pagam uma contribuição de 5% sobre seus vencimentos. Essa contribuição é compulsória. Há, também, por parte dos funcionários, desde fevereiro de 1957, o pagamento de mais 1% sobre os vencimentos para pecúlio facultativo. Entretanto, o maior contribuinte do Instituto sempre foi o Estado. Desde a fundação dessa autarquia, em 1939, até setembro de 1958, contribuía ele com 6% sobre a remuneração paga a todos os seus servidores. A contar de outubro daquele ano, passou o Estado a contribuir com 9%.

Todavia, a renda de contribuição não é suficiente para o custeio daquele Plano de Benefícios. Basta salientar que em 1960, até outubro, os funcionários haviam contribuído com aproximadamente 700 milhões de cruzeiros para o Instituto. Pois só em financiamentos para aquisição da casa própria, naquele ano, os encargos do Instituto ultrapassaram a 3 bilhões de cruzeiros.

Há, por isso, que fazer investimentos rentáveis com as disponibilidades financeiras. E o Instituto os faz, adquirindo títulos da dívida pública, concedendo financiamentos para a casa própria e construindo obras públicas, no Interior, para locação ao Estado. Pela sua relevância, salientaremos os investimentos em obras públicas.

De conformidade com as diretrizes do seu Plano de Ação, o Governo do Estado autoriza, em etapas, a construção de Grupos Escolares, Ginásios, Colégios e Escolas Normais, Escolas de Iniciação Agrícola, Postos de Saúde, Postos de Puericultura, Casas da Lavoura, Delegacias Regionais Agrícolas, Chefias de Extensão Agrícola, Fóruns, Cadeias e Delegacias etc.

Assim autorizado, o Instituto recebe em doação o terreno, na cidade designada, e constrói o prédio que é de sua propriedade. Loca-o, então, ao Estado, mediante aluguel mensal que deve corresponder a juros mínimos de 11% ao ano sobre o custo da obra, reajustáveis após o decurso de 5 anos.

Como as pressões inflacionárias acarretam reajustamentos periódicos dos encargos da autarquia, é mister que o seu patrimônio, reservado à satisfação daqueles compromissos, se beneficie da valorização consequente. Isso se vem fazendo atualmente no Instituto, através daqueles investimentos em construção de obras públicas.

Até agora o Instituto fez 757 obras, sendo 182 Grupos Escolares, 109 Ginásios e Colégios Estaduais, 95 Unidades Sanitárias, 57 Fóruns, 226 Casas da Lavoura, 2 Chefias de Extensão Agrícola, 6 Delegacias Regionais Agrícolas e 54 Cadeias e Delegacias. Só em 1960, foram contratadas 306 obras.

Hoje, em média, o Instituto entrega ao Estado, para uso pelo povo, uma obra por dia.

REFORMA ADMINISTRATIVA E APARELHAMENTO TÉCNICO

Para que fossem executados, como vêm sendo, todos esses programas de benefícios previdenciários, sofreu o Instituto, em

1960, uma reestruturação em bases racionais dos seus quadros administrativos, tornando-se, com isso, um organismo sólido e bem estruturado para o cumprimento de suas finalidades.

A par disso, processou-se a mecanização completa dos serviços, tendo sido adquirido, inclusive, um computador eletrônico. Isso possibilita ao Instituto controlar com eficiência a sua arrecadação e a coleta de dados estatísticos completos, indispensáveis aos trabalhos atuariais.

É interessante assinalar que o Instituto, embora com essas responsabilidades de trabalho, dispense com os seus funcionários menos de 2% de sua receita.

OBJETIVOS EM 1961

No ano em curso, o Instituto manterá no mesmo ritmo os empréstimos para aquisição de casa própria e procurará aumentar os investimentos que vem realizando, com as disponibilidades financeiras, na construção de obras públicas.

Além disso, serão aperfeiçoados os serviços pela racionalização permanente dos métodos burocráticos.

Deverá também ser iniciada a construção do prédio destinado à nova sede da autarquia, de vez que a atual já não comporta o volume físico de trabalho desenvolvido.

Dar-se-á execução, ainda este ano, e logo nos seus primeiros meses, à lei que estende aos servidores municipais o regime de pensão mensal.

Finalmente, procurar-se-á melhorar e ampliar, dentro das disponibilidades financeiras e em bases realísticas e exequíveis, o Plano de Benefícios.

ENERGIA ELÉTRICA

O Plano de Eletrificação do Estado teve prosseguimento acelerado durante o ano passado, e para dar uma idéia do seu vulto basta assinalar que foram dispendidos cerca de 6 bilhões de cruzeiros na sua execução. Os objetivos anunciados na mensagem

de 1960 tiveram cumprimento com a inauguração das usinas de Flórida Paulista e Euclides da Cunha e com a instalação da 4.^a máquina da Usina Lucas Nogueira Garcez. A produção de todas as usinas do Estado atingiu a 434 milhões de kWh, durante o exercício anterior, produzindo uma receita de 380 milhões de cruzeiros.

O fornecimento de energia elétrica no Estado processou-se normalmente durante o ano e o suprimento para o próximo quinquênio deverá ser normal, de acordo com os planos de entrada em operação das usinas do Estado e da usina de Furnas, que deverá fornecer metade de sua produção para o Estado de São Paulo.

Em obediência à orientação estabelecida de atribuir, às sociedades de economia mista, a construção e operação das usinas, foi transferida a operação das termoeletricas de Juquiá, Flórida Paulista, Votuporanga e da Hidrelétrica de Ilhabela, do DAEE para a USELPA. Quanto à distribuição da energia nas zonas de operação dessas usinas, é intenção do Governo constituir empresas regionais de distribuição, que se encarregarão de realizar a venda de energia nos municípios que não contam com serviços adequados.

A eletrificação rural mereceu do Governo a maior atenção durante o ano passado. Foram reestruturados os órgãos responsáveis pelo programa: Conselho Orientador da Eletrificação Rural (COER), subordinado à Secretaria da Viação e Obras Públicas e Serviço Especial de Eletrificação Rural (SEER), do DAEE, bem como foram iniciados 2 projetos-piloto: um, na região de Registro e outro, na zona de Presidente Prudente. Em cada região está sendo organizada uma cooperativa de eletrificação rural, que submeterá projeto de financiamento à Caixa Econômica Estadual, com a assistência técnica do DAEE. A CEESP já reservou os recursos necessários para o programa inicial e o DAEE está realizando os levantamentos cadastrais e topográficos e os projetos.

O Governo do Estado, através do DAEE, continuou participando da execução da Usina de Furnas, contribuindo com 182

milhões de cruzeiros para o aumento de capital da empresa encarregada de sua construção. Participou ainda o Governo da constituição da Companhia Hidrelétrica do Vale do Paraíba — CHEVAP — encarregada de construir a usina de Salto-Punil, no rio Paraíba, que permitirá o aproveitamento de 210.000 kW, e que faz parte do plano geral de regularização do vale, elaborado pelo DAEE.

VALE DO TIETÊ

As usinas em construção pela CHERP no médio curso do Tietê foram projetadas dentro de um plano de conjunto de aproveitamento múltiplo do vale, considerando-se não só a produção de energia elétrica como também a navegação, a piscicultura, a recreação e outros fins.

As eclusas projetadas e em construção, comportam um movimento anual de 8 milhões de toneladas nos dois sentidos, mediante o uso de barcaças de 1.500 t.

A Usina de Barra Bonita terá uma potência instalada de 132.000 kW e produzirá 450 milhões de kWh anualmente. As escavações estão concluídas e a concretagem realizada até o ano passado foi de 376.000 m³, tendo atingido 95% do total previsto. As obras civis deverão estar terminadas no 2.^o semestre de 1961.

Acham-se em fase de conclusão os equipamentos para a usina, a montagem foi iniciada em outubro de 1960 e a primeira unidade deverá ser ensaiada em fins deste ano.

A usina de Bariri possui características técnicas semelhantes às de Barra Bonita. O projeto em execução prevê a construção de eclusa com 142 m de comprimento, largura de 12 m e 25,5 m de desnível. A construção acha-se adiantada, tendo sido escavados 224.100 m³ de terra e 213.000 m³ de rocha, que correspondem a 20% e 50% das previsões. Os equipamentos vêm sendo construídos de acordo com os cronogramas.

Esta usina será interligada com a de Barra Bonita, a qual, por sua vez, se ligará às usinas do rio Pardo, em Dois Córregos e com as do Paranapanema, em Botucatu. As linhas que

somam 122 km, na voltagem de 132 kV permitirão a utilização mais eficiente das usinas e o melhor atendimento dos centros consumidores.

VALE DO PARANAPANEMA

As obras do Paranapanema estão a cargo da "Usinas Elétricas do Paranapanema S.A. — USELPA".

A Usina Lucas Nogueira Garcez pôde ser inteiramente concluída durante o ano passado com a entrada em operação da 4.^a máquina, completando-se a potência instalada de 68.000 kW. Durante o ano de 1960, a demanda máxima foi de 76.152 kWh/h e a produção de energia atingiu a 354 milhões de kWh.

A Usina de Jurumirim (100.000 kW) prossegue em ritmo acentuado, prevendo-se o início de operação para 1962, conforme o programa. Já foram desapropriados 73% dos terrenos da bacia de acumulação, efetivou-se o desvio do rio, a barragem de concreto atingiu 75% de realização, a barragem de terra e a casa de força, 62% e 68%, respectivamente. Foi terminada a escavação e iniciada a concretagem da Estação Elevatória de Botucatu. A linha de transmissão Jurumirim-Botucatu-São Paulo, de 230 kV, foi objeto de contrato, tendo sido concluídos a locação e o nivelamento, esperando-se a sua realização total até 1962, ao entrar em ação a usina. Em Xavantes (300.000 kW) continuam os trabalhos de escavação dos canais de entrada e descarga dos túneis, tendo sido retirados 31.000 m³ de terra. Deu-se execução, também, a outros serviços preliminares, como levantamento cadastral, sondagens e o acampamento de obras.

A linha de transmissão de Presidente Prudente a Flórida Paulista entrou em fase de conclusão, devendo entrar em operação no primeiro trimestre de 1961. Esta linha, com 65 km de extensão, em 88 kV, interligará a termelétrica de Flórida Paulista com a usina Lucas Nogueira Garcez, o que permitirá maior segurança no fornecimento de energia a toda região da Alta Paulista e a fixação de tarifas mais econômicas.

[118]

VALE DO RIO PARDO

Os obras do vale do rio Pardo, a cargo da Companhia Hidrelétrica do Rio Pardo — CHERP — prevêem um aproveitamento global de 256.000 kW. A usina de Limoeiro (14.000 kW) produziu 53 milhões de kW em 1960, quase o dobro do ano anterior.

A usina Euclides da Cunha foi concluída 3 meses antes do prazo previsto, com a entrada em operação comercial das 2 primeiras máquinas (49.000 kW), em dezembro do ano passado. A 2.^a etapa da usina (49.000 kW) deverá entrar em operação em 1963.

O reservatório de Graminha teve suas obras grandemente desenvolvidas. Armazenará 2,3 milhões de m³ de água e permitirá a instalação de mais 70.000 kW e a duplicação das máquinas de Euclides da Cunha e Limoeiro, devendo estar pronto em 1962.

O sistema de transmissão da CHERP, inicialmente projetado, foi inteiramente ultimado, na extensão de 370 km, em 132 kV. Aclam-se em execução 2 novas extensões: a primeira, com 120 km, ligará Pinhal-Moji Guaçu-Bragança Paulista e permitirá o fornecimento de energia elétrica a toda zona bragantina, o que constituiu durante muitos anos um dos principais problemas dessa região. Desta obra foram concluídas, em 1960, todas as bases e a montagem de 51 torres metálicas. A subestação abaisadora de Bragança está em montagem e entrará em operação durante o 1.^o trimestre deste ano.

A segunda extensão do sistema abrange as linhas de São Carlos-Dois Córregos-Barra Bonita e a ligação Bariri-Barra Bonita-Botucatu.

Estas linhas foram feitas para operar em 132 kV e se estendem por 122 km. Permitirão interligação dos três sistemas principais do Estado: o do Paranapanema, Tietê e rio Pardo e estarão terminadas no próximo ano.

URUBUPUNGÁ

Em janeiro de 1961, foi fundada a Centrais Elétricas de Urubupungá — CELUSA S. A., encarregada de construir e explorar

[119]

0561

as usinas hidrelétricas do conjunto de Urubupungã. O aproveitamento abrange 2 usinas, a de Jupia e a de Ilha Solteira, no rio Paraná, próximas à foz do rio Tietê, permitindo a instalação de 2.844.000 kW e a produção anual prevista de 15 bilhões de kWh.

A energia gerada nessa usina virá suprir o enorme acréscimo da demanda de energia elétrica em vasta zona da região centro-sul do País, durante a próxima década. Tal zona, num raio de 600 km, abrange o Estado de São Paulo, o Sul de Mato Grosso, Goiás e partes dos Estados de Minas e Paraná. O grande aumento de potencial disponível possibilitará uma expansão industrial não limitada pelo receio de falta de energia, problema presente nos últimos 10 anos e permitirá a elaboração de programas efetivos de eletrificação rural em larga escala.

A primeira etapa do empreendimento é a construção da usina de Jupia, que propiciará a instalação de 1.350.000 kW, e a geração anual de 6,5 bilhões de kWh, além de permitir a navegação ao longo do rio Paraná através de eclusa e estabelecer a ligação rodoviária entre os Estados de São Paulo e Mato Grosso, sobre a crista da barragem.

O custo da obra foi estimado, atualmente, em 30 bilhões de cruzeiros e a sua execução demandará 5 anos.

A Comissão Interestadual da Bacia Paraná-Uruguaí realizou os estudos preliminares da obra e contratou o projeto definitivo, já ultimado. Prevendo o apressamento da execução da usina, a mesma Comissão contratou a execução das obras preliminares e da primeira enscadeira, já pronta, criando condições para o início imediato das obras da barragem e da casa de força.

O capital inicial da CELUSA é de 344 milhões de cruzeiros, do qual o Estado de São Paulo subscreveu 250 milhões, conforme autorização legal (*). Deverá subscrever mais 1.750 milhões nos termos da autorização constante da Lei de Caráter Financeiro (**).

(*) Lei n.º 5.444, de 17 de novembro de 1959.

(**) Lei n.º 6.055, de 28 de fevereiro de 1961.

Além do Estado de São Paulo, já participam do capital da empresa os Estados do Paraná e Santa Catarina e várias empresas de energia elétrica da região. Os demais Estados da Bacia Paraná-Uruguaí deverão participar futuramente do empreendimento.

A empresa está providenciando o preparo das concorrências, a organização interna da Companhia e a obtenção dos financiamentos necessários para completar os recursos destinados às obras civis e à compra do equipamento.

DISTRIBUIÇÃO DE ENERGIA ELÉTRICA

Verificando o adiantamento do programa de produção de energia elétrica, com a entrada em funcionamento de várias usinas, passou o Governo a ampliar sua ação supletiva no setor da distribuição. Tal problema se fez sentir de forma muito intensa em várias regiões do interior do Estado e corresponde a uma necessidade imperiosa tanto de industrialização como de melhoria dos níveis de prestação de serviço às cidades e de expansão da eletrificação rural.

Em primeiro lugar, procurou o Governo facilitar a difusão dos sistemas distribuidores, a cargo de empresas concessionárias brasileiras, com financiamentos da Caixa Econômica Estadual. O Sindicato das Empresas de Energia Elétrica realizou consulta aos seus associados nesse sentido, e ultima projeto global de financiamento para todas as empresas interessadas.

O serviço de distribuição de energia nas zonas de influência das termoeletricas pode ser consolidado. O Governo julgou que este serviço seria melhor desempenhado por empresa industrial e transferiu, em 1960, a operação das usinas termoeletricas de Juquiá, Flórida Paulista, Votuporanga e da usina hidrelétrica de Ilhabela do D.A.E.E. para a USELPA.

Tendo em vista o funcionamento adequado desses sistemas, continuam em andamento as obras de interligação das termoeletricas com o sistema hidrelétrico: linha Presidente Prudente-Flórida Paulista e linha Avanhandava-Macaubal que ensejará a interligação da usina Marechal Rondon de Votuporanga, com a usi-

na de Avanhandava. Estas duas linhas devem entrar em operação no 1.º trimestre deste ano e vão garantir maior segurança no fornecimento e menores tarifas.

Para interligar a usina de Juquiá com o sistema hidrelétrico, projeta-se uma linha de transmissão pelo litoral.

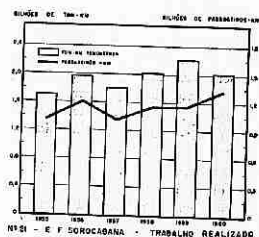
Outra providência, em estudo pelos órgãos responsáveis e indispensável à melhoria dos serviços, é a criação de empresas regionais, que se incumbirão de distribuir a energia nas zonas respectivas, permanecendo a USELPA apenas com a operação das usinas.

Além dessas medidas, tem o D.A.E.E. contribuído para melhorar as redes distribuidoras de pequenos municípios e construído linhas de transmissão ligando sedes municipais a sistemas distribuidores. No ano passado, foram executados 110 km de linhas de transmissão, 55 km de redes distribuidoras, servindo a 12 localidades.

TRANSPORTES E COMUNICAÇÕES

FERROVIAS

No Brasil, as ferrovias participaram do processo inicial de ocupação econômica do território e, no caso particular do Estado de São Paulo, acompanharam a expansão das culturas, seguindo-as de perto, especialmente a do café.



[122]

Assim percorreram e alcançaram, sucessivamente, os vales do Paraíba, do Paranapanema, do Tietê, do Peixe, do São José dos Dourados, do Pardo. Adaptaram-se à atividade econômica de então: produção de matérias primas e de produtos agrícolas destinados à exportação.

Sua função econômica voltava-se para o mercado exterior, pois o interno tinha secundária importância. Por outro lado, operavam as estradas de ferro em regime de monopólio de transporte interior, instalado antes do aparecimento e desenvolvimento mundial da indústria automobilística. Tal situação diminuía a preocupação com custos de operação e ainda adjudicava às ferrovias a função desbravadora de caminhos pioneiros.

O regime de monopólio obrigou-as a se responsabilizarem, ainda, pela circulação de todos os tipos de carga e pela sua coleta e distribuição em todos os pontos em que se solicitava transporte, dentro das suas respectivas zonas de influência. Esta situação levou as ferrovias a operarem, também, em distâncias pequenas — com cargas leves.

A revolução industrial, experimentada cada vez mais intensamente em São Paulo, veio criar um mercado interno e diversificar a gama de cargas oferecidas ao mercado transportador. Tais fatos modificaram as direções tradicionais do movimento de mercadorias e, muitas vezes, o sentido do tráfego.

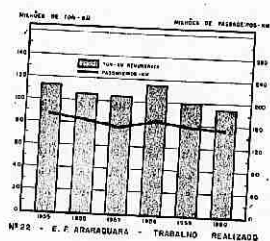
Antes, os vários centros expediam seus produtos — café, o dominante — na direção do porto. Hoje, São Paulo é entreposto de exportação para o Interior, e centros novos de consumo surgem e se desenvolvem, de maneira rápida, e surpreendente. Cria-se portanto, necessariamente, outras direções de movimentação de cargas.

Esta modificação, quase que repentina, foi complementada pelo gigantesco desenvolvimento da indústria de veículos rodoviários ocorrido, ontem, no exterior e, hoje, dentro de nossas fronteiras.

Tais fatores auxiliaram a implantação de um sistema de rodovias, cujos fatores de estímulo mais sérios, entretanto, residem no menor investimento inicial e na grande flexibilidade na coleta e distribuição de cargas.

[123]

0563



Passou a existir, então, a chamada concorrência rodoviária, que precisa ser bem compreendida. A evasão de cargas da ferrovia para a estrada de rodagem não se efetua pela simples razão da existência desta última, mesmo em direções paralelas às primeiras. Nem ainda

pela pressão da grande oferta de veículos rodoviários.

A rodovia, comparada à estrada de ferro, não tem, teoricamente, condições para oferecer custos de frete menores, para transporte pesado a longas distâncias. Contudo, entre nós, passou a disputar, muitas vezes com vantagem, também a carga pesada de longo percurso. Tal fato decorre da incapacidade, por um momento revelada, de a ferrovia especializar-se neste tipo de operação que, na moderna economia de transportes, lhe é peculiar.

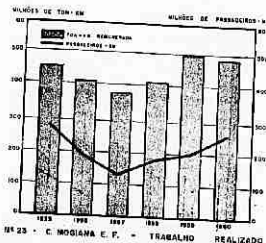
O monopólio a levar a transportar cargas leves a curtas distâncias operação que obstrui, impede, complica o tráfego e obtura a passagem rápida de trens pesados de percursos maior. Tal sistema gerou, inclusive, um tipo de empresa ferroviária que encontra, na própria estrutura, dificuldades para uma rápida modificação. Hoje, também a própria arrecadação fiscal contribui para uma situação favorável aos fretes rodoviários.

Esta situação vem sendo decididamente enfrentada pelo Governo do Estado, que cuida de readaptar as ferrovias à função econômica que lhe é peculiar, com o objetivo de aumentar sua rentabilidade. Unicamente nesta senda poderão ser evitados os crônicos "deficits", que são a consequência mais evidente daquela inadaptação.

Através do Plano de Ação, substanciais investimentos têm sido feitos para o reequipamento do material rodante, habilitando as ferrovias para uma disputa eficiente de carga. Melhorias sensíveis foram e continuam a ser feitas nas vias permanentes, tornando-as mais favoráveis à circulação de trens maiores, mais pesados, mais velozes e, portanto, mais econômicos. Com a mesma finalidade, foi empreendido intenso programa de eliminação da tração a vapor.

Corajosa política de supressão de ramais de comprovada impossibilidade de recuperação econômica complementa as medidas tomadas para reequilibrar as finanças ferroviárias.

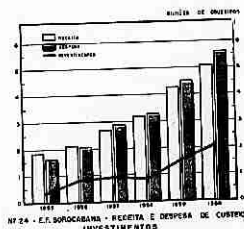
Por fim, acurados estudos vêm sendo feitos, no sentido de eliminar as barreiras institucionais que impedem às ferrovias o exercício de sua verdadeira e necessária função econômica. Neste sentido, o Governo criou e instalou o Conselho Estadual de Transporte e Abastecimento, para aprofundar o diagnóstico do problema e, assim, propiciar mais agudeza e eficácia nas soluções que já estão sendo aplicadas.



ESTRADA DE FERRO SOROCABANA

A Estrada de Ferro Sorocabana, principal ferrovia do Estado, com 2.202 quilômetros de linha de tráfego, isto é, 5,9% da rede ferroviária brasileira, percorre 20% dos municípios paulistas, que representam, em conjunto, uma área de aproximadamente 70.000 quilômetros quadrados, servindo diretamente uma população de 5.560.000 habitantes — quase a metade da população do Estado.

() Governo destinou à Sorocabana, dentro do Plano de Ação, recursos no valor de 1 bilhão e 200 milhões de cruzeiros. De acordo com os planos de aplicação dessa importância, a Administração empreendeu, em 1960, a construção do ramal de Dourados e das variantes de Bauru — Agudos, de Itapeva e de Ourinhos — Assis, e realizou, ainda, os trabalhos de eletrificação dos trechos Tatui — Itapetininga e Presidente Altino — Samaritã, além de instalar os serviços de sinalização elétrica (CTC) entre Barra Funda e Ourinhos.



Simultaneamente, vem a Sorocabana promovendo, através de providências diversas, a substituição da tração a vapor e a diesel pela tração elétrica obtendo, em consequência, sensível economia de combustível e pessoal e reduzindo consideravelmente o custo de tração.

No setor de oficinas e laboratórios, a Sorocabana cumpre extenso programa de modernização da maquinaria, ferramentas e aparelhos, a fim de atender à especialização exigida pela substituição da tração a vapor pela tração elétrica.

Nesse setor, ressalta, ainda, a substituição do sistema de freios a vácuo pelos freios a ar comprimido; em 1960, chegou a 330 o número de aparelhos instalados.

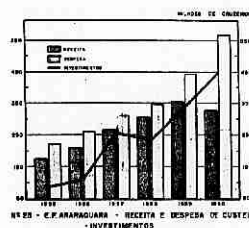
ESTRADA DE FERRO ARARAQUARA

Empenhada no alargamento da bitola de suas linhas, a Estrada de Ferro Araraquara recebeu, no Plano de Ação, a importância de 300 milhões de cruzeiros, recursos esses necessários

à aceleração dessa providência. Já atingiu, em 1960, com bitola larga, as margens do Rio Paraná, na fronteira com Mato Grosso.

Paralelamente, a Araraquara prosseguiu na remodelação completa de suas linhas e do material rodante. Assim, adquiriu a Estrada, em 1960, três composições de aço inoxidável e fez entrar em tráfego, com ótimos resultados técnicos, 7 carros de aço carbono, construídos nas suas oficinas.

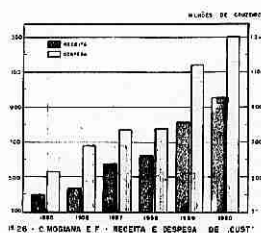
Através de providências que vem adotando, a Araraquara conseguiu ampliar em cerca de vinte por cento, com relação ao movimento do ano anterior, o volume de transporte de combustível líquido. Espera-se venha a recuperar, senão totalmente, pelo menos oitenta por cento desse mercado, em 1961.



COMPANHIA MOGIANA DE ESTRADAS DE FERRO

Contando, no ano de 1960, com recursos no valor de 235 milhões de cruzeiros, a Companhia Mogiana deu prosseguimento à recuperação das suas instalações e à modernização de seu material. A respeito, deve ser ressaltado o recebimento de 23 locomotivas diesel-elétricas, a construção de 16 carros metálicos de passageiros, a remodelação dos traçados entre Casa Branca-Tambuí e Bento Quirino-Ribeirão Preto, o primeiro já em tráfego e o segundo com funcionamento previsto para agosto de 1961.

Além desses, outros melhoramentos deverão ser salientados, tais como a construção da nova estação Uberaba e o estudo do traçado Uberlândia-Araguari, que, transcendendo os limites do nosso Estado, levará os trilhos da Mogiana a Minas Gerais e Goiás.



Os recursos atribuídos pelo Plano de Ação a esta Estrada permitiram, ainda, o prosseguimento das obras de consolidação da Variante Coronel Corrêa-Tambaú e a substituição de seus trilhos numa extensão de 170 quilômetros. Executaram-se, também, trabalhos de lastreamento da linha e reforço de dormentes, num total de 111 quilômetros, além da substituição de aparelhos de mudança de vias e da ampliação de pátios.

RAMAIS DEFICITÁRIOS

Entre as medidas, tomadas pelo Governo, com a finalidade de melhorar a situação das estradas de ferro de propriedade do Estado, incluem-se as relativas à supressão de ramais deficitários.

Criou para isso um Grupo de Trabalho, que se encarregou do estudo da conveniência da supressão de ramais ferroviários, conforme sugestão das respectivas Estradas.

Dêse estudo, que abrangem o levantamento econômico da região e a situação particular de cada ramal, resultou ser considerada oportuna a supressão de 25 ramais, os quais apresentam não só "deficits" crescentes, como também baixa densidade de tráfego e nenhuma possibilidade de recuperação.

Age o Governo no caso, com a maior cautela, determinando, com base no estudo apresentado, a extinção somente dos ramais que apresentem densidade de tráfego inferior a 50.000 t quilômetro por quilômetro. Condiciona ainda, a medida, a construção e a pavimentação de rodovias que substituam os ramais suprimidos, ficando a cargo das respectivas estradas de ferro a ins-

[128]

talação de serviços rodoferrviários nas cidades que eram por eles servidos.

Oferece, assim, o Governo, em troca, melhores condições de transporte, não só para os produtos da zona, como também para a sua população.

AEROVIAS

No setor do transporte aéreo a ação do Estado se faz sentir por meio de sua participação, como acionista, na Viação Aérea São Paulo S/A (VASP).

Da atividade desenvolvida pela VASP durante o ano de 1960 e dos resultados por ela obtidos nesse novo ano, merecem referência os seguintes aspectos, que demonstram de maneira eloquente os progressos que obteve, não só no terreno técnico, como no econômico.

RÊDE DE LINHAS AÉREAS

Em 1960, obteve a VASP maior expansão na sua rede de linhas aéreas, tendo percorrido 15.679.094 km, contra 12.501.210 km, voados no ano anterior.

Foram estabelecidas as seguintes linhas novas: São Paulo-Rio-Brasília-Belém; São Paulo-Brasília-Recife-Natal; São Paulo-Brasília-Salvador-Aracaju-Maceió; e Rio-Salvador-Recife-Portaleza.

Com essa medida, cabe à VASP quase todo o território nacional, passando suas linhas a ter a extensão de 23.250 km, ou seja, 4.264 km mais do que em 1959, isso, não obstante o cancelamento de algumas por serem deficitárias. Houve, também, redução da frequência de outras, pela mesma razão.

Foram transportados, durante o ano, 601.245 passageiros, ou seja, 110.787 a mais do que em 1959, sem que houvesse qualquer acidente a lamentar. Segundo dados estatísticos da administração do Aeroporto de São Paulo, retomou a VASP, em 1960, o primeiro lugar, entre as aerovias nacionais, em relação ao nú-

[129]

0566

mero de passageiros embarcados e desembarcados no referido Aeroporto.

FROTA DE AVIÕES

No decorrer do ano, foi recebido mais um avião Viscount, substituição à aeronave do mesmo tipo perdida em 1959.

Entre as 48 organizações que possuem esse tipo de aeronave, em todo o mundo, obteve a VASP um dos mais elevados índices de utilização, situando-se, neste particular, em igualdade de condições com a Alitalia, Lufthansa e KLM, empresas que desfrutam de incontestável prestígio internacional. (Dado extraído do Viscount Service Review, issue n. 7,30 Set. 1960).

MANUTENÇÃO

Os motores a pistão que equipam os aviões Scandia, cuja manutenção e revisão foram feitas em oficinas próprias, obtiveram um índice de utilização de 93%.

Não consta que em qualquer outra organização, em todo o mundo, se haja alcançado tal índice de eficiência na utilização de motores a pistão.

RESULTADO ECONÔMICO

A despeito da crise que ainda se faz sentir intensamente na indústria de transporte aéreo, a VASP obteve, em 1960, um lucro de 125 milhões e quatrocentos e trinta mil cruzeiros, o maior até hoje registrado pela Companhia.

RODOVIAS

O programa constante do Plano de Ação no setor rodoviário, previu a pavimentação de 3.000 km e a construção de 1.600 km de estradas, segundo as diretrizes previstas no Plano Rodoviário de 1951, atualizado em 1958.

Orientou-se esse programa no sentido da interligação das zonas de maior índice demográfico e de maior produção agrícola, com o fim de proporcionar facilidades de intercâmbio e de escoamento de produtos e de permitir a economia de divisas pelo baixo custo operacional determinado, por sua vez, pelo menor desgaste do material rodante e pelo menor consumo de gasolina.

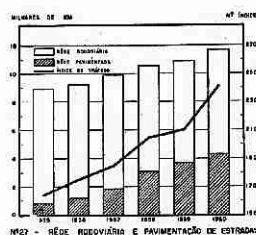
Den-se prioridade à construção e pavimentação das radiais tronco, rodovias de primeira classe que, partindo de São Paulo, permitem atingir os Estados limítrofes, devendo-se registrar que, já em 1961, deverão ter início as obras dos últimos trechos dessas arterias.

Estão sendo iniciadas a construção e a pavimentação das grandes transversais que, dando à nossa rede rodoviária a forma característica de malha, fazem a interligação dos troncos radiais ferroviários e rodoviários. Essas obras constituem, aliás, um dos pontos mais importantes da política rodoviária desenvolvida pelo Governo.

Os critérios que orientaram a seleção das estradas a serem pavimentadas e construídas e que foram incluídas no Plano de Ação, são, em suma, os seguintes:

- 1 — conclusão dos troncos rodoviários, que, partindo de São Paulo, atingem os limites do Estado — obras iniciadas no Governo anterior, constituindo as denominadas radiais;
- 2 — execução das grandes transversais, que interligarão troncos radiais, ferroviários e rodoviários; e
- 3 — índice de tráfego de 300 veículos por dia, limite acima do qual a experiência demonstrou a necessidade de pavimentação.

Do orçamento do Departamento Estadual de Estradas de Rodagem, para 1960, 4 bilhões e 480 milhões de cruzeiros, foram fornecidos pelo Plano de Ação. Foram colocados em concorrência e acham-se contratados 2.886 km, ou seja, 85% do total programado para pavimentação e 1.833 km para construção de estradas, suplantando em 233 km o plano original, que previu 1.600 km.



As redes municipais de estradas, que completam o sistema rodoviário estadual, recebem assistência técnica e financeira do Estado, além dos recursos do Fundo Rodoviário Nacional. A contribuição do Estado, em 1960, foi de 98 milhões de cruzeiros, por intermédio do Auxílio Rodoviário Estadual; de 175 milhões de cruzeiros, sob a forma de auxílios especiais, quais sejam os de Obras de Emergência, Fomento ao Turismo, e Obras Inadiáveis; de 35 milhões de cruzeiros, a título de assistência fornecida pelo Departamento de Estradas de Rodagem, perfazendo essas importâncias um total de 308 milhões de cruzeiros, ou seja, 24% mais do que em 1959. Além disso, ainda no plano de cooperação com os municípios foram vendidas, pelo Departamento de Estradas de Rodagem às Prefeituras, 27 motoniveladoras e 31 camionetas, para que elas possam colaborar eficientemente na manutenção da rede rodoviária subsidiária.

Em 1960, cuidou-se do reequipamento do parque de máquinas do Departamento de Estradas de Rodagem, à vista do aumento da rede rodoviária a conservar e do desgaste de seu equipamento, tendo sido adquiridas 448 unidades, das quais 334 de fabricação nacional, 100 camionetas (pick up), 5 usinas de asfalto e 8 scrapers. Achar-se em andamento as providências para a aquisição de mais 100 motoniveladoras. O primeiro grupo de 25 unidades foi totalmente pago e encontra-se, em grande parte, em trânsito para o nosso País. Das 75 unidades restantes, 21 já tiveram os ágios correspondentes solicitados. Esta aquisição de equipamento rodoviário custou ao Departamento de Estradas de Rodagem cerca de 860 milhões de cruzeiros.

As principais medidas normativas adotadas em 1960, relacionadas com as estradas de rodagem foram:

- 1 — Decreto (*) estabelecendo a carga máxima permitível de 10 toneladas por eixo, visando à conservação do pavimento das rodovias e elidindo as consequências do excesso de carga dos veículos.
- 2 — Decreto (**) estabelecendo normas e diretrizes para concessão de serviço de transportes coletivos intermunicipais.
- 3 — Decreto (***) regulamentando a concessão de postos de abastecimento, serviço de restaurante e pouso à margem das estradas.
- 4 — "Normas para construção e pavimentação de acesso", aprovada em 19-1-1960, regulamentando a execução de ligação da sede dos municípios às rodovias estaduais.

Durante o segundo ano de governo, concluíram-se, além de 99 obras de arte, num total de 2.984 m, que constituem a complementação das ligações rodoviárias construídas, 632 km de pavimentação previstos no Plano de Ação. Suplantou-se, com a construção de 690 km de estradas, 53% o objetivo anual a respeito previsto.

As percentagens realizadas neste setor e o desenvolvimento técnico do Plano levam a afirmar que, para ser possível atingir os objetivos quadriennais fixados, isto é, 3.000 km de pavimentação e 1.600 km de construção de rodovias, é indispensável frentes de ataque 1/3 acima do total estipulado. Assim, poderá ser assegurada a execução proposta e será evitada a solução da continuidade de execução de obras no período de transição deste para o próximo quadriênio. Para tanto, elaborou o D.E.R. o Plano Adicional de Obras, compreendendo a pavimentação de mais 1.400 km e a construção de mais 600 km de estradas. Este Plano Adicional, já aprovado, terá sua execução iniciada ainda neste ano.

AEROPORTOS

Considerando a importância para o Brasil do transporte aéreo, dentro do sistema geral de transportes, dadas as grandes

(*) Decreto n.º 37.545, de 23 de novembro de 1960.

(**) Decreto n.º 26.760, de 17 de junho de 1960.

(***) Decreto n.º 36.492, de 15 de setembro de 1960.

distâncias a serem percorridas, o Plano de Ação consignou dotações não pequenas para a infra-estrutura aeroportuária.

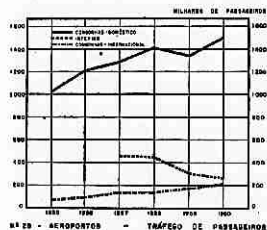
Tais dotações foram fixadas tendo em vista o atendimento, dentro de um plano de desenvolvimento quadrienal, das mais prementes necessidades da citada infra-estrutura, a saber: o prosseguimento da construção do Aeroporto Internacional de Campinas em Viracopos, e do Plano de Pavimentação e melhoria de condições de utilização e segurança dos aeroportos do Interior; a execução de alguns melhoramentos ainda necessários no Aeroporto de Congonhas; a construção de novos aeroportos de terra inclusive em localidades cujas pistas de pouso não mais satisfaziam às exigências técnicas de operabilidade.

A execução desse programa está sendo feita em colaboração com o Ministério da Aeronáutica, mediante convênios, em que o Estado contribui com a metade das despesas dâes decorrentes.

A construção do Aeroporto de Viracopos tornou-se indispensável e urgente, em virtude de entrada em operação, nas linhas aéreas internacionais, dos novos aviões a jato, que exigem pistas de maior comprimento que as dos antigos aeroportos.

A operação desses aviões trouxe problemas novos, tendo o Ministério da Aeronáutica previsto a construção, no Brasil, de cinco aeroportos em condições de recebê-los, entre os quais o de Viracopos, em Campinas. A construção desse Aeroporto em convênio com o Ministério da Aeronáutica, permitiu o seu funcionamento em outubro de 1960.

Nessa ocasião, foram inaugurados: pista, taxi e pátio, balizamento elétrico de alta intensidade, estação de passageiros, provisória, redes de água, de energia elétrica e de telefone. Após



aquela data, as obras prosseguem, visando à conclusão do Aeroporto, que terá pista de 3.240 m, estação de passageiros e outros melhoramentos.

A pavimentação dos aeroportos do Interior do Estado vem sendo executada a fim de permitir às companhias de navegação aérea a operação de aviões mais modernos, mais rápidos, econômicos e seguros. O critério estabelecido para a execução dessas obras foi o da fixação de prioridades de acordo com a intensidade de tráfego de cada aeroporto.

Em 1960, foi concluído o balizamento elétrico dos aeroportos de Aracatuba, Tupã e Lins e pavimentadas as pistas dos de Tupã, Lins e Marília. Ficou também pronta a estação aeroviária de Presidente Prudente. Em construção acham-se as de Tupã e Aracatuba.

Para o Aeroporto de Congonhas, foi previsto o estabelecimento de luzes de aproximação, estando em fase final o processo de desapropriação da área necessária.

No que diz respeito à construção de novos aeroportos não pavimentados, foram contratadas e estão em execução 4 (Assis, Votuporanga, Dracena e Andradina).

PORTOS E NAVEGAÇÃO

No Porto de São Sebastião, foram construídos abrigo para passageiros, com instalações anexas contra incêndio e serviço de fornecimento de água às embarcações, almoxarifado e oficinas. Providenciou-se enrocamento contra a erosão e o conserto da estrutura de concreto do cais. Por outro lado, cuida-se ainda, de adquirir, para o Porto de São Sebastião, um guindaste de seis toneladas.

O Porto de Ubatuba tem merecido atenção da Administração do Porto de São Sebastião, tendo em vista, especialmente, a sua utilização por barcos de pesca.

Quanto à navegação costeira, tem a administração em estudos o estabelecimento de diversas linhas, visando a dar transporte a faixas litorâneas carentes de ligação marítima.

As linhas Santos — Bertioga e São Sebastião — Ilhabela continuam a ser subvencionadas pelo erário.

TELEFONES

A principal atividade do Estado, neste setor, foi a de cooperar com os municípios na construção de linhas telefônicas, fiscalizar as companhias concessionárias e prestar assistência técnica quando solicitada.

EDIFÍCIOS PÚBLICOS

A política de construções de edifícios públicos passou por modificações substanciais, a fim de adaptar-se ao novo ritmo de atividades administrativas imposto pelo Plano de Ação. Não só os critérios que presidem as normas de edificação, mas mesmo a estrutura interna do órgão responsável, a Diretoria de Obras Públicas, tiveram que ser adaptados à execução, em alta escala, do programa de obras do Governo.

Fêz-se mister imprimir maior plasticidade e rapidez de trabalho a este setor, já que a ele compete indicar as soluções para todos os programas de construção formulados pelas Secretarias de Estado.

Além da construção de edifícios públicos em geral, o setor deve empenhar-se, simultaneamente, nas tarefas de conservação e de reforma, bem como em atender às exigências de ampliação de edifícios, de realização de benfeitorias e de fornecimento do equipamento para permitir a funcionalidade do imóvel com as finalidades do órgão a ser nele instalado.

Dai a íntima vinculação da Diretoria de Obras Públicas com todos os setores em que se distribui a ação do Estado, para o amplo conhecimento dos objetivos e necessidades de todos os órgãos administrativos, no que se refere à sua instalação e funcionamento.

A política de edifícios públicos, pois, além do atendimento dos problemas técnicos inerentes a qualquer construção e à sua relação com o local escolhido, deve considerar a sua importância em face da área ou núcleo ao qual servirá, bem como a plena adequabilidade da obra ao fim a que se destina.

A modificação na estrutura administrativa do setor propiciou a distinção entre as atividades de construção e de reforma,

confiadas a divisões próprias. E outras duas divisões se incumbem do estudo da padronização e controle da qualidade dos materiais a serem empregados nas edificações, bem como da aplicação de soluções destinadas a prevenir vícios ou defeitos ocorridos em construções do mesmo padrão, da elaboração dos orçamentos, com base em custos reais e efetivos, e da promoção das respectivas concorrências públicas.

No exercício de 1960, foi atribuída à Diretoria de Obras Públicas a dotação de 821 milhões de cruzeiros que, somada aos recursos, para o mesmo fim, destinados pelo Plano de Ação, atingiram o montante de cerca de 2 bilhões e 600 milhões de cruzeiros, cifra jamais atingida em outra administração.

Somente no exercício de 1960, foram postas em concorrência pública 585 obras e determinou-se a construção de outras 355 de menor vulto. Iniciaram-se 220 obras, concluindo-se, ainda no exercício, um total de 240 obras. A turma volante da Diretoria executou trabalhos de reparos e reformas equivalentes a 500 ordens de serviço, dando, assim, ampla cobertura de assistência técnica à maioria dos prédios públicos ou ocupados por órgãos da administração.

Cabe menção especial às construções de vulto em execução, como os prédios da Secretaria da Fazenda, Tribunal de Contas, do Instituto Clemente Ferreira, do Instituto Profissional de Mauá, do Hospital de Tuberculosos de Sorocaba, da Unidade Integrada de Ribeirão Preto, da Unidade Integrada de Bauru e do Instituto de Recuperação de Alcoólatras. No setor penitenciário, cumpre ressaltar as obras da Casa de Detenção, na Capital e as das Penitenciárias de Presidente Venceslau e Avaré.

PONTES MUNICIPAIS

As duas últimas gestões administrativas de São Paulo deram grande incremento às obras que integram o plano rodoviário estadual. Os grandes troncos radiais estão sendo pavimentados, bem como as suas transversais.

O acesso a essas artérias de circulação é feito por uma rede capilar de estradas e caminhos vicinais. O tráfego por tais estradas, porém, vem sendo comprometido pelo mau estado em que se encontram suas pontes antigas, de madeira. A gravidade deste fato aumenta na medida em que parcela ponderável da safra agrícola se perde por não poder, em consequência, alcançar os troncos rodoviários estaduais.

Para obviar esta situação, consignou o Governo, no Plano de Ação, recursos para a construção de 400 pontes de concreto, com estrutura de durabilidade permanente e que garantirão o tráfego em zonas comprometidas, especialmente nas estações chuvosas.

Entretanto, como o número de pontes a serem construídas ou substituídas ultrapassou de muito o programa inicial, foram estabelecidos critérios técnicos para determinação da prioridade das obras a serem atacadas. Tais critérios têm em vista, especialmente, o valor da produção agrícola escoada pelas estradas em que aquelas pontes se localizam.

Em 1960, concluíram-se 82 pontes municipais e iniciaram-se 60, com um emprêgo de recursos no valor de 592 milhões de cruzeiros.

AGRICULTURA

O exercício de 1960 demonstrou o acerto da programática do Plano de Ação do Governo, no setor da agricultura, consubstanciada em 5 pontos principais: aumento da produtividade por unidade de área e de capital; aperfeiçoamento da comercialização; nova política fiscal de uso da terra, de financiamento e de conservação dos recursos naturais.

Em primeiro plano, a consecução desses objetivos implica em um desdobramento dos aspectos conceituais, prevendo-se fases de pesquisa básica e aplicada, de fomento e apoio técnico, de suplementação governamental de atividades onerosas e de financiamento para recuperação de dessintonias entre o desenvolvimento industrial e o nível relativamente atrasado da tecnologia rural.

Em segundo plano, mais imediato, configuram-se medidas de simples ativação da máquina administrativa, de enquadramento da infra-estrutura existente nas novas necessidades e de ensaio e experimentação de soluções administrativas para os novos campos abertos à iniciativa governamental.

REVISÃO AGRÁRIA

Em março de 1960, encaminhou o Executivo, a esta Assembleia, projeto de lei visando a estabelecer normas de estímulo à exploração racional e econômica da propriedade rural e dando outras providências.

Esse projeto, que se tornou desde o início amplamente conhecido como de "Revisão Agrária", foi foco do mais intenso, apaixonado e produtivo debate de nossa vida política recente.

Todos os setores da opinião pública foram exaustivamente ouvidos, pelo Executivo, quando do preparo do projeto original e de seu substitutivo, e pelo Legislativo, em suas Comissões e em seu Plenário.

Desse debate, resultaram várias modificações da proposição, algumas de iniciativa do Executivo, outras desta Casa e outras, ainda, oriundas de sugestões de órgãos e pessoas interessadas no assunto — modificações que aperfeiçoaram o instrumento, ao mesmo tempo que os embates fortaleceram cada vez mais a filosofia básica da medida.

Sancionada a lei em 30 de dezembro do ano findo (*), será posta em aplicação neste exercício. Terá assim, o Estado de São Paulo, dado o primeiro passo, cauteloso, mas decidido, na direção de uma estrutura agrária em equilíbrio com o surto industrial que experimentamos.

Considera o Governo pontos fundamentais da lei promulgada: a taxa progressiva, proporcional ao poder econômico do proprietário; a isenção à pequena propriedade; o encorajamento

(*) Lei n.º 5.964, de 30 de dezembro de 1960.

às práticas agrícolas racionais e ao tratamento humano dos trabalhadores, através da redução do imposto sobre as propriedades modelo e sua majoração no caso de latifúndios inaproveitados; a vinculação dos recursos do imposto à execução de projetos de colonização com a dupla finalidade de difundir práticas modernas e permitir o acesso à terra aos que nela trabalham; a isenção de imposto às áreas florestais.

A maior parte dos benefícios da Lei será de fruição mais imediata. O único aspecto a ser desenvolvido com mais cautela, em caráter inicialmente experimental, será o dos planos de colonização. Estes mesmos terão início neste exercício quando será feito o primeiro loteamento. Todas as providências estão sendo tomadas para que seja possível acelerar ao máximo a efetivação do programa a respeito traçado pelos órgãos governamentais específicos.

PESQUISA APLICADA

As atividades de pesquisa aplicada exigem continuidade de investigações sobre problemas a respeito dos quais são bem conhecidos os métodos de ataque, mas cujas soluções devem incessantemente ser atualizadas e aperfeiçoadas. Estão neste caso as técnicas agronômicas e de conservação do solo, os trabalhos para a melhoria da qualidade das sementes e mudas, as práticas de alimentação de animais domésticos, o combate às moléstias de plantas e animais etc.

Em todos estes setores, os trabalhos foram intensificados em 1961, como reflexo da melhoria em equipamento e material humano proporcionada pelo Plano de Ação.

Como um dos pontos altos, no setor da pesquisa, pode ser citado o cultivo, no Instituto Biológico, do vírus da febre aftosa em cultura de tecidos, substituindo a inoculação em língua de boi vivo — método que, além de ter importância científica, elimina grande parte dos problemas de produção de vacina.

[140]

O Instituto Agronômico continuou a dar plena função à sua rede de unidades experimentais e às instalações de sua sede. Deslocam-se trabalhos contínuos de obtenção de variedades mais resistentes e mais produtivas de nossas plantas cultivadas e de práticas agronômicas mais eficientes, trabalhos esses que vêm recebendo cunho regional, possibilitando planejamento agrícola para áreas do Estado atualmente menos bem dotadas, tais como o litoral e a Mantiqueira. Entre os resultados mais expressivos está uma colheita de 11.700 kg. de milho por hectare, a maior já observada no Estado, obtida na zona "velha" de Moji das Cruzes, com semente H. 6999, de recente criação pela Secretaria da Agricultura. Uma importante série de ensaios programados e conduzidos dentro da técnica experimental moderna, vem cuidando do problema do feijão de mesa, ainda produzido de forma atrasada e rotineira, imprópria à comercialização, que já será, em 1961, facilitada pela rede de silos. As pesquisas para 1961 prevêm a mesma linha geral de conduta, com ênfase nos esquemas de adubação, na seleção de variedades resistentes de algodão, seringueira e citrus e na produção de sementes nacionais de batata.

No que concerne à pecuária, continuaram os trabalhos de melhoria do gado bovino de leite e de corte, bem como de animais menores. A Secretaria da Agricultura adquiriu o valioso plantel de gado leiteiro puro de origem da Granja São Martinho, cujo proprietário se retirou das atividades pecuárias.

NOVAS ATIVIDADES DE PESQUISA APLICADA

Por outro lado, a manutenção do ritmo de expansão das atividades produtoras obriga o Estado a se manter em constante posição pioneira, desbravando e preparando o terreno naqueles campos que, pela demanda de equipamento, de pessoal técnico e da infra-estrutura administrativa, escapam à capacidade empreendedora do particular.

[141]

0572

Assim, serão iniciadas em 1961, e intensificadas em 1962, as atividades de uma nova unidade de pesquisa do Instituto Agrônomo de Campinas: a Divisão de Tecnologia, destinada principalmente a investigações sobre o melhor aproveitamento dos produtos alimentares de origem vegetal. Essa iniciativa é extremamente importante, pois tudo o que se conhece no assunto é baseado no que se faz em países de clima temperado, quase nada se sabendo de positivo sobre as condições das zonas tropicais. Do trabalho desta unidade espera-se, não apenas o melhor aproveitamento dos produtos agrícolas nas formas tradicionais, mas também a abertura de novas possibilidades de utilização desses produtos.

A urgência dessa medida já fora sublinhada na Mensagem anterior. Em 1960, foram ultimados os estudos para a construção de prédio e compra do equipamento de laboratórios, providências estas que serão tomadas no primeiro trimestre de 1961, a um custo total de 200 milhões de cruzeiros.

Deverão também ser executados, em 1961, em Nova Odessa, as obras do Centro de Nutrição Animal, que, também, visa a dar dimensões ecológicas locais aos problemas de sua competência. Versará todos os capítulos da especialidade, desde o dos requisitos biológicos do homem e dos animais domésticos, até o do dimensionamento econômico do atendimento de suas necessidades.

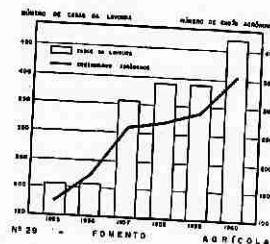
Será ainda iniciado, neste exercício, o levantamento aerofotogramétrico do Estado na escala de 1:25.000. Ao contrário do levantamento na escala de 1:40.000, de finalidades puramente cartográficas, este será utilizado por numerosos órgãos da administração pública, que se ocupam de conservação do solo, recursos minerais, tracção de estradas, cadastro de propriedades, geobotânica etc. O arquivo central ficará no Instituto Agrônomo, à disposição de todos os interessados, num ensaio, dos mais interessantes, de cooperação interdepartamental.

[142]

FOMENTO AGRÍCOLA

O ano findo marcou o início de nova era nas relações entre o Governo e o produtor agrícola, dentro das linhas traçadas no Plano de Ação e já comentadas na Mensagem de 1960.

Cuidou-se da base física — instalações e equipamentos — do volume e qualidade dos materiais e serviços fornecidos — sementes, mudas, reprodutores, mecanização etc. — e, especialmente, do espírito que deve orientar o agente de fomento em seu trato com o produtor, da fase de planejamento à de contacto direto.



Assim, 7 postos de sementes (Presidente Prudente, Avaré, Tatui, Ibitinga, São José do Rio Preto, Marília e Araçatuba) foram ou estão sendo substancialmente reformados; um novo, em Lucélia, entrará imediatamente em atividade; o de Santo Anastácio teve sua construção iniciada. Três campos de produção de sementes foram melhorados e outros três serão construídos em Taubaté, Registro e Itapeva, zonas do Estado até agora desatendidas, sendo que o último destinar-se-á especialmente às atividades tritícolas.

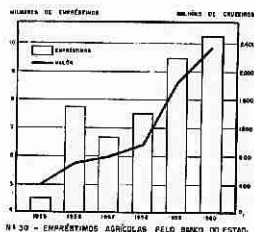
Em relação a 1959, verificaram-se, em 1960, aumentos na distribuição de sementes dos seguintes produtos: algodão, de 970 mil para 1 milhão e 136 mil sacos; amendoim, de 11 mil para 26 mil sacos e trigo, de 1.376 para 2.323 sacos. A de café estacionou em 13.529 quilos, bem como a de arroz em 37.700 sacos. A distribuição de sementes de milho híbrido declinou-se de 102.800 para 82.600 sacos e a de mudas em geral acusou algum decréscimo. Releva notar, porém, que a produção de sementes e mudas,

[143]

0573

pela Secretaria da Agricultura, foi suficiente para pleno atendimento da procura. Os órgãos responsáveis por essas atividades estão sendo aparelhados para ampliarem, de cerca de um terço do total de 1960, seus fornecimentos em 1961.

O plano de construção das Casas de Lavoura, Delegacias Regionais Agrícolas e Chefias de Extensão Agrícola, foi cumprido à risca: 39 prédios prontos, 196 em final de construção e 122 a serem terminados em 1961, completando-se, assim, o programa de 357 prédios da espécie. Esta rede de prédios visa a dar instalações adequadas aos órgãos da respectiva Secretaria, no Interior, e a agrupá-los em unidades hierarquicamente escalonadas, de modo a conjugar os ideais de entrosamento e descentralização.



Paralelamente ao fornecimento de bases físicas para o trabalho de fomento agrícola, tratou-se ativamente do aperfeiçoamento técnico do pessoal de contacto com o lavrador. Foi criado, com essa finalidade, o Centro de Treinamento de Campinas (CETREC). As obras de sua sede — no valor de cerca de 200 milhões e em concorrência pública — têm término previsto para início de 1962. Os trabalhos de treinamento já se desenvolvem, porém, em instalações provisórias, com crescente eficiência. Neste Centro recebem os agrônomos, cursos não só de atualização técnica, mas também de metodologia de extensão agrícola e de assuntos correlatos. Funciona ele em íntima associação com a Divisão de Assistência Técnica Especializada, órgão transmissor da informação técnica do órgão de pesquisa para o de fomento. A nova sede desta Divisão, em Campinas, deverá ser terminada em 1961.

[144]

A extensão agrícola já vem sendo praticada em novas bases. Nada menos que 650 campos de demonstração foram instalados, contrastando métodos racionais com rotineiros de pesquisa e servindo de ponto focal para reuniões de agrônomos e lavradores, com discussões e palestras, auxiliadas por modernas técnicas áudio-visuais. Projeta-se, para 1961, a aquisição de 5 "Peruas" equipadas para tarefas diferenciadas de divulgação nas 16 Chefias de Extensão Agrícola em que se divide o Estado.

Dez "Postos Volantes" de classificação de café, instalados em 1960, classificaram 4.742 amostras, procedentes de 382 municípios e executaram importante função de esclarecimento e instrução, para melhoria da qualidade do produto.

No setor animal, mantiveram-se nos níveis anteriores, quando satisfatórios, ou foram incrementadas, as atividades de fornecimento de reprodutores bovinos (357) e suínos (660), inseminação artificial de vacas (4.739), fornecimento de mudas (4.266) e sementes (4.857 pacotes) de plantas forrageiras. Fizera-se 48 concentrações municipais de pecuaristas e 948 regionais. O fornecimento de gelo a pescadores, feito em entrepostos situados próximo aos locais de habitação e pesca, e que dispensa, assim, a custosa viagem até Santos, aumentou de 1.280 para 10 mil toneladas. Estão já em funcionamento os novos entrepostos de Iguape e Itanhaém.

No setor da sericicultura, os índices de produção de casulos, tecido e fio, mostraram acentuado progresso, não apenas com referência a 1959, um ano mau, mas também relativamente aos exercícios anteriores.

ARMAZENAGEM E ENSILAGEM

É este um dos pontos capitais do programa do Governo, no que diz respeito ao amparo à agricultura. Visa a normalizar o abastecimento de cereais e a amenizar a escassez da entre-safrá. A rede de silos e armazéns, administrada pela Companhia de Armazéns Gerais do Estado de São Paulo, possibilita, ao pequeno lavrador, estocagem efficientíssima e pouco dispendiosa do

[145]

0574

seu produto, submetido assim, indiretamente, a um controle de qualidade; o sistema de "warrants", financiados pelo Banco do Estado, põe-no, ademais, ao abrigo dos especuladores e normaliza o comércio.

O programa desenvolve-se normalmente. Estão construídos e em funcionamento 8 armazéns localizados em Assis, Avaré, Barretos, Ituverava, Presidente Prudente, São Joaquim da Barra e São José do Rio Preto, com capacidade total de 42.000 toneladas. Em concorrência pública foram postos os armazéns de Bauru, Ribeirão Preto e Araraquara, com capacidade total de 60.000 toneladas.

Quanto aos silos, os de Avaré, Barretos, Ituverava, Presidente Prudente e São José do Rio Preto, num total de 30.000 toneladas, estão em construção, com término marcado para o corrente ano. Os de Bauru, Ribeirão Preto e Araraquara, com 25.000 toneladas, estão em concorrência pública.

As unidades já construídas tiveram, em 1960, a seguinte utilização: arroz, 4.673 sacos; milho, 111.478; feijão, 1.462; café, 44.930; diversos, 2.338 peças; no total, 118 mil toneladas.

ABASTECIMENTO

O Centro Estadual de Abastecimento da Capital foi planejado para influir decisivamente na comercialização dos gêneros de primeira necessidade. A área total do terreno é de 503 mil metros quadrados, dos quais 180 mil asfaltados e 111 mil cobertos. Além das áreas destinadas às atividades normais de mercado, serão oferecidas numerosas facilidades especiais: estocagem, com frigorificação quando necessária; instalações para serviços de fomento do governo e para o manuseio e beneficiamento de produtos agropecuários etc.

Neste Centro, será possível colher informações contínuas e precisas sobre preços, volume de transações, entrada e saída de mercadorias e outras, indispensáveis ao adequado planejamento econômico e hoje não disponíveis.

A construção já foi iniciada, e desenvolve-se dentro do cronograma, que prevê a utilização do Centro em 1962.

[146]

MECANIZAÇÃO E CONSERVAÇÃO DO SOLO

Até que a indústria nacional de tratores e implementos agrícolas e de adubos possibilite à iniciativa particular o trato pouco dispendioso da terra, é necessário que o poder público exerça vigorosa ação supletiva na mecanização e conservação do solo. Esta se efetua, no momento, em todas as fases da atividade rural: nos estudos e planejamentos regionais ou de propriedades individuais; nos trabalhos contra a erosão, de açudagem, de drenagem ou de irrigação; na assistência técnica, no fornecimento de tratorização abaixo dos preços do mercado.

Nesse sentido, a Secretaria da Agricultura adquiriu, em 1960, 122 tratores Fiat, com lâminas lisas e dentadas, no valor de 110 milhões de cruzeiros, para reequipamento de seus Postos de Mecanização, dos quais mais dois foram instalados, de 14 Regiões Conservacionistas e de 4 áreas de demonstração, que visam a oferecer estudos e planejamento aos lavradores. Já estão encomendadas mais 80 unidades.

Aproxima-se, porém, o momento da auto-suficiência nacional no setor de tratorização. O Governo do Estado cuida, antecipadamente, tanto do preparo de pessoal de todos os níveis para operação e manutenção, quanto de pesquisa para estabelecimento de normas e requisitos técnicos adequados no nosso meio. Para isso está levantando, em Jundiaí, um grande Centro de Mecânica Agrícola, subordinado ao Departamento de Engenharia e Mecânica da Secretaria da Agricultura, cujas obras já estão bastante adiantadas.

DEFESA SANITÁRIA

No setor da defesa sanitária, estão em andamento pesquisas sobre causas atuais e eventuais de problemas sanitários, vegetais e animais e sua solução.

Em 1960, grandes progressos foram feitos na erradicação de importantes moléstias de plantas cultivadas. Cerca de 200 mil árvores de "citrus" foram destruídas na zona de incidência do

[147]

0575

"cancro citrico". Completa-se assim o trabalho em mais 6 municípios, restando apenas 3 outros a se livrarem do mal. Por outro lado, 251 municípios foram libertados do "carvão da cana".

Foi obtida, como já ficou dito, a cultura do vírus da febre aftosa em tecido de rim bovino, tornando-se agora possível a produção intensiva de vacina em bases satisfatórias. Foram fornecidas, em 1960, as seguintes quantidades de doses de vacinas: contra febre aftosa, 700 mil; contra peste suína, 700 mil; contra raiva bovina e canina, 35 mil; contra a doença de Newcastle, das aves, 6 milhões; contra a boubia aviária, cerca de 3 milhões. Está ainda programada para 1961 a intensificação do combate à tuberculose bovina com isoniazida, medida de larga repercussão na qualidade do leite.

PESQUISA PURA

O Instituto de Botânica e o Departamento de Zoologia exercem a pesquisa pura nos moldes em que é conduzida nos museus modernos, ou seja, aliando os trabalhos de catalogação da fauna e da flora e de morfologia a investigações de ordem experimental e especulativa.

O Plano de Ação teve excelente rendimento nessas instituições e o fator limitante do desenvolvimento desses órgãos de pesquisa, na atual fase de progresso, tem sido a carência de pessoal técnico no mercado nacional. Os 2 institutos dedicam-se, no momento, ao trabalho de formar e selecionar especialistas em campos ainda não explorados de nossa biologia. Foi, em ambos, dado notável incremento ao acúmulo, preparo, conservação e estudo de coleções básicas. No Instituto de Botânica, o herbário foi aumentado de 12.000 amostras, quantidade superior à soma dos últimos 10 anos. Nêle foi instalada uma expressiva seção de Geobotânica, que inaugurou campos de estudo inteiramente novos para nós. Realizou-se um curso de Fisiologia do Desenvolvimento e, em colaboração com a U.N.E.S.C.O. e o O.E.A., foram recebidos, como alunos, cientistas de diversos países sul-americanos.

[148]

Merecem especial relevo, neste setor, as pesquisas realizadas sobre os "campos cerrados". Este tipo de formação vegetal cobre enormes regiões do território nacional. Brasília, por exemplo, situa-se no interior de imensa área de cerrados. Suas feições ecológicas são ainda mal conhecidas, e seu aproveitamento econômico baixíssimo. Tanto a Universidade de São Paulo, quanto o Instituto de Botânica e alguns grupos particulares, vêm trabalhando no problema, com resultados de alto valor científico.

O Departamento de Zoologia, que desempenha as funções de Museu Zoológico do Estado — forma, conserva e estuda coleções de animais de todo o mundo e, especialmente, do Brasil, bem como realiza trabalhos de campo e laboratório — foi órgão dos mais beneficiados com o Plano de Ação. Colocou especialistas em 8 campos que não vinham sendo atendidos e continuou a tarefa de reaparelhamento que lhe permitirá, em 1962, receber em depósito, dentro de perfeitas normas técnicas, todas as coleções zoológicas que lhe venham a ser confiadas por outras instituições estaduais. Recebeu o Departamento, em fins de 1960, interessante contribuição da C.E.L.U.S.A.: ao ser esgotada a primeira enxada da futura usina hidrelétrica de Urubupungá, foi reunida uma coleção de cerca de 2.800 peixes, representando 36 espécies da fauna do Rio Paraná.

CONSERVAÇÃO DE RECURSOS FLORESTAIS

Neste setor prevêem os planos da Administração a aquisição de áreas florestadas, a fim de que sejam preservadas da destruição, e o plantio intensivo de coníferas em terras do Governo, visando, ao mesmo tempo, à cobertura florestal e à sua futura utilização industrial.

Foram assim adquiridas 5 propriedades cobertas de matas, nos municípios de Itapeverica da Serra, São Vicente e Campos do Jordão, num total de 13.192 hectares. Em continuação ao programa de plantação de coníferas em terras do Estado, foram plan-

[149]

tadas mais de 14 milhões de árvores. Está planejado, para 1961, o plantio de cerca de outros 23 milhões.

Em fins de 1960, foi iniciada ação judicial para desapropriação dos remanescentes florestados do chamado "Pontal do Paranapanema" — cerca de 12.000 alqueires paulistas, em favor da relação geográfica com as reservas do Morro do Diabo.

ATIVIDADES CARTOGRÁFICAS

Foram devidamente iniciados os trabalhos aerofotogramétricos na escala de 1:40.000 para cartografia. Está sendo coberta uma área de 14.000 quilômetros quadrados na região noroeste do Estado onde a presente cobertura é deficiente. A etapa seguinte, atingindo principalmente o baixo Tietê e o Paraná, alcançará cerca de 16.000 quilômetros quadrados.

PUBLICIDADE AGRÍCOLA

Este setor tem como função normal a divulgação das atividades da Secretaria da Agricultura e de informações técnicas. Assim, foram distribuídos, em 1960, cerca de 2.000 comunicados e 500 trabalhos de vulgarização. Além disso, foi tarefa da Diretoria de Publicidade Agrícola, em 1960, o esclarecimento da opinião pública sobre o projeto de lei da Revisão Agrária. Foram impressos e distribuídos folhetos, avulsos e circulares, cobrindo com eficiência todo o território do Estado.

ORGANIZAÇÃO DO PARQUE DO ESTADO

Foram contratados os estudos básicos para a transformação do Parque do Estado, que abriga diversos órgãos estaduais, como o Jardim Botânico e o Parque Zoológico, em logradouro público, planejado e executado dentro dos mais elevados padrões técnicos e artísticos. A localização da gleba é excelente, pois atende, com facilidade, à Capital e ao triângulo do chamado A.B.C.

[150]

RELAÇÕES COM A ESFERA FEDERAL

Conseguiu a Secretaria da Agricultura, em 1960, autorização federal para reabertura da exportação de milho; em primeira etapa, foi autorizada a exportação de 120 mil toneladas.

Doze acordos foram estabelecidos, para o desempenho, pelo Estado, de atribuições do Governo da União. Cinco convênios foram firmados com o Instituto Brasileiro do Café, no total de 28 milhões de cruzeiros.

Finalmente, conseguiu o Governo do Estado ver aceito seu conceito, de preços mínimos para produtos agropecuários, incluindo na sua formação, além dos custos de produção, um lucro para o produtor.

ENSINO AGRÍCOLA

Cabe à Secretaria da Agricultura a tarefa de dar, no Interior, instrução geral e agrícola de nível post-primário. Em 1960, manteve a Diretoria do Ensino Agrícola, instituição complementar da Universidade de São Paulo, 6 escolas, com cerca de mil alunos em regime de internato, e pôs em funcionamento mais 3, em Itu, Rancheira e Monte Aprazível. Foram iniciadas as construções de 3 prédios, para os internatos de São Manoel, Presidente Prudente e Pinhal, e de numerosas obras complementares.

No setor, não menos importante, de preparo de pessoal especializado para ensino, reconheceu o Governo Federal os cursos de iniciação e Mestría da Escola Agrotécnica de Jaboticabal. Cursos de férias para professores normalistas, em 4 escolas, além de cursos de especialização em colaboração com outros Departamentos da Secretaria da Agricultura, foram ministrados.

ADMINISTRAÇÃO FAZENDÁRIA

Com o desenvolvimento econômico e a grande evolução social, a que atingiu o Estado de São Paulo, crescem as responsabilidades do Governo, no que diz respeito aos aspectos financeiros

[151]

0577

de sua atividade, pelo vulto do seu orçamento, que, em 1960, superou a casa dos 90 bilhões de cruzeiros.

Nessas condições, exigem-se do Poder Público níveis quantitativos e qualitativos sempre mais altos para o atendimento dos serviços de educação, saúde, justiça e segurança; reclamam-se sempre maiores investimentos de infra-estrutura, a fim de assegurar melhores transportes e maior suprimento de energia, ao mesmo tempo em que se acentua a participação do Estado no fomento da expansão agrícola e industrial, quer por intermédio de investimentos diretos, quer sob a forma de financiamentos.

Para fazer face a essas crescentes necessidades, deve o Estado obter os recursos financeiros indispensáveis à cobertura integral da despesa pública, que reflete financeiramente o amplo programa administrativo que este Governo se impôs e do qual o Plano de Ação representa a pedra angular.

Se, de um lado, a cobertura da despesa pública deve ser integral, a fim de evitar "déficits" orçamentários e, principalmente, "déficits" de caixa, por outro lado, a obtenção dos recursos correspondentes não pode limitar-se a um trabalho puramente fiscal de elevação da receita, sem o exame profundo dos meios utilizados e de suas repercussões econômicas. A escolha desses meios há de ser pautada pelo critério do retorno, das somas obtidas por via das contribuições, à coletividade sob a forma de serviços, investimentos ou financiamentos. Maximé nesta conjuntura inflacionária, o interesse econômico e social sobreleva o fiscal na aplicação da receita pública. A política fiscal deve ser orientada pela ação indireta, sempre atenta à realidade, dinâmica e mutável, sobre a qual atua o Estado, tendo em vista o incentivo às atividades econômicas produtivas e a melhor distribuição social da renda. Nesse sentido, vem sendo orientado o aperfeiçoamento do sistema tributário paulista, do qual é exemplo flagrante a nova legislação sobre o imposto territorial rural, que lhe deu função especificamente social.

A iguais critérios deve atender o Governo Estadual na utilização do crédito público. A sua utilização indiscriminada contribuiu, no passado, para a desmoralização dos títulos públicos, tornando-os uma forma altamente onerosa e imprópria de cobertura dos gastos da Administração. Graças à política implantada e

mantida desde o Governo anterior, apresenta hoje o crédito do Estado segurança e firmeza que permitem sejam conseguidas melhores condições de rentabilidade, pelo lançamento de títulos no mercado, apenas quando e em quantidades que se mostrem necessárias à cobertura financeira das despesas de capital incluídas no Plano de Ação, as quais, pelas características de investimentos e pela extensão de seus benefícios econômicos e sociais, presentes e futuros, justificam seu financiamento a médio e longo prazo.

A política adotada e cumprida por este Governo, nas questões fiscais e de administração fazendária, tem sido, pois, a de evitar majorações de impostos e de obter os recursos necessários pelo aperfeiçoamento constante do mecanismo fazendário, de forma a mantê-lo atualizado em relação à evolução da economia paulista e, desta forma, poder alcançar ritmo de elevação da receita que acompanhe a evolução da capacidade tributária dos contribuintes, evitando-se, assim, a evasão de rendas, as sonegações fiscais e os efeitos regressivos dos impostos.

Equilíbrio financeiro, crédito público saneado e pontualidade nos pagamentos, constituem outros princípios nos quais tem este Governo alicerçado a política que desenvolve no sentido de manter a indispensável higidez das finanças estaduais, recuperadas no período governamental anterior, e cujos objetivos fundamentais são o de permitir a promoção do desenvolvimento econômico e social, sem agravar o processo inflacionário e, na medida da sua competência — porquanto o poder fundamental nesse terreno é do Governo Federal, pela sua autoridade emissora e pelo domínio dos principais instrumentos de política econômica — a atuação administrativa, como fator anticíclico, evitando os perigos de recessões econômicas regionais e diminuindo mesmo os efeitos da inflação.

POLÍTICA ORÇAMENTÁRIA

A proposta orçamentária de 1960, elaborada rigorosamente dentro das diretrizes da política financeira já enunciada, apresentava receita e despesa iguais, de 83 bilhões e trezentos e trinta e sete milhões de cruzeiros. Do ponto de vista técnico, atendendo ao planejamento administrativo, que norteia toda a ação deste gover-

de sua atividade, pelo vulto do seu orçamento, que, em 1960, superou a casa dos 90 bilhões de cruzeiros.

Nessas condições, exigem-se do Poder Público níveis quantitativos e qualitativos sempre mais altos para o atendimento dos serviços de educação, saúde, justiça e segurança; reclamam-se sempre maiores investimentos de infra-estrutura, a fim de assegurar melhores transportes e maior suprimento de energia, ao mesmo tempo em que se acentua a participação do Estado no fomento da expansão agrícola e industrial, quer por intermédio de investimentos diretos, quer sob a forma de financiamentos.

Para fazer face a essas crescentes necessidades, deve o Estado obter os recursos financeiros indispensáveis à cobertura integral da despesa pública, que reflete financeiramente o amplo programa administrativo que este Governo se impôs e do qual o Plano de Ação representa a pedra angular.

Se, de um lado, a cobertura da despesa pública deve ser integral, a fim de evitar "deficits" orçamentários e, principalmente, "deficits" de caixa, por outro lado, a obtenção dos recursos correspondentes não pode limitar-se a um trabalho puramente fiscal de elevação da receita, sem o exame profundo dos meios utilizados e de suas repercussões econômicas. A escolha desses meios há de ser pautada pelo critério do retorno, das somas obtidas por via das contribuições, à coletividade sob a forma de serviços, investimentos ou financiamentos. Maximé nesta conjuntura inflacionária, o interesse econômico e social sobreleva o fiscal na aplicação da receita pública. A política fiscal deve ser orientada pela ação indireta, sempre atenta à realidade, dinâmica e mutável, sobre a qual atua o Estado, tendo em vista o incentivo às atividades econômicas produtivas e a melhor distribuição social da renda. Nesse sentido, vem sendo orientado o aperfeiçoamento do sistema tributário paulista, do qual é exemplo flagrante a nova legislação sobre o imposto territorial rural, que lhe deu função especificamente social.

A iguais critérios deve atender o Governo Estadual na utilização do crédito público. A sua utilização indiscriminada contribuiu, no passado, para a desmoralização dos títulos públicos, tornando-os uma forma altamente onerosa e imprópria de cobertura dos gastos da Administração. Graças à política implantada e

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mantida desde o Governo anterior, apresenta hoje o crédito do Estado segurança e firmeza que permitem sejam conseguidas melhores condições de rentabilidade, pelo lançamento de títulos no mercado, apenas quando e em quantidades que se mostrem necessárias à cobertura financeira das despesas de capital incluídas no Plano de Ação, as quais, pelas características de investimentos e pela extensão de seus benefícios econômicos e sociais, presentes e futuros, justificam seu financiamento a médio e longo prazo.

A política adotada e cumprida por este Governo, nas questões fiscais e de administração fazendária, tem sido, pois, a de evitar majorações de impostos e de obter os recursos necessários pelo aperfeiçoamento constante do mecanismo fazendário, de forma a mantê-lo atualizado em relação à evolução da economia paulista e, desta forma, poder alcançar ritmo de elevação da receita que acompanhe a evolução da capacidade tributária dos contribuintes, evitando-se, assim, a evasão de rendas, as sonegações fiscais e os efeitos regressivos dos impostos.

Equilíbrio financeiro, crédito público saneado e pontualidade nos pagamentos, constituem outros princípios nos quais tem este Governo alicerçado a política que desenvolve no sentido de manter a indispensável higidez das finanças estaduais, recuperadas no período governamental anterior, e cujos objetivos fundamentais são o de permitir a promoção do desenvolvimento econômico e social, sem agravar o processo inflacionário e, na medida da sua competência — porquanto o poder fundamental nesse terreno é do Governo Federal, pela sua autoridade emissora e pelo domínio dos principais instrumentos de política econômica — a atuação administrativa, como fator anticíclico, evitando os perigos de recessões econômicas regionais e diminuindo mesmo os efeitos da inflação.

POLÍTICA ORÇAMENTÁRIA

A proposta orçamentária de 1960, elaborada rigorosamente dentro das diretrizes da política financeira já enunciada, apresentava receita e despesa iguais, de 83 bilhões e trezentos e trinta e sete milhões de cruzeiros. Do ponto de vista técnico, atendendo ao planejamento administrativo, que norteia toda a ação deste gover-

no, fazia-se ali a distinção entre despesas de capital — incluindo, nesta conta, dotações para a execução do Plano de Ação, no exercício — e despesas correntes, subdivididas estas, por sua vez, em Serviços Existentes e Ampliação dos Serviços Públicos, que correspondem a dotações previstas em programas definidos de trabalho.

Foi o orçamento aprovado (*) com um "deficit" de 500 milhões de cruzeiros, elevando-se a despesa

	Cr\$
orçamentária a	83.837.000.000,00
A essa despesa, somam-se:	
I — créditos adicionais de vigência plurienal abertos em exercícios anteriores, cuja aplicação no exercício importaram em	1.652.000.000,00
II — aumento concedido ao funcionalismo (**) que, tendo atingido 10.311 milhões de cruzeiros, ultrapassou a reserva inicial em	4.311.000.000,00
III — Plano de Ação — parte aplicada em 1960	4.804.000.000,00
IV — Reajustamento orçamentário — suplementação líquida	2.672.000.000,00
V — Suplementação de despesas e outros encargos	1.429.000.000,00
VI — Suplementação de dotações com receitas compensadas em virtude do aumento destas ...	2.742.000.000,00
Total autorizado na despesa pública, no exercício	101.447.000.000,00

Diante do "deficit" previsto no orçamento aprovado e dos aumentos ocorridos durante o exercício, severas medidas foram tomadas para assegurar equilibrada execução orçamentária.

(*) Lei n.º 5.443, de 16 de novembro de 1959.

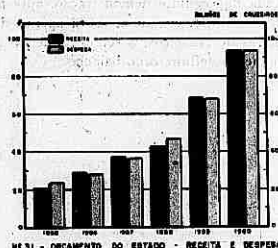
(**) Lei n.º 5.388, de 17 de janeiro de 1960.

Assim, foi dada integral continuidade aos trabalhos de aperfeiçoamento do aparelho administrativo. Prosseguiram os trabalhos de reestruturação dos sistemas de arrecadação e fiscalização, ressaltando-se, no primeiro caso, a reforma, com pleno êxito, do sistema de arrecadação de tributos por Bancos da Capital; a criação do Serviço de Verbas Federais, visando a ativar o recebimento das verbas consignadas a favor de São Paulo no orçamento da União; o estabelecimento do Serviço de Notificação Domiciliar aos contribuintes em mora, antes do ajuizamento de qualquer dívida; e no segundo caso, entre outras, a assinatura de novos convênios de mútua assistência fiscal, em assuntos tributários, com os Estados do Rio Grande do Sul e da Bahia e a publicação, atualizada, do Código de Impostos e Taxas do Estado de São Paulo.

Prosseguiram os trabalhos de melhoria dos métodos de fiscalização, sempre conjugados com o sistemático combate à sonegação de tributos.

Graças a tais providências a receita do Estado teve maior aumento do que aquele tecnicamente previsível. Obteve-se, assim, uma receita excedente de 10 bilhões e quatrocentos e trinta e quatro milhões de cruzeiros, que permitiram enfrentar os encargos financeiros de natureza vária que se somaram ao orçamento da despesa votado para o exercício e sem os quais ficariam comprometidas as obras do Plano de Ação e as finanças do Estado.

Com relação à despesa, foram aperfeiçoados substancialmente os mecanismos de controle de execução orçamentária, pelos quais se objetivava alcançar economias efetivas e utilização racional das verbas autorizadas por esta Assembléia. Discriminada a despesa em verbas para ampliação



ção, manutenção e funcionamento dos serviços públicos existentes, foram as respectivas aplicações, por força de congelamento parcial ou total, nas despesas não obrigatórias, rigorosa e eficientemente controladas. Condiçãoou-se o uso dos recursos destinados à ampliação dos serviços públicos a programas de trabalho discriminados em função de objetivos definidos; limitou-se o crescimento das despesas de custeio ao nível exato das necessidades acarretadas pela evolução das atividades prestadas pelo Governo e atenderam-se, prioritariamente, os serviços executores das atividades-fins do Estado. Tais medidas, tomadas com relação às despesas correntes e coordenadas com o aprofundamento do planejamento e execução criteriosa dos investimentos do Plano de Ação, permitiram manter a realização da despesa dentro da receita apurada. No final do exercício atingiu a despesa, segundo os dados levantados mas ainda não contabilizados, o montante de 93 bilhões e setecentos e setenta milhões de cruzeiros que, confrontado com a autorização total para o exercício apresenta diferença para menos de sete bilhões e seiscentos e setenta e sete milhões de cruzeiros.

Assim, a conjugação de todas essas medidas, com relação à Receita e a Despesa, permitiu que se alcançassem os objetivos colimados, quer em relação ao desenvolvimento dos serviços administrativos e de execução do Plano de Ação, quer em relação aos resultados da execução orçamentária que, como pode ser verificada na seguinte demonstração, apresentou situação de completo equilíbrio, com uma sobra apenas de algumas centenas de milhares de cruzeiros, a ser exatamente apurada por ocasião do fechamento definitivo do balanço.



GOVERNO DO ESTADO DE SÃO PAULO
Execução Orçamentária em 1960 (*)
(Em milhões de cruzeiros)

RECEITA		DESPESA	
RECEITA ORDINÁRIA		Assembleia Legislativa	
Renda Tributária	80.128	Tribunal de Contas	128
Renda Patrimonial	781	Governo do Estado	141
Renda Industrial	8.248	Secretaria do Governo	393
Rendas Diversas	2.090	Secretaria da Justiça	2.037
		Secretaria da Segurança	6.424
		Secretaria da Educação	13.323
		Secretaria da Saúde	6.607
RECEITA EXTRAORDINÁRIA		Secretaria do Trabalho	203
		Secretaria da Agricultura	5.961
RECEITA TOTAL	93.770	Secretaria da Viação	21.852
		Encargos Gerais do Estado e de Autonomias Administrativas	31.302
		Secretaria da Fazenda (encargos próprios)	3.522
		Poder Judiciário	1.431
		DESPESA TOTAL	93.770

(*) Dados não contabilizados.

CRÉDITO PÚBLICO

Os resultados da política de austeridade, firmeza e segurança com que o Governo vem agindo em relação à dívida pública, expressam-se pelas cotações atuais dos seus títulos, quando comparadas com as de exercícios anteriores. O "quantum" geral da dívida pública, adiante indicado e sua relação, em porcentagem mínima, com os valores totais do orçamento, demonstram a inteira liquidez e a plena garantia da atual situação financeira do Estado.

Em 1956, as Obrigações do Café estavam cotadas a Cr\$ 595,00; em 1960, a Cr\$ 960,00; as Apólices Ferroviárias de Cr\$ 585,00, em 1956, passaram a Cr\$ 845,00, em 1960; as Apólices do IV Centenário tiveram sua cotação aumentada de Cr\$ 337,50 para Cr\$ 465,00, de 1956 para 1960; e assim sucedeu com os demais títulos da dívida fundada paulista.

No que se refere aos bônus rotativos, o panorama é o mesmo, porquanto de Cr\$ 92,50, em 1956, passaram a Cr\$ 96,00, em 1960, refletindo a progressiva confiança do povo nos títulos públicos estaduais.

Alcançada, desta forma, a consolidação definitiva do crédito público, procurou o Estado atualizar, para a presente conjuntura econômica, as condições de emissão de seus títulos a médio e longo prazo, a fim de estar apto a lançá-los no mercado, quando necessário, em condições aceitáveis pela sua liquidez e rentabilidade, captando, assim, as poupanças voluntárias da população para aplicá-las em investimentos reprodutivos, tais como os previstos no Plano de Ação. fi de se notar que, embora autorizado a realizar essas operações de crédito, (*) não se utilizou o Poder Executivo, até aqui, dessa faculdade, para financiamento dos encargos decorrentes da execução do Plano de Ação, possível que foi cobri-los com os recursos orçamentários.

(*) Lei n.º 5.444, de 17-11-59, art. 6.º, § 2.º.

A circulação de títulos de dívida pública interna fundada, no final do exercício, é representada pelos valores abaixo que, confrontados com os constantes da Mensagem do exercício anterior, apresentam uma redução total de 1 bilhão, trezentos e sessenta e nove milhões de cruzeiros.

SITUAÇÃO DOS TÍTULOS DA DÍVIDA FUNDADA (1)

TÍTULOS	Em 31-12-59	Em 31-12-58	Diferença
1 — Uniformizadas	750.366	771.868	21.492
2 — Rodoviárias	188.822	210.497	21.675
3 — Ferroviárias	728.990	864.105	135.115
4 — Estâncias Paulistas	33.700	34.000	300
5 — IV Centenário	171.295(2)	176.130	4.835
6 — "1057"	3.346.700	3.361.500	14.800
7 — Mogiana	106.615	106.615	—
8 — Unificadas	3.885.690	4.081.621	195.931
SOMA	9.211.878	9.609.406	397.528
Acréscendo-se ainda:			
a — Governo Federal — Conta Empréstimo Interno de Conversão da Div. Exter.	72.938	72.938	—
b — Banco do Brasil — c/Especial de Unificação e Composição de Dívidas Contrato de 17-10-1953 .	5.921.350	6.896.178	974.828
TOTAL	15.206.167	16.578.523	1.369.356

- (1) Não estão aí incluída as Obrigações do Café, a serem integralmente resgatadas em 1961 no respectivo vencimento, e do valor de 52 milhões e quatrocentos mil cruzeiros, importância a que ficou reduzida sua emissão em virtude de apólices retiradas do mercado por compra, de acordo com as disposições legais vigentes, e que somaram 19 milhões e cento e onze mil cruzeiros.
- (2) A serem integralmente resgatadas em 1961, no respectivo vencimento.

Com relação à dívida externa fundada, resgatou-se integralmente o antigo empréstimo em florins, contraído em 1921, em Amsterdan (Holanda), bem como se reduziu de 842 mil dólares a dívida externa remanescente, cuja responsabilidade de pagamento passou para o Governo Federal, em virtude do Acerto de Contas, firmado com a União e já aprovado (*) por esta Assembléia.

EMPRÉSTIMOS EXTERNOS

	Dólares	Florins
1955	6.837.250,00	3.739.500,00
1956	5.670.500,00	3.739.500,00
1957	4.479.500,00	3.739.500,00
1958	3.244.500,00	3.739.500,00
1959	2.828.000,00	3.739.500,00
1960	1.986.000,00	nihil

A dívida flutuante, cuja posição provisória, em 31 de dezembro de 1960 — baseada em dados ainda não contabilizados — está expressa no quadro adiante, apresenta, de um lado, uma redução de circulação de títulos e, de outro, elevação nos itens de Restos a Pagar e Depósitos.

(*) Lei n.º 6.744, de 24 de janeiro de 1961.

SITUAÇÃO DA DÍVIDA FLUTUANTE (em milhões de cruzeiros)

TIPOS	Posição em 31-12-60	Posição em 31-12-59	Diferença
I — Títulos	2.179	3.479	- 1.300
Bônus Relativos	1.997	3.163	- 1.256
Promissórias do Tesouro	143	163	- 10
Letras do Tesouro	129	163	- 34
II — Restos a Pagar	29.613	20.115	+ 9.498
III — Outros	3.272	2.368	+ 904
Depósitos	3.108	1.795	+ 1.313
Restituição a pagar	1	3	- 2
Autarquias	—	238	- 238
Prod. Municipais e quotas apuradas	162	333	- 170
Total da Dívida Flutuante ..	35.264	25.950	+ 9.305

Com relação às promissórias do Tesouro, é preciso considerar que estão incluídos títulos no valor total de 138 milhões, quinhentos e quinze mil cruzeiros, abrangidos pelo esquema de liquidação do acerto de contas com a União e 519 mil cruzeiros, correspondentes a um título com pagamento suspenso por ordem judicial. Em circulação efetiva resulta, pois, a diminuta parcela de 3 milhões, quatrocentos e oitenta e seis mil cruzeiros, que serão integralmente resgatados no 1.º semestre de 1961. No transcorrer do exercício de 1960, foram emitidas e resgatadas, a favor de Prefeituras Municipais, como antecipação do valor das respectivas quotas do excesso de arrecadação, promissórias no valor de 341 milhões, cento e setenta e dois mil cruzeiros.

Os acréscimos evidenciados em Restos a Pagar decorrem do natural crescimento do volume global de movimentação orçamentária e financeira do Estado e correspondem, em grande parte, ao que se denomina "taxa de retardamento" na execução das despesas.

Manteve-se, contudo, o total da dívida flutuante, na mesma proporção do ano anterior, se comparado com o montante do orçamento executado.

DISPONIBILIDADES

Em consequência mesmo da política administrativa deste Governo, baseada no planejamento, que significa antecipação de decisões e continuidade na execução de seus serviços e de seus investimentos, e da política financeira, intimamente associada com aquela, por intermédio do processo de planejamento-orçamento, vem o Estado, ao lado do equilíbrio orçamentário, apresentando um saldo financeiro, cujos valores absolutos ascensionais têm sido objeto de opiniões contraditórias:

Os preceitos constitucionais que condicionam a administração financeira do Estado, necessários ao seu controle pelos poderes competentes e pelo povo, obrigam a que todas as despesas se sujeitem à autorização prévia do Poder Legislativo, por meio do orçamento ou de créditos adicionais, despesas essas que passam no mínimo por dois estágios bem definidos na sua realização os quais são o empenho e a liquidação, antes do pagamento efetivo. Isso contribui, para a elevação da "taxa do retardamento de despesa" no Estado, ocasionando a ampliação do saldo referido. Outro fator que influi no nível dessa taxa é a estrutura dos gastos do Estado, porquanto a efetivação das despesas correntes, como o pagamento ao funcionalismo, tem maior velocidade que a concretização da despesa com investimentos, uma vez que esta última sofre a injunção das medidas que o Governo deve tomar diante das constantes variações dos preços, nesta conjuntura inflacionária, a fim de garantir custos adequados e menores e a necessária continuidade nas suas obras e serviços, reduzindo ao mínimo indispensável a necessidade de reajustamento de contratos e assegurando a execução de obras dentro de prazos previstos, quando não com antecipação.

Constitui noção elementar em finanças que não se confunde saldo orçamentário com saldo financeiro. Este representa jus-

tamente a reserva indispensável para o pagamento de serviços ou obras já contratados e em execução, com empenhos já emitidos, correspondentes, portanto, a despesas legalmente registradas e ainda não liquidadas. Não são reservas livres, mas vinculadas e com diferentes prazos de liquidação, relacionados com a velocidade de realização da despesa. É a reserva fundamental para garantir a pontualidade rigorosa dos pagamentos do Estado, sejam eles devidos aos servidores públicos, pelos seus salários, seja aos Municípios credores das quotas do excedente de arrecadação, ou aos fornecedores ou empreiteiros de obras públicas, enfim, a todos os credores do Estado. Essa pontualidade permite, aliás, a obtenção de descontos, por antecipação do pagamento, em numerosas compras, e a atenuação dos efeitos da inflação sobre os custos, evitando os atrasos que eram causa de acréscimos nos preços das obras, dos equipamentos ou dos fornecimentos.

O crescimento desse encaixe, em valores absolutos, decorre do fato de corresponder à "taxa de retardamento da despesa", da ampliação do movimento financeiro total do Estado, mantendo, em relação a ele, percentagens estáveis.

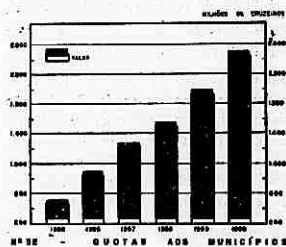
A existência desse saldo financeiro do Tesouro do Estado, na sua quase totalidade depositado no Banco do Estado, não significa, de forma alguma, que ele se mantenha estacionário ou esteja inaproveitado. Constituiria prova de incapacidade administrativa do Governo a verificação desses fatos; resultaria, ao mesmo tempo, em negar-se a finalidade do Banco do Estado de São Paulo, do qual o Tesouro Estadual é titular da maioria das ações.

Esse modelar estabelecimento, por meio de sadia política de crédito a que esta administração dá a maior ênfase e que vem exposta no capítulo próprio, se enquadra na política financeira e econômica geral, fazendo retornar, pelos seus financiamentos, diretamente às suas fontes, os recursos que o Estado obtém da arrecadação dos tributos.

QUOTAS DOS MUNICÍPIOS

Dentro da política municipalista seguida pelo Governo Estadual, de fortalecimento das Administrações Municipais, resalta-se, ao lado de todas as demais medidas tendentes ao atendimento dos interesses coletivos do Interior — prosseguimento e conclusão de obras públicas anteriormente iniciadas e das constantes do Plano de Ação, financiamentos maciços proporcionados à produção, pelo Banco do Estado, e financiamentos de diversos serviços públicos pela Caixa Econômica Estadual — a entrega rigorosa e pontual, pela Secretaria da Fazenda, das quotas do excesso de arrecadação estadual sobre as receitas municipais.

O valor dessas quotas, como pode ser verificado no gráfico anexo, acusa rápido crescimento, alcançando, nos dois últimos exercícios, 4 bilhões e trezentos e cinquenta e quatro milhões de cruzeiros, sendo que 2 bilhões e quatrocentos e trinta e um milhões correspondem às quotas de 1958, entregues em 1960.



Considerando que a previsão para 1961 é de 3 bilhões e quinhentos milhões de cruzeiros, pode-se afirmar que a tendência de crescimento no quadriênio em curso é bem mais acentuada do que anteriormente. Isso decorre, sem dúvida, da política de fortalecimento das células interiores, posta em prática quer pelos Governos Municipais, quer pelo Governo do Estado, por meio das medidas já referidas, de fomento ao esforço produtivo de suas populações.

Recorde-se, a propósito, que a percentagem do excesso da arrecadação estadual sobre a municipal, revertida ao Interior, foi

de 6, 12, 18 e 24%, respectivamente, para as quotas de 1948, 1949, 1950 e 1951. A partir de 1952 é que passou a ser de 30%. As disposições constitucionais transitórias da Carta Magna Federal permitiam que esta última percentagem fosse atingida em 10 anos, prazo que, em São Paulo, foi reduzido pela metade.

COMPRAS DA ADMINISTRAÇÃO

A centralização das compras de materiais, cuja execução cabe à Comissão Central de Compras do Estado, órgão subordinado à Secretaria da Fazenda, registrou índices positivos de eficiência, tendo superado o movimento de exercícios anteriores.

Cabe registrar aqui que a reorganização daquele órgão fazendário, determinada por lei (*) foi bastante oportuna e que seus resultados, apesar da fase de transição decorrente do advento do novo diploma legal, estão a demonstrar o acerto da medida.

O movimento de compras realizado pela C.C.C.E. no exercício em exame, atingiu a cifra de 3 bilhões e novecentos e cinquenta e seis milhões de cruzeiros, superando em cerca de 1 bilhão e seiscentos milhões de cruzeiros o movimento do exercício anterior. As contas dos fornecedores continuaram a ser liquidadas com absoluta regularidade; montaram a 2 bilhões e novecentos e sessenta e cinco milhões de cruzeiros os pagamentos efetuados, obtendo-se a apreciável economia de 27 milhões e oitocentos mil cruzeiros a favor do Erário estadual, como resultado de descontos por pagamentos antecipados.

Entre as aquisições a cargo da C.C.C.E. avultam as de gêneros alimentícios, para os hospitais, sanatórios, presídios e institutos de menores da Administração estadual, a cujos internados o Estado tem o dever indeclinável de assegurar subsistência. Para o exercício de 1961, está previsto o aperfeiçoamento do processo de aquisição desses gêneros, especialmente pela padronização das exigências e características a serem observadas na sua aquisição, para o que a Comissão elaborou estudos específicos já publicados.

(*) Lei n.º 5.825, de 25 de agosto de 1960.

PRÉDIO DA SECRETARIA DA FAZENDA

As obras do prédio da Secretaria da Fazenda experimentaram sensível intensificação, ficando praticamente concluídas, em todos os andares, as de natureza civil, o que permitiu instalar no edifício, durante o ano findo, as seguintes repartições que ocupavam dependências alugadas: Departamento da Receita, Departamento dos Serviços do Interior, Contadoria Geral do Estado e Tribunal de Impostos e Taxas.

BANCO DO ESTADO DE SÃO PAULO S/A

Tem o Banco do Estado de São Paulo substancial participação na política financeira e econômica do Governo Estadual, não só pela sua condição de principal depositário dos recursos públicos — tanto os do Tesouro como os das entidades autárquicas — como pela adequada aplicação desses recursos, aos quais devem ser adicionados os provenientes dos depósitos particulares. Apresentaram estes últimos, no exercício anterior, o aumento de 3 bilhões e setenta e dois milhões de cruzeiros, correspondendo à média mensal de 256 milhões, o que bem demonstra o conceito do Banco perante o público. Totalizaram os depósitos, em 31 de dezembro de 1960, 42 bilhões e quinhentos e trinta e seis milhões de cruzeiros, com aumento de 53,65% sobre os do ano de 1959.

Com tais recursos, vem esse estabelecimento de crédito executando larga política de amparo e estímulo às entidades interiores, e de apoio decisivo ao comércio, à lavoura e à indústria não só em caráter normal, como também em períodos de dificuldade nos quais sem a interferência do Banco, se verificariam prejuízos avultados gerando-se crises perigosas; e isto sem se contar a execução da política cafeeira do Estado, mediante descontos de faturas de café — 4.750 em 1960 — e o financiamento de conhecimentos de embarque cujos detentores estariam, de outra forma, obrigados a longa espera para liquidação, resultando disso o comprometimento dos planos de comercialização das safras.

[166]

Foram as seguintes as operações de café realizadas pela Carteira Comercial:

Conhecimentos e Warrants	Em milhares	
	Sacos	de cruzeiros
Agência de Santos	1.166.151	2.372.417
Matriz e demais Agências	105.768	206.668
	1.271.919	2.577.085
Faturas de Café		
4.750 faturas descontadas	1.837.758	5.436.347
	3.109.677	8.013.432

FINANCIAMENTO AGRÍCOLA

Prosseguiu, o Banco, no incentivo à cultura dos produtos agrícolas indispensáveis à subsistência, notadamente à do arroz, do feijão e do milho, às quais foi dispensado o privilégio da concessão de empréstimos a juros de 4%/ano, o que constitui eficiente contribuição para que se atenuem a elevação do custo de vida.

As operações de financiamento agrícola daquele Banco, elevando-se, em 1960, à cifra de 2 bilhões e trezentos e quarenta e um milhões de cruzeiros, distribuída por 10.408 contratos, representaram um acréscimo de 23% sobre a aplicação do ano anterior e uma expansão, em número de contratos, de quase 1.000 novos mutuários.

Além desses financiamentos, as atividades agropecuárias foram assistidas por outras modalidades de crédito do mesmo Banco, mediante financiamentos que totalizaram, em 1960, mais de 7 bilhões de cruzeiros, com um crescimento de 27,03% sobre 1959.

APLICAÇÕES NO INTERIOR

Cabe destacar, também, o interesse do Banco em distribuir suas disponibilidades através de suas agências, contribuindo, desse

[167]

0586

modo, para ativar o desenvolvimento econômico das várias regiões de nosso e de outros Estados da Federação e amparando produtores e consumidores, pelo incentivo das atividades econômicas e pela facilidade de escoamento da produção. Registre-se que, afora as operações mencionadas, específicas de crédito agropecuário, as agências do Banco efetivaram outras, no valor de 36 bilhões e duzentos e treze milhões de cruzeiros, montante esse que corresponde a um acréscimo, em relação ao ano anterior, de quase 40%.

O vulto já atingido pelas operações do Banco, de há muito vem justificando e mesmo tornando imperiosa a ampliação do número de agências, o que será possível neste exercício, já que em 17 de dezembro de 1960 a Superintendência da Moeda e do Crédito houve por bem atender antiga solicitação do Banco e lhe concedeu 10 cartas-patentes para instalação de agências nas seguintes cidades: Recife (Pernambuco), Salvador (Bahia), Belo Horizonte e Uberaba (Minas Gerais), São José dos Campos, Americana, Assis, Votuporanga, Fernandópolis e Itápolis (Estado de São Paulo), com o que se elevarão a 92 as agências do Banco, sendo 80 neste Estado e 12 nos demais.

OPERAÇÕES DE DESCONTOS

É significativo o volume das operações efetivadas pelo Banco, através da Carteira de Descontos e que se expressa pela cifra de 109 bilhões e cento e trinta e três milhões de cruzeiros, correspondente a 668.315 operações, cifra que, comparada ao movimento de 1959, representa um acréscimo de 71,09%, sempre dentro de rigoroso critério seletivo.

OBRAS GOVERNAMENTAIS

Merceu também particular interesse do Banco o plano de obras do Estado, cujo ritmo de execução deve ser mantido, do que resultou substancial aumento do volume de financiamentos e empréstimos às estradas de ferro, usinas termo e hidrelétricas,

usina siderúrgica, empresas industriais do Estado, contratantes e empreiteiros de pavimentação de estradas de rodagem e de outras obras compreendidas no Plano de Ação do Governo.

O montante desses financiamentos e empréstimos, em 1960, foi de 4 bilhões e novecentos e trinta e sete milhões de cruzeiros.

INDÚSTRIA CINEMATOGRAFICA E PEÇAS TEATRAIS

Tem continuado o Banco a dar pleno apoio à produção de filmes nacionais e de peças teatrais montadas por companhias brasileiras, financiando, em 1960, 6 películas e igual número de peças teatrais, dentro do plano organizado e que vem sendo executado desde abril de 1956, de acordo com a política do Governo do Estado e as normas fixadas pelo estabelecimento, para aplicações dessa natureza.

DISPONIBILIDADES

Em 31 de dezembro de 1960, as disponibilidades do Banco montavam a 8 bilhões e oitocentos e sessenta e quatro milhões de cruzeiros, ao passo que, na mesma data de 1959, elas se expressavam por 5 bilhões e oitocentos e quarenta e cinco milhões de cruzeiros, registrando-se, pois, no ano findo, o aumento de 3 bilhões e dezenove milhões de cruzeiros, a saber:

	31-12-59	31-12-60
	(em milhões de cruzeiros)	
Moeda corrente	691	845
Depósito no Banco do Brasil ..	3.864	4.856
Depósito a ordem da SUMOC ..	560	2.095
Em outras espécies	730	1.068
	5.845	8.864

RESPONSABILIDADES

Nenhuma responsabilidade tinha o Banco, ao findar-se o ano de 1960, como também ocorreu ao término de 1959, por títulos redescontados e obrigações diversas.

DÍVIDA EXTERNA

Foram regularmente efetuados os serviços de amortização, juros e comissões da dívida externa do Banco, que se acha subordinada ao esquema de liquidação do Governo Federal. Essa dívida se expressava, em 31 de dezembro de 1960, por £ 415.700 de títulos do plano A, havendo sido resgatadas, portanto, no ano findo, £ 16.800.

CÂMARA DE COMPENSAÇÃO

Continuou em ascensão o movimento de compensação de cheques, cujos índices máximos registrados em 1960 foram os seguintes:

Datas	Cheques	Importâncias em milhões de Cr\$
5- 1-60	2.633	1.116
5- 4-60	2.114	1.119
5- 5-60	2.094	1.142
25- 8-60	1.810	1.151
5- 9-60	2.857	1.165
5-10-60	3.494	1.347
3-11-60	6.035	1.503

CAPITAL SOCIAL

No transcorrer do exercício de 1960, completou-se o processo de aumento de capital do Banco, de 500 milhões de cruzeiros para 1 bilhão de cruzeiros, de acordo com a Assembléia Geral Extraordinária de 26 de novembro de 1959.

É propósito do Banco e, para isso, já foram dados os primeiros passos, promover, em 1961, um novo aumento de seu capital social, desta vez para 2 bilhões de cruzeiros. Isso se faz necessário, não só em virtude do crescimento dos negócios sociais, mas também considerada a nova fase do Banco, a ser atin-

gida tão logo estejam funcionando os fundos de financiamento do Plano de Ação.

A respeito desses fundos, cabe esclarecer que o Banco já se vem aparelhando, administrativa e tecnicamente, tendo em vista o cumprimento da parte que lhe está reservada nessa iniciativa do mais alto alcance econômico e social.

CAIXA ECONÔMICA DO ESTADO

A Caixa Econômica do Estado de São Paulo, integrando-se na orientação traçada por este Governo, de, por um lado e sob todas as formas ao seu alcance, estimular a poupança popular e, por outro lado, dar aos recursos assim obtidos aplicação que mais de perto e de modo mais amplo atenda aos interesses da coletividade, cumpriu no exercício recém-findo o programa que fora estabelecido.

A confiança de que o estabelecimento goza junto ao público está evidenciada pelo número de depositantes que, no final do exercício de 1960, ascendia a 2.644.665, e na evolução dos depósitos que, nestes últimos anos, vêm apresentando ritmo de crescimento cada vez maior, para isso contribuindo, também, o constante aperfeiçoamento geral dos serviços da entidade e a contínua expansão e desenvolvimento da rede de agências, que atualmente é a maior do Brasil, contando com 438 unidades.

Observa-se que só nos dois últimos anos, isto é, entre 31 de dezembro de 1958 e 31 de dezembro de 1960, o aumento havido representa um acréscimo de 55,70%, correspondendo a um acréscimo de 362.873 depositantes.

Os últimos aumentos dos depósitos foram os seguintes (em milhões de cruzeiros):

1956	1.278
1957	2.203
1958	3.280
1959	3.268
1960	4.943

A aplicação desses recursos, considerando-se a sua fonte — predominantemente de economias populares — e as finalidades sociais da Caixa, está voltada, principalmente, para o financia-

mento de obras públicas, bem assim para obras de interesse social efetivadas por entidades particulares, além da assistência financeira aos servidores públicos.

A Caixa Econômica do Estado foi atribuída parcela substancial dos encargos financeiros decorrentes da execução dos objetivos incluídos no Plano de Ação, setor "Água e Esgotos". Essa responsabilidade se define pela concessão de empréstimos às Prefeituras Municipais, os quais, nestes dois anos, representaram 2.514 milhões de cruzeiros, correspondendo a 199 novos contratos, bem assim pelo financiamento parcial do programa executado na Capital pelo Departamento de Águas e Esgotos, ao qual em 1960 foram concedidos créditos no total de 1.050 milhões de cruzeiros.

Além desses, foram financiados pela Caixa Econômica programas de Prefeituras Municipais para a realização de obras de pavimentação e serviços de utilidade pública, de construção de hotéis e matadouros, tendo sido aplicados, para esta última finalidade, empréstimos no valor de 56 milhões de cruzeiros, destinados a 55 cidades do nosso Interior, elevando para 2.255 milhões de cruzeiros o total de créditos concedidos à Municipalidades em 1960.

Os empréstimos e financiamentos destinados às obras de interesse social, incluíram a construção de colégios, hospitais, sociedades recreativas e esportivas, associações de classe e beneficentes, propriedades agrícolas etc., somando, em 1960, 450 milhões de créditos contratados.

Em resumo, destinaram-se os empréstimos a:

	Milhões de cruzeiros
1 — Municipalidades	2.255
2 — Água e Esgotos — Capital	1.050
3 — Obras de interesse social	450
4 — Outros empréstimos	3
	<u>3.758</u>

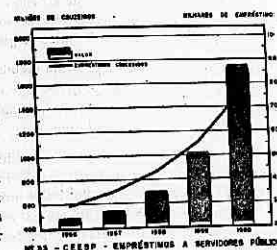
Além dos contratos de empréstimos que acabam de ser mencionados, efetuou a CEESP, no exercício de 1960, empréstimos a servidores públicos, civis e militares, estaduais, de municipa-

lidades do Interior do Estado e de ferrovias estaduais e aos servidores do Montepio Municipal, no total de 1 bilhão e setecentos e doze milhões de cruzeiros, representando 74.533 empréstimos, que, comparados com os índices de 1959, representam o aumento considerável de 718 milhões de cruzeiros e 19.200 empréstimos, expansão essa decorrente da rapidez com que é feito o seu processamento, e da elevação dos limites.

Tendo-se em vista que os efeitos da inflação reduziram o poder aquisitivo da moeda, foi o anterior limite elevado em caráter geral, para 30 mil cruzeiros e, em casos excepcionais, para 40 mil cruzeiros. Ao mesmo tempo e visando a torná-los acessíveis a maior número de servidores, foi reduzido para dois anos de exercício o mínimo exigido para que os extranumerários possam usufruir desses empréstimos. Além disso, adotou-se, em relação ao funcionário efetivo, em estágio probatório, o critério de dispensar a exigência de 2 anos de interstício para obtenção deste benefício.

Os critérios adotados na política administrativa e de aplicações, seguindo os mesmos princípios gerais da política financeira governamental, permitiu a obtenção de mais um resultado positivo, em 1960, expresso pelo "superavit" de 182 milhões de cruzeiros, o qual, somado aos obtidos a partir de 1955, que já haviam permitido, não só a total cobertura do passivo a descoberto nos períodos anteriores àquele ano, mas atingir um patrimônio líquido de 192 milhões de cruzeiros, elevou esse patrimônio para 374 milhões de cruzeiros.

Cabe, finalmente, referência a alguns aspectos de maior relevo da Administração Geral.



ASSESSORAMENTO TÉCNICO AO GOVERNADOR

ASSESSORIA TÉCNICO-LEGISLATIVA

Toda a matéria de técnica legislativa compreendida na colaboração do Poder Executivo com a Assembléia Legislativa no processo de elaboração de leis, de acordo com as disposições constitucionais, está afeta ao órgão de assessoramento direto ao Governador, que é a Assessoria Técnico-Legislativa.

No curso do ano de 1960, foram estudados e encaminhados à Assembléia Legislativa 137 projetos, dos quais 62 foram sancionados e convertidos em lei no mesmo ano, continuando 74 em tramitação e tendo sido retirado um.

Dos projetos aprovados pela Assembléia Legislativa — de sua própria iniciativa ou de iniciativa do Poder Executivo — em número de 601, foram sancionados 561 e o remanescente deixou de sê-lo em virtude do acolhimento de 33 vetos totais, de 5 ainda pendentes de apreciação e, finalmente, de 2 projetos que foram promulgados pelo Poder Legislativo em virtude do decurso do decêndio.

Dos vetos apostos, em número de 83, 51 foram totais e 32 parciais. Dos totais, 33 foram acolhidos, 5 pendem de apreciação e 13 foram rejeitados.

Dos vetos parciais, em número de 32, 27 foram mantidos, 1 rejeitado e 4 estão sujeitos à apreciação pelo Legislativo.

Subordinado à Assessoria Técnico-Legislativa e destinado a assessorar as Bancadas Paulistas na Câmara e no Senado Federal, funciona no Rio de Janeiro o Escritório de Assistência Técnica. A mudança da Capital da República para Brasília e a conseqüente transferência do Congresso para a nova Capital determinou a necessidade da criação, nela, de uma Seção do referido Escritório que, ainda, em grande parte, permanece no Estado da Guanabara, dado que os serviços federais — com os quais se liga por força de suas funções — também ali se mantêm.

ASSESSORIA ECONÔMICO-FINANCEIRA

A fim de atender à necessidade do estudo de problemas de ordem geral e de natureza econômico-financeira determinados pelo Chefe do Poder Executivo foi criada (*), como dependência da Casa Civil, a Assessoria Econômico-Financeira.

SERVIÇO DE ASSISTÊNCIA JURÍDICA

Desenvolveram-se normalmente os trabalhos do Serviço de Assistência Jurídica no assessoramento do Governador em matéria jurídica, tendo sido esse órgão também disciplinado pelo decreto citado.

O Serviço de Assistência Jurídica desenvolveu em ritmo normal suas atividades que tiveram, no exercício passado, crescimento bastante sensível. Podem ser assim resumidos os trabalhos afetos a esse setor de assistência jurídica direta ao Governo:

Pareceres emitidos	3.713
Cotas em processos	1.424

A Documentação Jurídica ampliou os seus fichários sobre legislação, jurisprudência e bibliografia, emprestando, desse modo, inestimável apoio às atividades do órgão junto ao qual funciona.

ESTATÍSTICA

No tocante à Estatística, é de assinalar, preliminarmente, a importância que lhe atribui o Governo do Estado, uma vez que constitui a base para o planejamento e revisão de medidas a serem executadas nos vários setores da Administração.

Essa orientação se traduziu, por exemplo, em 1960, em ampliações e melhora das condições de trabalho do órgão centrali-

(*) Decreto n.º 27.212, de 8 de setembro de 1960.

zador da estatística no Estado: aumento de pessoal, admitido mediante exame de seleção, ao lado de acréscimo de equipamento e instalações. Expressou-se, ainda, de maneira decisiva, em uma tomada de posição consubstanciada no encaminhamento de emendas ao projeto de lei em tramitação no Congresso Nacional, referente à federalização dos Departamentos Estaduais de Estatística do País, visando a resguardar a continuidade do sistema estatístico estadual em São Paulo.

É forçoso, no entanto, reconhecer que, mesmo dentro do sistema estatístico vigente, o Governo do Estado fica, até certo ponto, na dependência da política administrativa adotada pelo órgão próprio da Administração Federal (Instituto Brasileiro de Geografia e Estatística); e isso porque, de um lado, não dispõe de rede coletora de dados para as estatísticas permanentes e, de outro, não participa do planejamento e execução das atividades censitárias no Estado.

Não obstante as limitações mencionadas, resultantes de uma situação preexistente à atual Administração e relacionadas a uma estrutura de âmbito nacional, o Governo do Estado vem fazendo gestões junto à União no sentido de defender seus interesses. Assim, já se manifestara, em 1959, no tocante ao recenseamento, fazendo um apelo para que se tomassem as providências indispensáveis ao êxito da operação censitária. Em 1960, baixou Resolução, determinando aos órgãos da Administração Estadual a prestação de assistência às autoridades censitárias; e, finalmente, solicitou e obteve acesso às informações do inquérito industrial referente a 1959, incluído no Censo Industrial, visando a impedir que se interrompam as séries estatísticas anuais sobre a produção industrial do Estado, elaboradas pelo Departamento de Estatística.

No âmbito estadual, propriamente, cabe destacar as seguintes diretrizes, que fixam a política governamental relativamente à Estatística: 1) planejamento e introdução de inquéritos que se destinem a preencher lacunas existentes no setor da informação estatística; 2) maior entrosamento dos diversos setores da Administração Estadual com o Departamento de Estatística do Estado, quer para utilização de dados estatísticos, quer para informação nos levantamentos em curso, quer para elaboração de

programas e aperfeiçoamento das atividades estatísticas; 3) maior divulgação de dados e informações, e maior colaboração com o público em geral.

O exercício de 1960 apresentou características pouco comuns em relação à coleta de dados para as estatísticas permanentes levadas a efeito pelo Departamento de Estatística, tanto as de sua própria iniciativa (Plano Regional), quanto as de iniciativa do Conselho Nacional de Estatística (Plano Nacional). É que não foi possível contar, na mesma proporção dos anos anteriores, com o auxílio da rede dos agentes municipais do IBGE, colocado, em caráter prioritário, o serviço do Recenseamento. Não obstante, foram concluídos, em tempo hábil, os levantamentos programados, valendo-se o Departamento de Estatística, para complementação da coleta em alguns setores, de seu próprio pessoal e da colaboração de órgãos da administração estadual.

Foram, pois, executados, em 1960, em cumprimento ao Plano Nacional, do Conselho Nacional de Estatística, 35 inquéritos da Série "Q" e 17 cadastros do Caderno "A", além de 10 levantamentos lançados pelos Serviços Federais de Estatística, todos integrantes da XXIV Campanha Estatística. Tais apurações apresentaram dados sobre vários aspectos da vida cultural, social, econômica, religiosa e assistencial do Estado. Quanto ao Plano Regional, os inquéritos compreenderam todo o setor demográfico, político, bancário e financeiro, além de parte substancial do setor policial e judiciário e do referente a transportes e comunicações.

Além dos inquéritos e levantamentos, que constituíram prosseguimento de trabalhos iniciados em exercícios anteriores, o Departamento de Estatística logrou instituir, em 1960, a estatística da exportação de São Paulo, por vias internas, para outras Unidades da Federação. A referida estatística fora interrompida, a partir de 1948. Sua reintrodução, em 1960, tornou-se possível graças à colaboração do Departamento da Receita, da Secretaria da Fazenda, que passou a fornecer o instrumento de coleta consistente na nota fiscal relativa à venda ou transferência de mercadoria para outros Estados. Trata-se de levantamento realizado, em parte, por amostragem. Para que se tenha idéia

de seu vulto e importância, observe-se que a média mensal de documentos correspondentes a mercadorias exportadas por vias internas varia entre 500 mil a mais de 600 mil notas fiscais, representando seu valor cerca de dez vezes o da exportação por cabotagem. Espera-se que os trabalhos atinjam um ritmo satisfatório em 1961, propiciando o fornecimento de dados mensais, à semelhança dos existentes sobre a exportação para o exterior e a exportação por cabotagem.

Foram, ainda, levados a efeito em 1960, a título experimental, dois novos levantamentos: a) propriedades rurais, por municípios, segundo classes de áreas; b) salários por categorias profissionais, segundo classes de salários e ocupações, no município de São Paulo. O levantamento das propriedades rurais do Estado foi realizado com base nos dados dos lançamentos do imposto territorial rural, referentes a 1959. O levantamento de salários industriais, que abrangeu o pessoal empregado nas indústrias gráfica e da madeira, foi realizado, em conjunto, pelo Departamento de Estatística do Estado e o Departamento Inter-sindical de Estatística e Estudos Socio-Econômicos, tendo sido utilizadas, como instrumento de coleta, as folhas de recolhimento do imposto sindical relativo a 1960. O objetivo principal de ambos os levantamentos foi atingido: o de avaliar as possibilidades de torná-los permanentes e incluí-los entre os inquéritos lançados anualmente pelo Departamento de Estatística.

Evidenciando o elevado nível técnico em que se mantém o Departamento de Estatística, citam-se as seguintes realizações de 1960: o ensaio sobre tábuas de sobrevivência, conforme a mortalidade de 1958, calculadas para o município de São Paulo e o interior do Estado, discriminadamente por sexo, e, para o Estado, em conjunto; os cursos sobre "Introdução ao Cálculo Matricial", "Matrizes de Entrada e Saída" e "Bases Geográficas de uma Divisão Regional do Estado de São Paulo, para fins de levantamentos estatísticos", ministrados por professores universitários, e destinados a servidores do Departamento e demais interessados.

O Departamento de Estatística comemorou, em maio de 1960, em colaboração com a Junta Executiva Regional do Conselho

Nacional de Estatística, a "Primeira Semana da Estatística". Contribuiu com gráficos, publicações e cartogramas, para a "Exposição Bibliográfica e Documentária Técnico-Científica", organizada pela Universidade de São Paulo, a "Semana da Criança", a "Exposição Industrial" do Município de Guarulhos, e a "Exposição Comemorativa do V Aniversário do Departamento Inter-sindical de Estatística e Estudos Socio-Econômicos".

Foram editadas 7 publicações impressas e 33 em "plastiplat", tendo o Departamento de Estatística recebido voto de louvor da Junta Executiva Central do Conselho Nacional de Estatística pela expressiva atuação no tocante à divulgação de dados estatísticos.

TRABALHOS GRÁFICOS

IMPRENSA OFICIAL

Sobre os problemas das instalações da Imprensa Oficial e das gráficas dispersas pelas Secretarias, manteve o Grupo de Planejamento do Governo diversos entendimentos com a Imprensa Oficial do Estado e o Serviço Administrativo e Coordenador dos Trabalhos de Impressão do Estado. Ficou assentada a contratação, pela Imprensa Oficial, em colaboração com o Serviço Administrativo e Coordenador dos Trabalhos de Impressão do Estado e supervisão do Grupo de Planejamento, de um grupo de especialistas, em organização industrial, recomendado ao Governo pela Cadeira de Economia Industrial da Escola Politécnica de São Paulo.

O referido grupo já deu início aos seus trabalhos, cuja conclusão está prevista para março ou abril de 1961.

Os estudos em andamento — levantamentos, elaboração de estimativas e relatórios, apresentação de alternativas para a solução dos problemas, indicação de critérios para o julgamento das alternativas e seu enquadramento na estrutura administrativa, execução dos trabalhos da forma mais adequada e econômica etc. — permitirão segura e definitiva solução dos problemas da Imprensa Oficial e dos serviços de impressos do Estado.

A Administração, por intermédio da Imprensa Oficial, espera extrair dos estudos, que ora se processam, elementos indispensáveis de orientação para a construção de novo edifício, aplicação dos mais adiantados critérios de organização industrial e bases

para uma perfeita reorganização e modernização dos trabalhos de que está incumbida.

Com verbas do Plano de Ação foram, em 1960, reequipadas as oficinas de mecânica e de manutenção, da Imprensa Oficial, e com recursos próprios recondicionaram-se linótipos, confeccionaram-se modernas mesas de paginação e um elevador para "flans" e executaram-se vários serviços de mecânica, carpintaria e manutenção.

COORDENAÇÃO DOS TRABALHOS GRÁFICOS

Além da Imprensa Oficial, cujo principal objetivo é o da impressão do órgão oficial do Estado, existem na Administração 14 serviços gráficos que atendem direta e especialmente às necessidades das várias repartições a que se subordinam.

A inconveniência da dispersão desses serviços levou o Governo a instituir, por lei (*), o Serviço Administrativo e Coordenador dos Trabalhos e Serviços de Impressão do Estado, órgão incumbido de superintender e coordenar, do ponto de vista técnico, as atividades desenvolvidas por esses serviços gráficos com o objetivo de aprimorar a produção e proporcionar economia ao Tesouro, tratando inclusive das aquisições de material, da aquisição e melhor aproveitamento da maquinaria e da padronização dos impressos em uso nas repartições.

Acha-se em estudo a remodelação completa dos serviços gráficos do Estado.

MATERIAL EXCEDENTE

A verificação do fato de que frequentemente deixa certo material de ser útil à repartição que o possui, enquanto se faz necessário em outra repartição, já levava a Administração anterior a criar comissão incumbida de fazer constantes inspeções nos vários órgãos, apurando a existência de excedentes para transferi-los àqueles que deles necessitam.

Em face dos excelentes resultados obtidos com essa providência, foi a referida Comissão reestruturada (**) e posterior-

mente incumbida (*), também, de verificar a existência de material considerado inservível para o Estado e de examinar os pedidos de cessão desse material a entidades de beneficência ou a municípios que os possam utilizar. Ficou ainda a Comissão encarregada (**) da cessão de veículos inservíveis para o Estado, tarefa anteriormente afeta a outra Comissão.

Realizou a Comissão, em 1960, 79 inspeções em repartições localizadas na Capital e no Interior, arrolando material avaliado em 24 milhões de cruzeiros (valor histórico). Desse material, uma parte foi redistribuída, no valor de 15 milhões, oitocentos e sessenta mil cruzeiros, para suprimento de 241 repartições da Capital e do Interior.

Dos 120 pedidos de veículos, 31 já se acham em fase final de processamento, aguardando os restantes, para atendimento, que os interessados cumpram exigências regulamentares.

ESPECIFICAÇÃO DAS OBRAS DO PLANO DE AÇÃO BIÊNIO 1959/1960

Conforme se salientou anteriormente, o programa de investimentos consubstanciado no Plano de Ação foi elaborado sem prejuízo e, mesmo com a preocupação de manter-se a continuidade das obras já autorizadas ou em andamento desde a Administração do Governo anterior. Dessarte, tais obras foram compreendidas na primeira etapa da execução do referido Plano de Ação, do mesmo modo que, tendo-se em vista, agora, os resultados alcançados, as possibilidades do financiamento e a conveniência de se assegurar, pela continuidade, a consecução de todos os objetivos, o programa se projeta além do período da atual administração.

Nos quadros seguintes (***) se mencionam especificamente as obras já concluídas e entregues pelo meu Governo à população do Estado, em proporções que expressam, desde setembro de 1960, a realização de uma obra por dia.

(*) Decreto n.º 37.141, de 24 de agosto de 1960.

(**) Resolução n.º 1.249, de 9 de dezembro de 1960.

(***) Levantamento estatístico sujeito a retificações de menor monta.

(*) Lei n.º 5.465, de 31 de dezembro de 1959.

(**) Decreto n.º 36.827, de 23 de junho de 1960.

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(*) Decreto n.º 37.141, de 24 de agosto de 1960.

(**) Resolução n.º 1.249, de 8 de dezembro de 1960.

(***) Levantamento estatístico sujeito a retificações de menor monta.

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GRUPOS ESCOLARES

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3. AMPLIAÇÕES

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100% No modelo n. 2, as 26 páginas acima, foram computadas como 10 folhas. Exceções: substituído a folha de 8 colas por duas folhas.

GINASIOS E COLEGIOS

O B R A.	M U N I C I P I O	N.º de salas	Contrato	Conclusão	Órgão executor
Gratidão de Poloni	Poloni	8	JUL. 58	Nov. 58	IPESP
Gratidão de Perapochá	Perapochá	8	Ag. 58	Nov. 58	IPESP
Gratidão de Bernardino	Perapochá	8	Ag. 58	Nov. 58	IPESP
Gratidão de Petrópolis	Per. Frutuoso	8	Jun. 58	Out. 58	IPESP
Gratidão de Presidente Prudente	Polimprudente	8	Mar. 58	Mar. 58	IPESP
Gratidão de Regente Feijó	Regente Feijó	8	Mar. 58	Mar. 58	IPESP
Gratidão de São João	São João	8	Mar. 58	Mar. 58	IPESP
Gratidão de Salto Grande	Salto Grande	8	Maio 58	Maio 58	IPESP
Gratidão de São Bento do Sapucaí	S. Bento Sapucaí	8	Maio 58	Pev. 58	IPESP
Gratidão de São Carlos	S. Carlos	8	Jun. 58	Jun. 58	IPESP
Gratidão de São João do Rio Preto	S. J. do Rio Preto	8	Jun. 58	Jun. 58	IPESP
Gratidão de Suzano	Suzano	8	Ag. 58	Ag. 58	IPESP
Gratidão de Tatuva	Tatuva	8	Mar. 58	Ag. 58	IPESP
Gratidão de Tatuva	Tatuva	8	Jun. 58	Jun. 58	IPESP
Gratidão de Cosmópolis	Cosmópolis	8	Ag. 58	Ag. 58	IPESP
Gratidão de Marília	Marília	8	Ag. 58	Pev. 60	IPESP
Gratidão de Marília	Marília	8	Set. 58	Ag. 60	IPESP
Gratidão de Mogi Guaçu	Mogi Guaçu	8	Jul. 58	Jul. 58	IPESP
Gratidão de Mogi Guaçu	Mogi Guaçu	8	Jul. 58	Ag. 58	IPESP
Gratidão de Piratunha	Piratunha	18	Jul. 58	Ag. 58	IPESP
Gratidão de Piratunha	Piratunha	8	Ag. 58	Maio 60	IPESP
Gratidão de Caraguatatuva	Caraguatatuva	8	Out. 58	Maio 60	IPESP
Gratidão de Itanham	Itanham	12	Nov. 58	Nov. 58	IPESP
Gratidão de Itanham	Itanham	8	Nov. 58	Ag. 60	IPESP
Gratidão de Riberião Preto	Riberião Preto	8	Set. 58	Jul. 60	IPESP
Gratidão de Rio das Pedras	Rio das Pedras	5	Set. 58	Ag. 60	IPESP
Gratidão de São Antônio da Posse	São Antônio da Posse	5	Out. 58	Jul. 60	IPESP
Gratidão de Vinhedo	Vinhedo	8	Out. 58	Ag. 60	IPESP
Gratidão de Vinhedo	Vinhedo	8	Out. 58	Ag. 60	IPESP

CADEIAS E DELEGACIAS

MUNICIPIO	Contrato	Conclusão	Órgão executor
Alvares Machado	Set. 58	Jul. 59	IPESP
Barretos	Fev. 58	Jul. 59	IPESP
Bastos	Set. 58	Jul. 59	IPESP
Bernardino de Campos	Jun. 58	Abr. 59	IPESP
Bragança Paulista	Abr. 58	Abr. 59	IPESP
Buitama	Jul. 58	Jun. 59	IPESP
Campos Novos Paulista	Abr. 58	Ag. 59	IPESP
Cerqueira César	Set. 58	Jul. 59	IPESP
Cubatão	Ag. 58	Jul. 59	IPESP
Dois Córregos	Mar. 58	Mar. 59	IPESP
Floira Rica	Out. 58	Ag. 59	IPESP
Furnado Prestes	Mar. 59	Jun. 60	IPESP
Guaraçá	Set. 58	Jul. 59	IPESP
Horóvânia	Jun. 58	Fev. 59	IPESP
Itapeturu	Maio 58	Mar. 59	IPESP
Jundiaí	Mar. 58	Maio 59	IPESP
Juiz de Fora	Jul. 58	Maio 59	IPESP
Lavínia	Jul. 58	Maio 59	IPESP
Macatuba	Fev. 58	Fev. 59	IPESP
Maracá	Ag. 58	Dez. 59	IPESP
Novas Paulista	Jul. 58	Out. 59	IPESP
Oriente	Maio 58	Abr. 59	IPESP
Piquerobi	Maio 58	Ag. 59	IPESP
Reginópolis	Jul. 58	Jul. 59	IPESP
Rincão	Nov. 58	Maio 59	IPESP
Santa Mercedes	Jul. 58	Jul. 59	IPESP
São Bernardo do Campo	Dez. 58	Abr. 59	IPESP
São José do Rio Preto	Mar. 58	Mar. 59	IPESP
São Simão	Set. 58	Fev. 59	IPESP
Nazaré Paulista	Set. 58	Abr. 60	IPESP
Panorama	Mar. 58	Mar. 60	IPESP
Paraguassu	Jan. 59	Jul. 60	IPESP
Tapira	Ag. 58	Maio 60	IPESP
Ademaquina	Abr. 58	1959	DOP
União	Out. 58	1959	IPESP
Americana	Jun. 57	1959	DOP
Andradina	Jun. 58	1959	DOP
Araraquara	Nov. 57	1959	DOP
Atibaia	Nov. 57	1959	DOP
Araçoiaba do Norte	Jan. 58	1959	DOP

CADEIAS E DELEGACIAS

MUNICIPIO	Contrato	Conclusão	Órgão executor
Cajobi	Jan. 58	1959	DOP
Crupes	Jan. 58	1959	DOP
Bento de Abreu	Jan. 58	1959	DOP
Colina	Mar. 58	1959	DOP
Eldorado Paulista	Apr. 58	1959	DOP
Fernandópolis	Nov. 57	1959	DOP
Flórida Paulista	Maio 58	1959	DOP
Guapirara	Mar. 58	1959	DOP
Ipeú	Out. 57	1959	DOP
Itajobi	Mar. 58	1959	DOP
Luclia	Mar. 58	1959	DOP
Lutécia	Maio 58	1959	DOP
Marília	Out. 57	1959	DOP
Monte Azul Paulista	Fev. 57	1959	DOP
Nhandeara	Mar. 58	1959	DOP
Nova Europa	Mar. 58	1959	DOP
Oswaldo Cruz	Apr. 58	1959	DOP
Poa	Jan. 58	1959	DOP
Ragibiro	Dez. 57	1959	DOP
São Joaquim da Barra	Out. 57	1959	DOP
Tabapuá	Fev. 58	1959	DOP
Uchoa	Ag. 57	1959	DOP
Vera Cruz	Jun. 57	1959	DOP
Votuporanga	Jan. 58	1959	DOP
Pongal	Jul. 58	Fev. 59	DOP
Nova Odessa	Jun. 58	Fev. 59	DOP
São Bento do Sapucaí	Out. 58	Dez. 58	DOP
Rio Claro	Fev. 58	1959	DOP
Serra Negra	Jun. 58	Jan. 60	DOP
Castell Paulista	Ag. 58	1960	DOP
Itatinga	Mar. 58	Jun. 60	DOP
Itaporanga	Jun. 58	Jun. 60	DOP
Itirapua	Mar. 60	Set. 59	DOP
Guapirara	Jun. 57	Jan. 60	DOP
Lins			

F O R U N S

MUNICIPIO	Contrato	Conclusão	Órgão executor
Aragatuba	Set. 57	1959	DOP
Barretos	Fev. 58	Jun. 59	IPESP
Canandia	Set. 58	Jan. 59	IPESP
Dols Corrêas	Jan. 58	Fev. 59	IPESP
Getulius	Jul. 57	Out. 59	IPESP
Guará	Jul. 57	Jan. 59	IPESP
Martínópolis	Mar. 58	Mar. 59	IPESP
Mirandópolis	Jul. 57	Fev. 59	IPESP
Ourinhos	Jul. 57	Apr. 59	IPESP
Paraguass Paulista	Jan. 58	Apr. 59	IPESP
Pindamonhangaba	Jan. 58	Mar. 59	IPESP
Presidente Bernardes	Jan. 58	Jan. 59	IPESP
Rancharia	Fev. 58	Jan. 59	IPESP
Rapetalinga	Set. 58	Dez. 59	IPESP
Rubirão Preto (Palácio da Justiça)	Jan. 58	Ag. 59	IPESP
São Sebastião	Jan. 58	Fev. 59	IPESP
Tupã	Mar. 58	Apr. 59	IPESP
Ubatuba	Maio 57	Nov. 58	IPESP
Votuporanga	Ag. 58	1959	IPESP
Pompéia	Dez. 57	1959	IPESP
São Joaquim da Barra	Jan. 57	Dez. 60	IPESP
Bauri			

[194]

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POSTOS MEDICOS E UNIDADES SANITARIAS

OBRA	MUNICIPIO	Contrato	Concluido	Água Exatidão
Pólo de Puericultura de Pirassununga	Pirassununga	Mão 58	1959	DOP
Pólo de Puericultura de Piratininga	Piratininga	Abx. 58	1959	DOP
Pólo de Puericultura de Sorocaba	Sorocaba	Abx. 58	1959	DOP
Centro Adicional de Eng. do O	Sorocaba	Dec. 57	1959	DOP
Centro Adicional da Lapa	Capital	1959	Set. 59	DOP
Centro de Saúde de Brct. Paulista	Brasília Paulista	Jul. 58	Set. 59	DOP
Pólo de Puericultura de Foz de Iguaçu	Foz de Iguaçu	Abx. 58	Abx. 60	DOP
Pólo de Puericultura de Jundiaí	Jundiaí	Jul. 59	Set. 60	DOP
Pólo de Puericultura de Maripolis	Maripolis	Abx. 58	Abx. 60	DOP
Pólo de Puericultura de Pádua	Pádua	Jul. 59	Set. 60	DOP

[196]

ÁGUA — CAPITAL

1 — Rôde concluida

	1959	1960
	(Em metros)	(Em metros)
Jan.-Agôs.	158.206	Jan. — 43.525
Set.	23.542	Fev. — 36.098
Out.	30.196	Mar. — 36.635
Nov.	36.264	Abx. — 20.301
Dez.	38.968	Maio — 11.050
		Jun. — 25.624
		Jul. — 60.644
		Ag. — 50.404
		Set. — 50.904
		Out. — 40.441
		Nov. — 33.225
		Dez. — 20.714

Nota: Os dados acima correspondem à extensão da rede de água nos seguintes bairros da Capital:

1959	1960
Alto da Lapa	Vila Ré
Vila Nilo	Cidade Dutra
Vila Carolina	Vila Granada
Vila Antonina	Vila Macodônia
Vila Beatriz	Parque São Lucas
Artur Alvim	Vila Palmeiras
Vila Guilhermina Baixa	Vila Sofia
Vila Guilhermina Alta	Vila Prudência
Vila Formosa	Parque Maria Luiza
Vila Carrão	Cidade Ademar
Sacombá	
Vila Alpina	
Vila Romana	
Conjunto I.A.P.I.	

[197]

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ÁGUA — CAPITAL

2 — Obras diversas e equipamentos

1959		
Adutora Jaguaré	—	1.º trecho
Adutora Jaguaré	—	2.º trecho
Adutora Jaguaré	—	3.º trecho
Estação Elevatória da Rua França Pinto		
Estação de Tratamento de Água do Alto da Boa Vista — 2.ª etapa.		
Estação de Tratamento de Água Prof. Teodoro Ramos — Reserv. Pulmão.		
Descarga Provisória E.T.A. — Alto da B. Vista		
1960		
Linha de Alimentação de Vila Anastácio		
Reservatório de Sobras do Alto da Boa Vista		
Reforma E.T.A. de baixo Cotia.		

ESGOTO — CAPITAL

1 — Réde concluída

1959		1960	
(Em metros)		(Em metros)	
Jan.	6.893	Jan.	7.186
Fev.	14.470	Fev.	8.428
Marc.	6.769	Marc.	12.477
Abr.	4.146	Abr.	9.891
Maió	2.696	Maió	12.068
Jun.	3.231	Jun.	7.230
Jul.	8.812	Jul.	16.717
Ag.	9.786	Ag.	22.430
Set.	12.827	Set.	27.029
Out.	5.967	Out.	26.233
Nov.	7.596	Nov.	19.291
Dez.	5.442	Dez.	17.100

Nota: Os dados acima correspondem à extensão da rede de esgotos aos seguintes bairros da Capital:

[198]

ESGOTOS — CAPITAL

1959	1960
Vila Maria	Vila Olímpia
V. Leopoldina e Bela Aliança	V. Moreira e Romana
Vila Ipojuca	Indianópolis
Vila Madalena	Planalto Paulista
Vila Gomes Cardim	Vila Uberabinha
Jardim América	Mirandópolis
Vila Romana	Vila Maria
Vila Anastácio	
São Miguel Paulista	
Penha	

2 — Foi ainda decretada a desapropriação dos terrenos onde serão executadas as obras de construção das Estações de Tratamento de Esgotos de Casa Verde, Pinheiros e St.º Amaro.

ÁGUA E ESGOTO — INTERIOR

1 — EMPRÉSTIMOS JÁ INTEGRALIZADOS

Município	Finalidade	Data da Escritura	Valor (Cr\$)	Integralização
Aguaí	Esgoto	Out. 69	600.000,00	Des. 69
Alfredo Marcondes	Água	Set. 59	3.700.000,00	Maió 59
Altinópolis	Esgoto	Out. 69	500.000,00	Des. 69
Alvares Machado	Água	Set. 69	4.000.000,00	Mar. 69
Alvaro de Carvalho	Água	Set. 69	2.400.000,00	Nov. 69
Alvaro de Carvalho	Água	Jun. 69	1.100.000,00	Abr. 69
Arapatuba	Água	Dez. 59	6.000.000,00	Out. 59
Araras	Água	Set. 59	7.019.000,00	Jul. 69
Artur Nogueira	Água	Dez. 59	1.471.280,00	Mar. 69
Assis	Esgoto	Jun. 59	6.000.000,00	Mar. 69
Auxiliana	Água	Jul. 69	1.500.000,00	Set. 69
Avanhandava	Água	Abr. 69	1.330.000,00	Ag. 69
Bariri	Água e Esgoto e Fogo	Jul. 69	1.950.000,00	Set. 69

[199]

ÁGUA E ESGOTO — INTERIOR

Município	Finalidade	Data da Escritura	Valor (Cr\$)	Integralização
Bauri	Água	Dez. 59	55.000.000,00	Jul. 60
Bilac	Água	Jun. 60	3.000.000,00	Out. 60
Boa Esperança do Sul	Esgoto	Jun. 59	1.400.000,00	Fev. 60
Bocaina	Água	Jul. 60	1.015.000,00	Out. 60
Bragança Paulista	Água e Hidrômetro	Set. 59	8.000.000,00	Mar. 60
Caçapava	Água	Set. 60	1.500.000,00	Out. 60
Cândido Mota	Esgoto	Jun. 59	4.810.000,00	Abr. 60
Chavantes	Água	Set. 59	2.330.000,00	Fev. 60
Colina	Água e Esgoto	Out. 60	400.000,00	Dez. 60
Conchas	Esgoto	Jun. 60	2.450.000,00	Out. 60
Cosmópolis	Esgoto	Dez. 59	890.000,00	Out. 60
Craívinhos	Água e Esgoto	Jun. 60	1.310.000,00	Out. 60
Divinolândia	Água	Dez. 59	6.050.000,00	Set. 60
Dracena	Esgoto	Jun. 59	17.777.000,00	Mais 60
Dracena	Esgoto	Jun. 59	13.500.000,00	Mais 60
Flórida Paulista	Água pluv.	Dez. 59	4.170.000,00	Jun. 60
Flórida Paulista	Água	Jun. 59	3.000.000,00	Dez. 59
Gaibé	Água	Jul. 60	2.355.000,00	Dez. 60
Guaraú	Água	Dez. 59	3.800.000,00	Jul. 60
Guaratinguetá	Água	Jun. 59	5.500.000,00	1960
Iacanga	Água	Set. 60	2.100.000,00	Dez. 60
Itaocanga	Esgoto	Jun. 60	6.800.000,00	Dez. 60
Itém	Esgoto	Out. 60	400.000,00	Dez. 60
Igarapava	Água e Esgoto	Out. 60	1.900.000,00	Dez. 60
Igarapé do Tietê	Água e Esgoto	Jun. 60	4.500.000,00	Nov. 60
Igaratá	Água	Set. 59	2.250.000,00	Mar. 60
Irapuru	Água	Set. 60	2.900.000,00	Dez. 60
Japira	Água	Dez. 59	955.300,00	Ag. 60
Jacutinga	Esgoto	Abr. 60	1.950.000,00	Out. 60
Juquá	Água	Set. 59	3.300.000,00	Fev. 60
Junqueirópolis	Esgoto	Dez. 59	14.982.000,00	Dez. 60
Lins	Esgoto	Dez. 59	3.000.000,00	Fev. 60
Lucélia	Água	Jun. 59	5.050.000,00	1960
Lutécia	Água	Abr. 60	2.831.000,00	Ag. 60
Macaubal	Água	Set. 59	10.330.000,00	Set. 60
Manduri	Esgoto	Set. 59	3.550.000,00	Abr. 60
Miguelópolis	Água	Set. 60	1.500.000,00	Jun. 60
Mirassol	Água	Dez. 59	19.000.000,00	Jun. 60
Monte Alto	Água	Dez. 59	2.770.000,00	Out. 60
Nhandeara	Água	Jul. 60	1.278.882,00	Ag. 60
Nova Europa	Água	Jun. 59	380.000,00	1960
Nova Europa	Esgoto	Jun. 59	1.872.000,00	Fev. 60
Oscar Bressane	Água	Jun. 60	655.000,00	Ag. 60
Pinhal	Água	Dez. 59	16.000.000,00	Out. 60

[200]

ÁGUA E ESGOTO — INTERIOR

Município	Finalidade	Data da Escritura	Valor (Cr\$)	Integralização
Pirapólis	Água	Jun. 60	1.140.000,00	Jul. 60
Pongai	Água	Set. 60	1.400.000,00	Out. 60
Pongai	Água	Set. 59	1.800.000,00	Abr. 60
Pongai	Esgoto	Dez. 59	1.551.000,00	Fev. 60
Postal	Esgoto	Dez. 59	12.000.000,00	Mais 60
Presidente Epitácio	Água	Out. 60	1.300.000,00	Dez. 60
Presidente Venceslau	Esgoto	Set. 59	4.735.000,00	Mais 60
Presidente Venceslau	Água	Set. 59	3.950.000,00	Abr. 60
Reginópolis	Água	Set. 59	2.100.000,00	Abr. 60
Beverlândia	Esgoto	Jun. 59	12.900.000,00	Jun. 60
São Carlos	Água	Jun. 59	84.500.000,00	Set. 60
São Carlos	Água	Abr. 60	9.500.000,00	Ag. 60
São Caetano do Sul	Água	Set. 59	17.449.000,00	Jun. 60
São Roque	Água	Jun. 59	19.899.000,00	Dez. 59
S. Rita Passa Quatro	Água	Dez. 59	12.000.000,00	Ag. 60
Santa Isabel	Água	Set. 59	20.000.000,00	Ag. 59
Sumaré	Água	Dez. 59	20.000.000,00	Jul. 60
Suzano	Água	Abr. 60	1.500.000,00	Jul. 60
Taubaté	Água	Set. 59	19.000.000,00	Mais 60
Tupã	Hidrômetro	Set. 59	2.500.000,00	Dez. 60
Vinhedo	Água	Out. 60	2.500.000,00	Dez. 60

2 - EMPRÉSTIMOS NÃO INTEGRALIZADOS

MUNICÍPIO	FINALIDADE	Data da Escritura	Parcela restante
Alvares Machado	Esgoto	Set. 59	10.535.000,00
Americana	Água	Out. 60	3.600.000,00
Araçatuba	Água	Jun. 60	20.000.000,00
Araçatuba	Água	Jun. 60	19.800.000,00
Barretos	Ret. de córrego	Set. 60	1.228.000,00
Bebedouro	Água	Jun. 60	8.000.000,00
Birigui	Água	Abr. 60	1.500.000,00
Botuvera	Água e Esgoto	Set. 60	2.900.000,00
Botuvera	Água	Jun. 60	4.000.000,00
Bratuna	Água	Set. 59	32.500.000,00
Campos do Jordão	Esgoto	Dez. 59	15.360.000,00
Campos do Jordão	Água	Out. 60	1.000.000,00
Cardoso	Esgoto	Set. 60	3.500.000,00
Cerqueira Cesar	Esgoto	Set. 60	800.000,00
Do Prado	Água e Esgoto	Jun. 60	61.200.000,00
Fernandópolis	Água	Jun. 59	
Franca			

[201]

ÁGUA E ESGOTO — INTERIORE

MUNICÍPIO	FINALIDADE	Data da Escritura	Parcela retirada
Gália	Esgoto	Jul. 60	4.500.000,00
Garça	Água	Jun. 60	32.000.000,00
General Salgado	Água	Jul. 60	2.950.000,00
Guatapé	Água e Esgoto	Dez. 59	14.000.000,00
Itatá	Água	Set. 60	1.000.000,00
Itirapema	Água e Esgoto	Jun. 60	6.010.000,00
Itupá	Esgoto	Out. 60	2.500.000,00
Itapetininga da Serra	Esgoto	Jul. 60	1.250.000,00
Lavínia	Água	Set. 59	1.000.000,00
Lençóis Paulista	Água	Jun. 59	14.000.000,00
Mogi Mirim	Água	Jun. 59	20.000.000,00
Monte Alto	Água	Out. 60	2.100.000,00
Neves Paulista	Água	Out. 59	1.000.000,00
Raposa	Água e Esgoto	Out. 60	2.320.000,00
Oswaldo Cruz	Esgoto	Dez. 59	13.180.000,00
Oswaldo Cruz	Água	Set. 60	8.000.000,00
Ouro Verde	Água	Out. 60	1.210.000,00
Ouro Verde	Água	Jul. 60	4.700.000,00
Ourinhos	Água	Set. 60	5.000.000,00
Ourinhos	Esgoto	Jun. 60	7.000.000,00
Ourinhos	Esgoto	Abr. 60	5.850.000,00
Piedade	Água	Maio 59	3.870.000,00
Piedade	Água	Jul. 60	8.000.000,00
Piedade	Água	Jun. 60	5.000.000,00
Piedade	Água	Jun. 60	19.000.000,00
Poloni	Água	Jul. 60	25.021.500,00
Presidente Prudente	Água	Jul. 60	3.040.000,00
Regente Feijó	Água	Out. 60	1.880.000,00
Rio das Pedras	E.T.A.	Jul. 60	4.179.719,00
Salto	Água	Jul. 60	50.000.000,00
S. Bernardo do Campo	Água e Esgoto	Jun. 60	3.000.000,00
S. João da Boa Vista	Hidrometro	Jul. 60	23.000.000,00
S. José do Rio Preto	e Proj. de água	Set. 60	5.531.000,00
S. José do Rio Preto	Canalização de	Jun. 60	5.651.000,00
S. Luiz do Paraitinga	côrego	Out. 60	1.200.000,00
São Manuel	Água	Out. 60	3.300.000,00
São Roque	Água	Out. 60	3.300.000,00
Santo Anastácio	Esgoto	Dez. 59	3.750.000,00
Tatuí	Esgoto	Dez. 59	3.900.000,00
Trupê	Esgoto	Set. 60	2.100.000,00
Tupac	Esgoto	Set. 60	3.350.000,00
Tupac	Água	Jul. 60	2.000.000,00
Votuporanga	Esgoto	Jul. 60	2.000.000,00

R O D O V I A S

Estrada	Trecho	Tipos de obra	Quilômetros
I. Empreitada			
Sorocaba - Itapetininga	João Prestes-Itapetininga - 1º trecho	Pavim.	2.000
Piraju - Ourinhos	Chavantes-Ourinhos	Pavim.	10.000
Capão Bonito - Apiaí - Ribeirão	1º trecho-kms 228 — 287,5	Pavim.	5.200
Capão Bonito - Apiaí - Ribeirão	2º trecho-kms 287,5 — 324	Pavim.	31.600
Ourinhos - Assis	2º trecho-km 446-467	Pavim.	20.000
Assis - Presidente Prudente	4º trecho-km 550-570	Pavim.	6.000
Assis - Presidente Prudente	6º trecho-km 590-610	Pavim.	2.000
Pres. Prudente - Itapetininga	Trecho único	Pavim.	13.000
Rancharia - Pôrto Alvorada	3º trecho-km 45-67	Pavim.	6.500
Rancharia - Pôrto Alvorada	Ramal acesso a Tapé	Pavim.	1.000
Rancharia - Pôrto Alvorada	Av. D. Pedro II em Rancharia	Pavim.	1.200
Itu - Bauri	5º trecho-km 177-197	Pavim.	6.500
Itu - Bauri	S. Manoel-L. Paulista	Pavim.	24.000
Bauri - Marília	4º trecho	Pavim.	35.000
Matão - Barretos	1º trecho-km 322-352	Pavim.	30.000
Matão - Barretos	2º trecho-km 352-382	Pavim.	30.000
Matão - Barretos	3º trecho-km 382-401	Pavim.	20.700
Ribeirão Preto - Igarapava	Rib. Preto-Jardimópolis	Pavim.	20.500
Ribeirão Preto - Igarapava	Jardimópolis-S. João da Barra	Pavim.	31.800
Ribeirão Preto - Igarapava	S. J. da Barra-Rio do Carmo	Pavim.	43.200
Ribeirão Preto - Franca	Rio Pardo-Butatins	Pavim.	34.500
Mogi-Mirim - A. da Prata	1º trecho até km 119	Pavim.	11.500
Mogi-Mirim - A. da Prata	2º trecho-km 194-229	Pavim.	1.000
Mogi-Mirim - Mogi-Guaçu	Trecho único	Pavim.	9.000
Jundiaí - Termas de Lindóia	Amparo-Serra Negra	Pavim.	4.000
Jundiaí - Termas de Lindóia	Serra Negra-Lindóia	Pavim.	14.000
São Paulo - Belo Horizonte	Acesso a Bragança	Pavim.	7.500
São Paulo - Belo Horizonte	V. Galvão a Mata Fria	Pavim.	12.000
Jaguariúna - Amparo	Trecho único	Pavim.	12.500
Ribeirão Preto - Igarapava	R. do Carmo-R. Grande	Pavim.	21.200
Assis - Presidente Prudente	1º trecho	Pavim.	16.500
Via Anhanguera	1º parte de Jundiaí-Campinas	Pavim.	15.000
Parapanema - Pirajuf	3º trecho	Pavim.	20.000
Mogi-Mirim - A. da Prata	3º trecho	Pavim.	22.700

RODOVIAS

Estrada	Trecho	Tipo de obra	Quilome- tragem
Itu - Bauru	L. Paulista-Cervejaria	Pavim.	15,600
Itu - Bauru	Botucatu-S. Manoel	Pavim.	23,500
Viracopos - Vinhedo	Trecho único	Pavim.	22,000
Assis - Presidente Prudente	2º trecho	Pavim.	10,000
Paranapanema - Pirajui	2º trecho	Pavim.	35,000
Via Anhanguera	Jundiaí-Campinas - 2º		
	trecho	Pavim.	16,600
Itu - Bauru	Póto Feliz-Tietê	Pavim.	11,000
Paranapanema - Pirajui	1º trecho	Pavim.	27,700
Jatã - Bauru	Jatã-Rio Tietê	Pavim.	8,700
Adamantina - Dracena	1º e 2º trechos	Pavim.	4,000
Mirassol - Monte Aprazível	Trecho único	Pavim.	4,000
Piracicaba - Rio Claro	Trecho único	Pavim.	3,500
Assis - Marília	Assis-Scheperti	Pavim.	12,000
S. José do Rio Preto - Presi- dente Prudente	S. J. R. Preto-José Ro- nifácio	Pavim.	2,100
Marília - Panorama	Tupã-Parapuã	Pavim.	2,000
2. Administração direta			
Paulínia - Cosmópolis	Trecho único	Pavim.	4,600
Perus - Franco da Rocha	Trecho único	Pavim.	3,800
Apiaí - Ribeira	Trecho único	Pavim.	3,500
Tatui - Capela do Alto	Trecho único	Pavim.	12,100
Bauru - Agudos	Trecho único	Pavim.	23,700
Bauru - Pedernais (R. Tie- tê)	Trecho único	Pavim.	22,300
Mojí das Cruzes - São José do Rio Preto	Trecho único	Pavim.	3,000
Cachoeira - Cruzeiro - Via Dutra	Trecho único	Pavim.	17,500
Taubaté - Entroncamento Ro- donense	Trecho único	Pavim.	3,800
Via Anchieta (balsada)	Trecho único	Pavim.	1,000
S. Bernardo - Rudge Ramos	Trecho único	Pavim.	4,900
Jaboticabal - Barrinha	Trecho único	Pavim.	1,200
São André - V. Príncipe Ge- les	Trecho único	Pavim.	3,000
Jeacareí - Via Dutra	Trecho único	Pavim.	3,500
Campina - Valinhos	Trecho único	Pavim.	5,100
Coíba - Morro Grande	Trecho único	Pavim.	4,400
Cumiba - São Miguel	Trecho único	Pavim.	3,100
Guarujá - Bertoga	Trecho único	Pavim.	12,800
Mojí das Cruzes - Guararama	Trecho único	Pavim.	28,000
Via Dutra	Trecho único	Pavim.	24,700
Aracatuba - Valparaíso	Trecho único	Pavim.	24,700

[204]

RODOVIAS

Estrada	Trecho	Tipo de obra	Quilome- tragem
Bananal - Pouso São	Trecho único	Pavim.	11,400
Embu Guasu - Embu Mirim	Trecho único	Pavim.	13,000
S. Vicente - P. Teques - Mon- gaçu	Trecho único	Pavim.	22,600
Parêcheros - Emburá	Trecho único	Pavim.	3,600
Piedade - Entrocamento	Trecho único	Pavim.	4,100
Araraquara - Jatã	Trecho único	Pavim.	26,500
Lins - Aracatuba	Trecho único	Pavim.	85,800
Itaquaquecetuba - Dutra - Arujá	Trecho único	Pavim.	12,000
Assis - Cândido Mota	Trecho único	Pavim.	6,000
S. José Campos - S. Sebastia- nópolis	Trecho único	Pavim.	56,100
Mongaguá - Itanhaém	Trecho único	Pavim.	19,000
S. Paulo - Santos - Caminho Mar	Trecho único	Pavim.	14,000
Acasoa - Pequenos trechos e melhoramentos	Trecho único	Pavim.	170,734
Total pavimentado			1,428,434
3. Empreitada			
S. J. R. Preto - S. J. de Barra	Rio Fardo - R. Sapucaí	Constr.	2,600
Araraquara - Rib. Preto	Trecho único	Constr.	2,500
S. Carlos - Rib. Preto	S. Carlos - Rio Moji Guasu	Constr.	1,500
Franca - Araxá	Franca - Pedregulho ..	Constr.	1,700
Franca - Araxá	Pedregulho - R. Gran- de	Constr.	2,900
Santos - Juquiá	Itanhaém - Peruipe ..	Constr.	18,400
P. Prudente - P. Epitácio	P. Prudente - S. Anas- tácio	Constr.	25,000
P. Prudente - P. Epitácio	S. Anastácio - P. Epitá- cio	Constr.	35,500
Bauru - Ipaçu	Bauru - Rio Tarvo ..	Constr.	42,500
Franca - Divisa	Franca - Itirapua	Constr.	7,500
S. J. do Rio Preto - Tupirati- ba - Divisa	Trecho único	Constr.	5,500
S. J. do Rio Preto - Casa Branca	Trecho único	Constr.	24,000
Paranaíba - Taquarilubá	Trecho único	Constr.	20,500
Marília - Paulicéia	Marília - Pompéia ..	Constr.	22,000
Rib. Preto - Paulo de Faria	Ritiro dos Santos - Guarani	Constr.	16,200

[205]

RODOVIAS

Estrada	Trecho	Tipo de obra	Quilômetros
Moçoca - Cajuru - Altinópolis	Lo, 2o e 3o trechos	Constr.	38,000
Taquarubá - Mte. Alto - Piranga	Monte Alto - Piranga	Constr.	17,000
Marília - Paulicéia	Pompéia - Tupã	Constr.	40,700
Rib. Preto - Paulo de Faria	Olimpia - Rib. dos Santos	Constr.	9,000
Rib. Preto - Paulo de Faria	Bebedouro - Olimpia	Constr.	28,000
Piraculaba - Araraú	Trecho único	Constr.	3,000
Rib. Preto - Paulo de Faria	Bebedouro - Monte Azul	Constr.	17,600
Jabutimbal - Monte Alto	Trecho único	Constr.	10,250
Franca - Divisa	Riapiú - Divisa	Constr.	4,800
Acesso a ponte s/ Rio Pardo	Barretos - Monte Agudo	Constr.	3,700
Rib. Preto - Paulo de Faria	Olimpia - Icom	Constr.	11,500
Via Anhanguera - Sta. Rosa de Vilhote	São Simão - Santa Rosa	Constr.	24,300
Pirapósinho - Pôrto Firmino	Trecho único	Constr.	7,000
Assis - Marília - Pôrto Ferreira	Marília - Rio Feio	Constr.	21,000
S. J. R. Preto-Présid. Vargas	Valentim Gentil - Estrada d'Oeste	Constr.	10,500
Franca - Araxá	Pedregulho - R. Grande	Constr.	6,000
S. J. do Rio Pardo - divisa	Trecho único	Constr.	17,000
Cubatão - Juquá	Cubatão - Pedro Taques	Constr.	15,000
S. J. do Rio Preto - S. J. da Barra	R. Sapucaí - Rio Pardo	Constr.	12,700
Jatú - Itatinga	Jatú - Bariri	Constr.	28,000
Assis - Marília - Pôrto Ferreira	R. Feio - P. Ferrão	Constr.	9,000
Marília - Panorama	Tupã - Parapuã	Constr.	22,500
Palmital - Pôrto Leopoldina	Trecho único	Constr.	7,000
Pirajui - Pôrto Laranjeira	Pirajui - Reginópolis	Constr.	26,500
Rib. Preto - Paulo de Faria	Sertãozinho - Bebedouro	Constr.	18,500
S. J. R. Preto - Presidente Prudente	Martinópolis - Pr. Prudente	Constr.	3,500
Cubatão - São Sebastião	Piaçaguera - Guarujá	Constr.	1,000
Itapira - Divisa	Trecho único	Constr.	5,000
4. Administração direta			
Mirassol - Tanabi	Trecho único	Constr.	6,000
Votuporanga - Tanabi	Trecho único	Constr.	1,000
Itapevi - Amador Bueno - S. J. Novo	Trecho único	Constr.	1,200
	Trecho único	Constr.	13,000

[206]

RODOVIAS

Estrada	Trecho	Tipo de obra	Quilômetros
Adamantina - Dracena	Trecho único	Constr.	13,800
Campinas - Viracopos - Indaiatuba	Trecho único	Constr.	4,300
Reginópolis - Jacanga	Trecho único	Constr.	7,500
Sarutá - Timburi	Trecho único	Constr.	8,000
Pedro Taques - Mongaguá	Trecho único	Constr.	8,450
Mongaguá - Itanhaém	Trecho único	Constr.	11,500
Jacupiranga - Canatã	Trecho único	Constr.	10,400
Meji-Guaçu - Casa Branca	Trecho único	Constr.	0,500
S. J. Rio Pardo - Divinolândia	Trecho único	Constr.	5,800
Bauri - Jacanga - Itatinga	Trecho único	Constr.	8,000
Santos - Juquá (Variante Mongaguá)	Trecho único	Constr.	2,740
Via Anhanguera - Pico do Jaraguá	Trecho único	Constr.	4,900
Broas - Torrinha	Trecho único	Constr.	10,340
V. Anhanguera - Trevo Jundiaí	Trecho único	Constr.	1,740
Variante externa de Tatuf	Trecho único	Constr.	4,200
V. Anhanguera - Trevo Campinas	Trecho único	Constr.	3,100
Acesso a Voluporanga	Trecho único	Constr.	1,200
Santópolis - Reginópolis	Trecho único	Constr.	1,600
Ligação - Praça Rotatória	Trecho único	Constr.	1,200
Estrada de Itu	Trecho único	Constr.	0,800
Brasília - Santópolis	Trecho único	Constr.	0,800
Capão Bonito - Itapeva	Trecho único	Constr.	10,400
Voluporanga - Valentim Gentil	Trecho único	Constr.	3,800
Via Anchieta - Casqueiro	Trecho único	Constr.	8,000
Lig. Bauri - Jatú - Bauri	Trecho único	Constr.	4,600
Santa Cruz	Trecho único	Constr.	6,500
Tatuf - Capela do Alto	Trecho único	Constr.	15,700
Itapira - Itararé - Acesso a ponte s/ rio Verde	Trecho único	Constr.	7,800
Bofete - Porangaba	Trecho único	Constr.	1,000
Eldorado - Iporanga	Trecho único	Constr.	1,000
Itapitangul - Divisa	Trecho único	Constr.	10,200
Cubatão - Piaçaguera	Trecho único	Constr.	11,500
Juquá - Sete Barras	Trecho único	Constr.	24,400
Amparo - Itapira	Trecho único	Constr.	21,400
B. Guá - Iguaçu	Trecho único	Constr.	37,700
Bauri - Lençóis Paulista	Trecho único	Constr.	44,700
Dracena - Panorama	Trecho único	Constr.	
Estrada d'Oeste - Pôrto P. Vargas	Trecho único	Constr.	

[207]

RODOVIAS

Estrada	Trecho	Tipo de obra	Quilômetros
Via Anchieta - S. Castano Sul	Trecho único	Constr.	2,900
Bertioga - São Sebastião	Trecho único	Constr.	35,200
São Sebastião - Torquato	Trecho único	Constr.	12,800
Mojí-Guaçu - Aguiar	Trecho único	Constr.	14,000
Lig. São João à estr. Jundiaí-Itaú	Trecho único	Constr.	8,400
Acesso à estr. Santos - Jiquiá	Trecho único	Constr.	1,000
Santos - Jiquiá - Acesso a pontes Rio Ipanema	Trecho único	Constr.	0,900
Mojí das Cruzes - Bertioga	Trecho único	Constr.	0,800
Bauri - Pedernais	Trecho único	Constr.	27,000
Aratuba - Porto Rio Pardo	Trecho único	Constr.	8,500
São Roque - Divisa de Minas	Trecho único	Constr.	0,900
Total construído			1.101,280

PONTES MUNICIPAIS

1 - CONCLUÍDAS EM 1959

MUNICÍPIO	LOCAL
Atibaia	Rio Atibaia (*)
Bombas	Rio Peixe (*)
Bilac	Córrego Colônia (*)
Bilac	Córrego Colônia (*)
Bilac	Córrego Lago (*)
Birigui	Córrego Baguaçu (*)
Caapava (reforma)	Rio Paraíba (*)
Capivari	Rio Capivari
Cebulha	Rio Tibiçá (*)
Guaiçara	Córrego Água Branca (*)
Guaiçara	Córrego Fim (*)
Itararé	Rio Novo (*)
Itararé	Rio Sapucaia (*)
Itapá	Rio Porcos (*)
Itapólis	Rio Cubatão (*)
Itajobi	Rio S. José de Barreiro (*)
Novo Horizonte	Rio Fazenda Velha (*)
Fernandópolis	Córrego Capivari (*)
Fernandópolis	Rio Santa Rita (*)
Fernandópolis	Rio S. José dos Dourados (*)
Lorena	Rio Taboão (*)

[208]

PONTES MUNICIPAIS

MUNICÍPIO	LOCAL
Miracatu	Rio São Lourenço (*)
Miracatu	Rio Itariri (*)
Miracatu	Córrego Barra Grande (*)
Miracatu	Córrego Barra Grande (*)
Miracatu	Rio Balsamo (*)
Tanabi	Córrego Perobas (*)
Tanabi	Córrego Jataí de Cima (*)
Mojí-Guaçu (reforma)	Rio Moji-Guaçu (*)
Paraguape Paulista	Rio Capivari (*)
Paraguape Paulista	Rio São. Bárbara (*)
Paraguape Paulista	Rio Itariri (*)
Pedro de Toledo	Rio Peixe (Bruno) (*)
Pedro de Toledo	Rio Peixe (Monteiro) (*)
Pindamonhangaba	Rio Corumbá (*)
Presidente Bernardes	Rio Peixe (*)
S. Cruz do Rio Pardo	Rio Pardo (*)
S. Cruz do Rio Pardo	Rio Ococa (*)
S. João da Boa Vista	Rio Prata (*)
Agua da Prata	Rio Quarta (*)
S. Pedro do Turvo	Rio Turvo (*)
S. Pedro do Turvo	Rio São João (*)
Tabatinga	Rio São João (*)
Tabatinga	Rio São João (*)
Tabatinga	Rio Turvo (*)
Ubatuba	Rio São Domingos (*)
Ubatuba	Rio Parapanema (*)

(*) - Iniciadas pelo Governo anterior

2 - CONCLUÍDAS EM 1960

MUNICÍPIO	LOCAL
Botucatu	Rio Lavapés
Calasão	Rio Santa Teresa
Caraguatatuba	Rio Santo Antônio
Descalvado	Rio Moji-Guaçu (*)
Itariri	Rio do Açúcar
Itariri	Rio Guanhanhã
Itariri	Córrego Arcado
Itatuba	Rio das Pedras
Jaguariuna (reforma)	Rio Camanducaia
Juquá	Rio Juquá (*)
Monteiro Lobato	Rio Buquira
Monteiro Lobato	Rio Buquira
Miracatu	Rio Fahu (*)

[209]

FONTES MUNICIPAIS

MUNICÍPIO	LOCAL
Miracatu	Rio São Lourenço (*)
Miracatu	Rio Bonanal (*)
Juglê	Rio São Lourenço
Nova Granada	Rio Turvo (igreja Altair) (*)
Palatina	Rio Turvo (*)
Américo de Camargo	Rio Turvo (*)
Cardoso	Rio Turvo (*)
Cardoso	Rio Marinhato (*)
Reginópolis	Rio Batalha (*)
Salto	Rio Jundiá (*)
Sucorô	Rio Pêta
Piracema	Rio Piracema Mirim (Galeria)
Poa	Rio Guatô
Jaborandi	Rio das Palmeiras
Sta. Rosa de Viterbo	Rio Quêbra Caba
Miguelópolis	Rio Carmo
Avai	Rio Batalha
Eldorado Paulista	Rio Ribeira (*)
Lavínia	Rio Frio
Registro	Rio Elô (*)
Registro	Rio Salto (l.a ilha) (*)
Coroados	Rio Balcozes
Iperô	Rio Sorocaba
Laranjal Paulista	Rio Cardes
Itapetininga	Rio Taboão
Cetulina	Rio Tibiriçá (2.a parte)
Sta. Cruz do Rio Pardo	Rio Pardo
S. José dos Campos	Rio Paraíba
S. Bento do Sapucaí	Córrego Bumba
São Roque	Rio Carmel
Sorocaba	Rio Sorocaba
Laranjal Paulista	Sorocaba
Monte Aprazível	Rio S. José Dourados (*)
São Joaquim da Barra	Rio Sapucaí (*)
Cunha	Rio Iari
Cunha	Rio Gahiroba
Itapetininga	Rio São Lourenço
Itirá	Córrego Papagaio
Itirá	Rio São Lourenço
Itirá	Cór. Barra Grande (Potirendaba)
Jabuticabal	Rio Palmatã
Jabuticabal	Córrego Santa Rita
Campos do Jordão	Rio Capivari
Cravinhos	Rio Estiva
Cravinhos	Rio Boa Vista
Ourinhos	Rio Pardo
Paulo de Faria	Córrego do Fundo
Paulo de Faria	Gal. na cidade

[210]

FONTES MUNICIPAIS

MUNICÍPIO	LOCAL
Itatinga	Córrego Água Quente
Lucianópolis	Rio Vermelho
Lavínia	Viaduto s/NOB
Itapetininga	Rio Sarapuí
Viradouro	Rio Cachoeirinha
Viradouro	Rio Avanhandava
Viradouro	Córrego Água Limpa
Lime	Rio Moji-Guaçu
Lorena	Rio Taboão
Pontal	Rio Pardo
Guaraci	Rio Santana
Guaraci	Rio Lins
Guaraci	Rio Graúna
Jabuticabal	Córrego Rico
Jabuticabal	Rio da Onça
Miracatu	Rio S. Lourenço (Pre. nova)
Itariri	Rio do Anelô em Barriga
Itajobi	Rio da Onça
Cosmorama	Córrego do Cavalinho

(*) — Iniciadas pelo Governo anterior

AEROPORTOS

LOCAL	TIPO DA OBRA
Aeroporto de Pres. Prudente	Balsamento Elétrico
Aeroporto de S. José do Rio Preto	Balsamento Elétrico
Aeroporto de Bauri	Balsamento Elétrico
Aeroporto de Jundiá	Balsamento Elétrico
Aeroporto de Ituverava	Balsamento Elétrico
Aeroporto de Tupã	Pavimentação
Aeroporto de Lins	Pavimentação
Aeroporto de Pres. Prudente	Est. Aeroviária
Aeroporto de Aracatuba	Pavimentação
Aeroporto de Marília	Pavimentação
Aeroporto de Lins	Balsamento Elétrico
Aeroporto de Aracatuba	Balsamento Elétrico
Aeroporto de Tupã	Balsamento Elétrico
Aeroporto de Viracopos	Pavimentação da Pista
Aeroporto de Viracopos	Est. Provisória
Aeroporto de Viracopos	Abastecimento de água

[211]

0608

ARMAZENS

LOCAL	Capacidade	Conclusão
Adamantina	5.000 ton.	1960
Assis	3.000 ton.	1960
Avaré	3.000 ton.	1960
Barretos	3.000 ton.	1960
Itavassatã	3.000 ton.	1960
Presidente Prudente	6.000 ton.	1960
São Joaquim da Barra	6.000 ton.	1960
São José do Rio Preto	6.000 ton.	1960

REDE DE EXPERIMENTAÇÃO

Centro de Mecânica Agrícola de Jundisi — (Oficina e Seção técnica)	1960
Entrepósito de Pesca da Registro	1960
Entrepósito de Pesca de Iguape	1960

CASAS DA LAVOURA

MUNICÍPIO	Contrato	Conclusão
Alfredo Marcondes	Dez. 59	Jun. 60
Paratuba	Dez. 59	Set. 60
Itaculândia	Dez. 59	Ag. 60
Ibaretama	Dez. 59	Jul. 60
Itapetuba	Dez. 59	Jul. 60
Itapetuba	Dez. 59	Out. 60
Manduri	Dez. 59	Jul. 60
Mirassol	Dez. 59	Ag. 60
Pompeia	Dez. 59	Ag. 60
Perongaba	Dez. 59	Ag. 60
Santo Antônio da Foz	Dez. 59	Ag. 60
Tabapuã	Dez. 59	Ag. 60
Anhembi	Mar. 60	Set. 60
Artur Nogueira	Mar. 60	Ag. 60
Elizac	Mar. 60	Set. 60
Bolivia	Mar. 60	Set. 60
Cerqueira Cesar	Mar. 60	Set. 60
Charqueada	Jul. 60	Nov. 60
Colina	Mar. 60	Out. 60
Indaiatuba	Mar. 60	Nov. 60
Irapura	Mar. 60	Out. 60
Itapira	Mar. 60	Set. 60

[212]

CASAS DA LAVOURA

MUNICÍPIO	Conclusão	Contrato
Itaquaquecetuba	Mar. 60	Out. 60
Itatinga	Mar. 60	Set. 60
Conchas	Mar. 60	Nov. 60
Cosmorama	Jul. 60	Set. 60
Divinópolis	Mar. 60	Out. 60
Dona Odete	Mar. 60	Set. 60
Duartina	Mar. 60	Out. 60
Flórida Paulista	Mar. 60	Set. 60
Iju	Mar. 60	Nov. 60
Jaboticabal	Mar. 60	Nov. 60
Jaguariuna	Mar. 60	Ag. 60
José Bonifácio	Mar. 60	Set. 60
Leme	Jul. 60	Nov. 60
Marabá Paulista	Mar. 60	Dez. 60
Martinsópolis	Mar. 60	Set. 60
Mogi Guaçu	Mar. 60	Nov. 60
Mogi Mirim	Mar. 60	Nov. 60
Monte Alegre do Sul	Mar. 60	Ag. 60
Nova Fátima	Mar. 60	Ag. 60
Nhandara	Mar. 60	Ag. 60
Novo Horizonte	Mar. 60	Out. 60
Palmital	Mar. 60	Set. 60
Piquerobi	Mar. 60	Set. 60
Piracicaba	Jul. 60	Dez. 59
Piraju	Mar. 60	Set. 60
Pirapozinho	Mar. 60	Set. 60
Piratininga	Mar. 60	Out. 60
Porto Ferreira	Jul. 60	Nov. 60
Presidente Epitácio	Mar. 60	Out. 60
São Simão	Mar. 60	Ag. 60
Tabatinga	Mar. 60	Set. 60
Taíoba	Mar. 60	Set. 60
Taubaté	Jan. 60	Nov. 60
Tietê	Mar. 60	Out. 60
Regente Feijó	Mar. 60	Out. 60
Sales de Oliveira	Mar. 60	Nov. 60
Salto Grande	Mar. 60	Out. 60
Santa Adélia	Mar. 60	Set. 60
Santa Isabel	Jul. 60	Dez. 60
Ubatuba	Mar. 60	Out. 60
Valparaíso	Mar. 60	Set. 60
Vinhedo	Mar. 60	Ag. 60
Petrozônio Paulista	Mar. 60	Dez. 60
Promissão	Mar. 60	Dez. 60
Juquá	Mar. 60	Dez. 60
Tamboré	Mar. 60	Dez. 60
Itatiba	Jul. 60	Dez. 60
Macaúba	Jul. 60	Dez. 60
Vallinhos	Jul. 60	Dez. 60

[213]

0609

CASAS DA LAVOURA

MUNICIPIO	Conclusão	Contrato
Cajuru	Mar. 60	Des. 60
Tupi Paulista	Mar. 60	Des. 60
Piedade	Mar. 60	Des. 60
Pereiras	Mar. 60	Des. 60
Pôrto Feliz	Jul. 60	Des. 60

OBRAS DIVERSAS

O B R A	MUNICIPIO	Contrato	Conclusão	Órgão Executor
Centro Clínico	Mogi das Cruzes	Set. 57	59	D.O.P.
Sanatório Santo Angelo				
Hospital de Tuberculosos	Catanduva	Out. 56	Maio 60	D.O.P.
- 672 leitos				
Granja Escola para Dé-	Capital	Ag. 58	Fev. 59	D.O.P.
ficiis Mentais				
Instalação Pavimentação	(Butantã)			
Virus Instituto Adolfo	Capital	Out. 50	Out. 60	D.O.P.
Lutz				

Senhor Presidente

Senhores Deputados

Tendo dado, com esta exposição, cumprimento ao preceito constitucional, apresento a Vossas Excelências os protestos de minha alta consideração.

São Paulo, 14 de março de 1961.

Carlos Alberto A. de Carvalho Pinto
GOVERNADOR DO ESTADO

[214]

ÍNDICES

06 10

ÍNDICE ANALÍTICO

	Págs.
INTRODUÇÃO	3
Panorama Económico Social	13
São Paulo e a Economia Nacional	18
Reforma Administrativa	19
Funcionalismo	23
PLANO DE AÇÃO	25
Realização dos objetivos setoriais	25
EDUCAÇÃO, CULTURA E PESQUISA	30
Ensino Primário	32
Ensino Secundário e Normal	34
Fundo Estadual de Construções Escolares	36
Ensino Industrial	37
Ensino de Cegos e Amblíopes	42
Ensino Superior	42
Cidade Universitária. Política	44
Cidade Universitária "Armando de Salles Oliveira". Realiza- ções e programas	45
Outros programas e realizações da Universidade	46
Capacidade didática	48
Pesquisas	48
Outras atividades universitárias	52
Hospital de Clínicas da Universidade	53
Auxílios e subvenções recebidos pela Universidade	54
Institutos isolados	54
Fundação de Amparo à Pesquisa	55
Cultura	58
Teatro	57

	Págs.
Cinema	58
Música	59
Literatura	60
Artes plásticas	61
Educação física e esportes	61
Auxílios	62
Planos para 1961	62
JUSTIÇA E SEGURANÇA PÚBLICA	63
Problema do menor	63
Fundo de Assistência ao Menor	64
Reforma do Serviço Social de Menores	65
Problema Penitenciário	66
Assistência Judiciária	68
Reforma Judiciária	68
Reaparelhamento do organismo policial	69
Descentralização da Polícia da Capital	70
Instalações policiais no Interior do Estado	71
SAÚDE PÚBLICA E ASSISTÊNCIA SOCIAL	72
Unidades Sanitárias	75
Assistência médica	76
Assistência sanitária	77
Desidratação infantil	78
Profilaxia da raiva	78
Assistência médico-sanitária a outros Estados	79
Endemias rurais	79
Tuberculose	83
Lepra	84
Saúde mental	84
Assistência hospitalar	85
Instituto de Cardiologia	86
Hospital de Isolamento	86
Fiscalização especializada	87
Laboratórios	88
Assistência social	90
Assistência oftalmológica	91

[218]

	Págs.
SANEAMENTO	91
Região da Capital. Água	91
Região da Capital. Esgotos	94
Águas e esgotos e outras obras sanitárias. Interior do Estado	96
Região de Santos. Água	98
Região de Santos. Esgotos	99
Serviços Públicos do Guarujá	100
Estâncias	101
TRABALHO, PREVIDÊNCIA E HABITAÇÃO	102
Trabalho	102
Previdência	108
Aposentadoria e Reformas	110
Pensões mensais	110
Pecúlio e auxílio funeral	110
Casa própria	111
Assistência médica e hospitalar	112
Custeio dos benefícios, investimentos e obras públicas	113
Reforma administrativa e aparelhamento técnico	114
Objetivos em 1961	115
ENERGIA ELÉTRICA	115
Vale do Tietê	117
Vale do Paranapanema	118
Vale do Rio Pardo	119
Urubupungá	119
Distribuição de Energia Elétrica	121
TRANSPORTES E COMUNICAÇÕES	122
Ferrovias	122
Estrada de Ferro Sorocabana	125
Estrada de Ferro Araraquara	126
Companhia Mogiana de Estradas de Ferro	127
Ramais deficitários	128
Aerovias	129
Réde de linhas aéreas	129
Frota de aviões	130
Manutenção	130
Resultado econômico	130

[219]

06 12

	Págs.
Rodovias	130
Aeroportos	132
Portos e Navegação	135
Telefones	136
Edifícios públicos	136
Pontes municipais	137
AGRICULTURA	138
Revisão Agrária	139
Pesquisa aplicada	140
Novas atividades de pesquisa aplicada	141
Fomento agropecuário	143
Armazenagem e ensilagem	145
Abastecimento	146
Mecanização e conservação do solo	147
Defesa sanitária	147
Pesquisa pura	149
Conservação de recursos florestais	149
Atividades cartográficas	150
Publicidade agrícola	150
Urbanização do Parque do Estado	150
Relações com a esfera federal	151
Ensino Agrícola	151
ADMINISTRAÇÃO FAZENDÁRIA	151
Política orçamentária	153
Crédito público	158
Disponibilidades	162
Quotas dos Municípios	164
Compras da Administração	165
Prédio da Secretaria da Fazenda	166
Banco do Estado de São Paulo S/A	166
Financiamento agrícola	167
Aplicações no Interior	167
Operações de descontos	168
Obras governamentais	168
Indústria cinematográfica e peças teatrais	169
Disponibilidades	169

[220]

	Págs.
Responsabilidades	169
Dívida externa	170
Câmara de Compensação	170
Capital social	170
Caixa Econômica do Estado	171
ASSESSORAMENTO TÉCNICO AO GOVERNADOR	174
Assessoria Técnico-Legislativa	174
Assessoria Econômico-Financeira	175
Serviço de Assistência Jurídica	175
ESTATÍSTICA	175
TRABALHOS GRÁFICOS	179
Imprensa Oficial	179
Coordenação dos trabalhos gráficos	180
MATERIAL EXCEDENTE	180
ESPECIFICAÇÃO DAS OBRAS DO PLANO DE AÇÃO: BIÊNIO 1959/1960	181

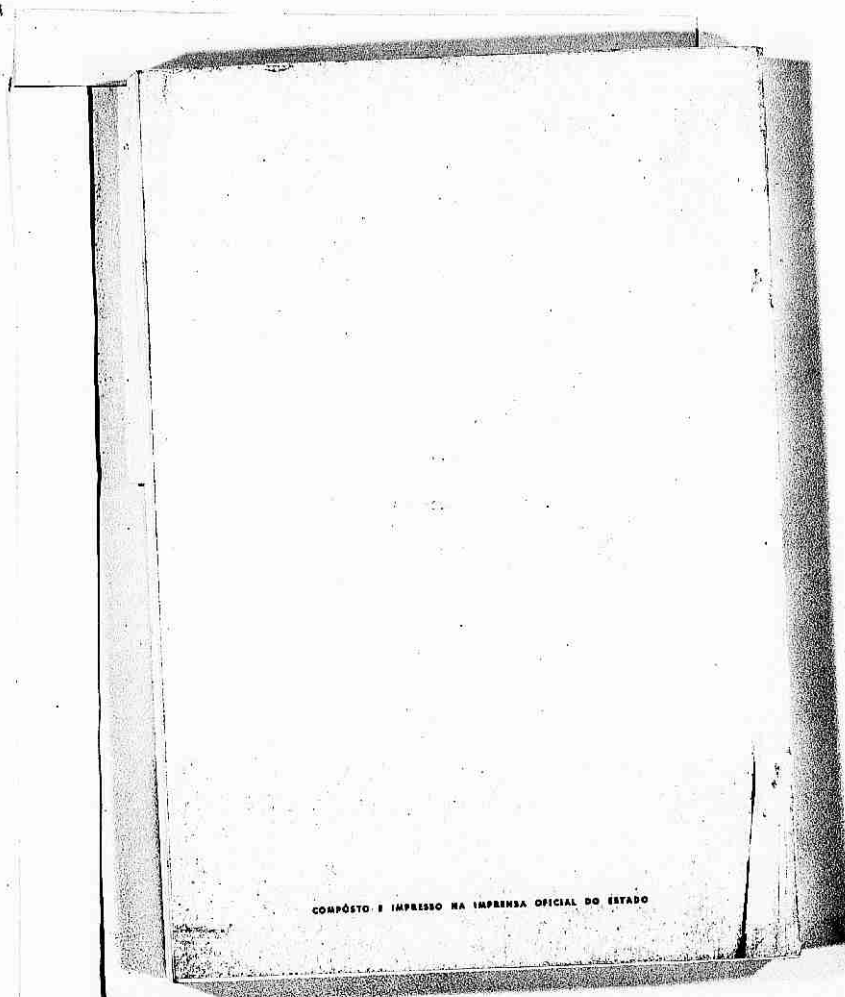
[221]

06 13

ÍNDICE DOS GRÁFICOS

	Págs.
1 — Plano de Ação — Andamento financeiro: 1959 a 1961	26
2 — Plano de Ação — Realização dos objetivos setoriais	26
Plano de Ação — Andamento financeiro: 1959 a 1961 (Quadro n.º 1)	27
Plano de Ação — Realização dos objetivos setoriais — Programa de 1961 (Quadro n.º 2)	28
3 — Ensino primário fundamental comum	34
4 — Ensino secundário e normal	35
5 — Ensino profissional	38
6 — Ensino industrial	40
7 — Reequipamento da polícia	70
8 — Estado de São Paulo — Mortalidade geral: 1940-1959	73
9 — Estado de São Paulo — Mortalidade infantil: 1940-1959	74
10 — Centros de saúde da Capital	75
11 — Unidades sanitárias do Interior	78
12 — Postos de puericultura em funcionamento	78
13 — Subvenções e auxílios a instituições hospitalares	89
14 — Abastecimento de água da Capital	93
15 — Serviço de esgotos da Capital	95
16 — Obras de água e esgoto no Interior	96
17 — Abastecimento de água de Santos	99
18 — Redes de esgoto em Santos	100
19 — IPESP — Financiamento para construção da casa própria	111
20 — IPESP — Unidades residenciais distribuídas	112
21 — E. F. Sorocabana — Trabalho Realizado	122
22 — E. F. Araraquara — Trabalho realizado	124
23 — C. Mogiana E. F. — Trabalho realizado	125
24 — E. F. Sorocabana — Receita e despesa de custeio — investi- mentos	128

	Págs.
25 — E. F. Arataquara — Receita e despesa de custeio — Investimentos	127
26 — C. Mogiana E. F. — Receita e despesa de custeio	128
27 — Rede rodoviária e pavimentação de estradas	132
28 — Aeroportos — Tráfego de passageiros	134
29 — Fomento agrícola	143
30 — Empréstimos agrícolas pelo Banco do Estado	144
31 — Orçamento do Estado — Receita e despesa	155
32 — Quotas aos municípios	154
33 — CRESF — Empréstimos a servidores públicos	173



06 16

AIR POUCH PRIORITY FOREIGN SERVICE DESPATCH	UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE 832.00/4-461
FROM : AmConsulate, CURITIBA	DESP. NO. 48	
TO : THE DEPARTMENT OF STATE, WASHINGTON.	DATE April 11, 1961	
REF : OERP Section C-2		
EUR-5 B/OEA-1		
55 ACTION For Dept. Use Only	DEPT. I N D OTHER	REC'D 4/18
SUBJECT: ECONOMIC SUMMARY FOR MARCH 1961		
Summary		
The cost of living and the effects of SUMOC instruction 204 stole all the headlines during March. Bread and milk, gas and electricity and other basic items were upped in price. Further increases were expected. The effects of last year's increase in the minimum wage have by now been completely nullified. Coffee exports were very good and are expected to remain so. The Florianópolis conference of governors resulted in promises of federal assistance for a number of state projects, principally road construction and hydroelectric power. Overall economic activity was good as many people were eagerly buying before price increases took effect.		
II AGRICULTURE		
1. Coffee		
Coffee shipments for March out of Paraná were generally satisfying to coffee growers and stevedores. Some 316,000 bags were exported. Paraná producers took advantage of the Florianópolis meeting between Jânio Quadros and governors of three southern states (Paraná was one) to call for even higher exports (500,000 bags a month), construction of soluble coffee plants and burning of "expurgo" coffee now in storage. Claims were also made for port improvement funds, assistance in warehouse construction and the installation of a Western Union telegraph cable in Paraná. SOURCES: All papers.		
cc: Embassy, Rio de Janeiro (2 copies) 4/11/61		
UNCLASSIFIED		
ACTION ASSIGNED TO NAME OF OFFICER & OFFICE SYMBOL	REPORTER ACTION TAKEN DATE OF ACTION	DIRECTIONS TO RM/R
ACTION COPY - DEPARTMENT OF STATE		
The action office must return this permanent record copy to RM/R files with an endorsement of action taken.		

 832.00/4-1161
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 APR 21 1961

06 17

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Page 2 of 4
Encl. No. 48
Disp. No. 48
From AmConsulate, Curitiba

2. Wheat:

The Paraná wheat crop for 1960-61 is expected to be about half the size of last year's. A harvest of 10,000 metric tons is expected. The most important reason for the drop is that farmers feel wheat raising is uneconomical, the government setting an unreasonable minimum price. It was suggested by an official of the State Department of Agriculture that the minimum price be set before the wheat is planted and not when it is ready to be harvested. Janio Quadros is reported to have authorized the Bank of Brazil to loan 48,000,000 cruzeiros to develop wheat production in the state.

SOURCES: "Estado do Paraná" - Curitiba - March 4, 15, 1961
"Ultima Hora" - March 28, 29, 1961

3. Rami:

A rami exhibit was held in Curitiba during the latter part of March demonstrating the uses to which the fiber can be put. Its producers claim it is a good substitute for linen and that its use for this purpose would save the country about one million dollars in exchange. Production is centered in the north of Paraná and the current crop is estimated at 11,000 metric tons. Rami growers are clamoring for federal support for cultivation of the crop.

SOURCES: "Diário do Paraná" - March 9, 11, 1961
"O Estado do Paraná" - March 7, 10, 1961
"O Dia", March 7, 1961

III LABOR:

1. Construction Workers Strike:

The long-pending demands by Curitiba construction workers for substantial wage increases finally reached a climax in a strike which paralyzed 90% of the building projects in Curitiba. The strike, which lasted three days, was eminently successful as far as the workers were concerned, management having given in to nearly all the demands put forward by the unions. Increases ranging from 35 to 50% were granted.

SOURCES: "Diário do Paraná" - 3.21; 3.28; 3.29; 3.31
"Estado do Paraná" - 3.28; 3.29; 3.31
"O Dia" - 3.28.61
"Gazeta do Povo" - 3.29; 3.31.1961

2. Labor Proposals at Florianópolis Meeting

The Federation of Paraná Workers took advantage of the Governors reunion in Florianópolis with Janio Quadros to put forward a number of long-standing demands. These included establishment of an "Instituto" to finance home construction for workers, a call for greater utilization of the three already-existing labor courts and a request that the Institutes function more efficiently and more advantageously as far as the workers are concerned.

SOURCES: "Estado do Paraná" - March 23, 1961.
"Ultima Hora" - March 2, 1961

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06 18

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Page 3 of 4
Encl. No.
Disp. No. 68
From AmConsulate, Curitiba

3. Prices:

SUMOC instruction 204 has caused or is claimed as the cause of innumerable price increases during March. Bottled gas went up 50%, electricity increased 60%, gasoline rose from 10 to 18 cruzeiros per liter and bread now sells for 56 cruzeiros a kilo. Further rises can be expected.

About the only commodity whose price has not increased is black beans. The reason for the drop in bean prices is the size of this year's crop. Rice, the other staple of a good part of the Brazilian population, has increased in price. A 60 kilo bag of black beans now costs 1,000 cruzeiros in Curitiba; the same quantity of rice costs 1,500 cruzeiros.

SOURCES: "Estado do Paraná", March 14, March 25, 1961
"Gazeta do Povo" - March 14, March 30, 1961.
"Diário do Paraná" - March 24, 25, 1961
"Última Hora" - March 25, 28, 30, 1961

IV TRANSPORTATION AND COMMUNICATIONS

1. Highways:

Now that most of the highways in the area have been "inaugurated" everyone is wondering when it will be possible to drive a car over them. BR-2, connecting Curitiba with São Paulo, is some 55 kilometers short of completion and September is now considered the most likely opening date.

Work on the Curitiba-Paranaguá road has been halted. The construction firm working on the road says the state owes it 350 million cruzeiros. The Curitiba-Ponta Grossa road will, if Government announcements are to be believed (which they usually aren't) be completely asphalted in 6 months.

Governor Ney Braga is said to have been promised 10 billion cruzeiros in federal assistance for highway construction from 1961 through 1965. The "promise" was made by Janio Quadros at the Florianópolis Governors meeting.

SOURCES: "Diário do Paraná" - March 7, 8, 19, 1961
"Estado do Paraná" - March 7, 19, 1961
"Última Hora" - March 1, 2, 7, 13, 1961
"Gazeta do Povo" - March 7, 8, 9, 10, 28, 1961

2. Electric Power:

Governor Braga is reported to have been successful in getting the Federal government to finance the major part of the construction of the Capivari-Cachoeira hydroelectric plant. The plant, which will have an output of 230,000 kw, is expected to cost about 10 billion cruzeiros. The National Economic Development Bank will contribute 6 billion cruzeiros.

SOURCES: "Diário do Paraná" - March 19, 26, 1961
"O Dia" - March 15, 1961
"Última Hora" - March 7, 17, 1961

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06 19

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(Classification)

Page 4 of 4
Encl. No. _____
Disp. No. 48
From: Am Consulate, Curitiba

V MINERALS:

Schist

The long-discussed schist deposits in São Mateus do Sul may finally be exploited. Petrobras has completed a study of the area and says the construction of a pilot plant would be worthwhile. Equipment will be purchased and it is claimed that by next year the plant will be in operation.
SOURCES: "Diário do Paraná", March 8, 1961

VI FOREIGN TRADE AND COMMERCIAL POLICY

Czech Visitors

The director of the Curitiba firm "Comercial Polparaná S.A." revealed that the Czech ambassador in Rio, accompanied by trade specialists and technicians, would be visiting Curitiba during the latter part of April. ("Comercial Polparaná" exists to develop trade between Paraná and Poland and presumably other communist countries). The mission will have two purposes - (1) trade development and (2) study of the possibilities for collaboration by Czech industry in the undertakings already approved at the Florianópolis conference." (quotation from "Ultima Hora" of March 30, 1961.

Edward M. Howell
Edward M. Howell
American Consul

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FOREIGN SERVICE DESPATCH					
FROM :	Amconsul SALVADOR, BAHIA, BRAZIL.			43	APR 11, 1961
TO :	THE DEPARTMENT OF STATE, WASHINGTON.			DATE	
REF :	GERP-Section C 2.			APR 12 1961	
20 For Dept. Use Only	ACTION COM-12	DEPT. REP1 INR-7	ICA-11	E-3	ARR-4
	REC'D	OTHER			
	4-18-61	CIA-10	TOR-2	TR-3	FRB-3 XMB-4 ASR-2 INT-7 HRS-6
SUBJECT: Economic Summary for March, 1961. DAF-7 USA-10 NSA-4 OSD-5 ARMY-6 NAVY-4					

INDEX

- Summary
- Industry and Investments
- Agricultural Development and Policy
- Petroleum
- Transportation and Communication
- Labor
- Finance
- East-West Trade

1. Summary:

With strong export movement due to the favorable dollar rate and a temporary paralysis of imports, the local money market is easy. Nevertheless, bank collections worsened during the month. Local banks have curtailed their loaning operations as part of the general business attitude of cautious expectation regarding the implementation of SUMOC Instruction 204. Cocoa export has been returned to the exporters, who will receive Cr\$210 to the dollar as opposed to the previous rate of Cr\$90.00 to the dollar. The grower is assured of receiving Cr\$3,200 per bag of 60 kilograms. President Quadros insists that SUMOC Instruction 204 is not to blame for the immediate increase in cost of living. However, the price of petroleum products, wheat, transportation, etc., doubled within days after announcement of the Instruction. Since then, practically every item one would care to mention has increased from five to thirty percent. (Official Use Only).

2. Industry and Investments:

(a) The Industria Nordestina de Produtos Alimenticios is going to install a malt and beer factory at Mas D'Avila, about 20 miles outside of Salvador.

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832.00/4-1161

0621

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(Classification)

-2-

Page 2 of

End. No. 43

Disp. No. 43

From SHH HRO R

Salvador, on the road to Feira de Santana. A total of one billion cruzeiros will be invested in this enterprise and all equipment will be of Brazilian manufacture. (Unclassified)

Comment: The possibility of establishing a brewery in this area has been under consideration by various firms in the past. However, after considerable negotiation, the matter has always been dropped. It is believed that pressure was brought upon local interests by the larger breweries in the south and possibly also by shipping interests, since at present, all beverages must be shipped from Rio or São Paulo with the exception of one or two soft drinks. (Official Use Only).

(b) The Banco do Nordeste do Brasil has granted a loan of 13 million cruzeiros to the Cia. de Celulose e Papel, to install a paper factory at Aracaju, capital of the State of Sergipe. A total of 28 million cruzeiros will be invested in this enterprise. All equipment will be of Brazilian manufacture. The raw material to be used will be rice straw and its capacity will reportedly be 5 tons of paper per working day. (Unclassified)

Comment: This is the first sign of industrial interest (although small) within the arid agricultural State of Sergipe, just north of Bahia. (Unclassified)

(c) The Companhia Eletroquímica da Bahia has begun preliminary construction of a factory at Lobato, Bahia. The plant will occupy an area of 25,000 square meters. 300 million cruzeiros will be invested in the enterprise which will manufacture caustic soda, liquidified chlorine, sodium hypochlorite, hydrochloric acid, CHC and carbonic gas. (See Economic Summary for April 1960).

Comment: This type of industry is needed in Bahia. At present all the above must be shipped from the south of Brazil and in many cases items are in short supply. According to Dr. Joaquim A. C. Bandeira, one of the Directors of the Companhia, the PETROCLOR Construction and Finance Corporation, Panama, will invest approximately 500,000 dollars in this enterprise. (Official Use Only)

(d) It has been reported that ground is being cleared at Madre de Deus (near the Matripe Oil Refinery) for the Fabrica Nacional de Tambores. This company will manufacture large oil cans and is backed by the RHEEM Metalurgica S.A. of São Paulo.

Comment: Rheem Metalurgica is an American established firm. It is not known here to what extent this company has invested in the Fabrica Nacional de Tambores but it is locally considered a fertile move in view of the plants proximity to the refinery and the port facilities. (Official Use Only)

(e) Produtos Alimentícios da Bahia, S.A. ordered C\$30 million worth of equipment from the Danish firm, Silkeborg Maskinfabrik for the installation of a milk plant in Salvador. With this new equipment, milk can reportedly be stored for months without refrigeration. The Company presently bottles 25,000 liters of milk and produces one ton of butter per day.

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0622

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(Classification)
-3-

Page 3 of
Encl. No. 43
Disp. No.
From: SALVADOR

Comment: Until recently it was considered poor practice to drink the local milk since it was either not pasteurized or if so, poorly done. New modern facilities now make it possible to buy the milk in wax-cardboard containers in limited supply, under sanitary conditions. (Official Use Only)

(f) Early in March an official French Technical Mission visited Bahia and met with the Governor and representatives of CPE (State Economic Planning Commission). The Mission consisted of four Frenchmen and apparently various aspects of industrial development in the area were discussed. Within the past months, several European countries have shown their interest in the development of the Northeast including France; West Germany; Italy and Belgium. (Official Use Only)

3. Agricultural Development and Policy:

(a) Cocoa. The new federal government's cocoa policy has been disclosed. According to SUMOC Instruction 204, exports have been returned to the exporters, who are receiving an exchange rate "fixed in terms of maintenance of the prevailing internal price", i.e., the minimum price to the growers of C \$3,200.00 per bag of 60 kilograms, the same as established by CASEX for the last crop. The difference between this fixed rate and the free rate will go to SUMOC to maintain the internal price in the event of a further drop in the world price... to maintain an "adequate relation of prices between cocoa beans and its derivatives", and to improve cocoa agricultural practices. The SUMOC Council has approved the following report presented by the Director of CASEX: (a) Fix the rate of Cr\$210.00 per dollar or equivalent in other currencies, (excluding bank, fiscal and brokerage expenses) for cocoa beans, cocoa paste, cocoa butter and cocoa cake; (b) Negotiate in the free market foreign exchange resulting from exports of other product derivatives of cocoa the bean (cocoa powder, chocolate and others which are considered ready for consumption). (Unclassified)

Prospects for this year's mid-crop are not good. It is expected to be late and small. Although rains have now arrived in the zone, the crop has evidently suffered from too much sun and some very rough estimates of between 900,000 and 1,200,000 bags are being heard. (Unclassified)

Comment: The new price schedule was just announced a few days ago and it is too early to determine what the thinking of the exporters is in regard to the new order. However, it is obviously better than the previous arrangement when all exporting was under CASEX at the Cr\$90.00 rate. (Official Use Only)

(b) Castorseed and Castor Oil. Prices of castorseed in the interior and in the world market have held steady over the past month. Rains which are expected to start during the latter half of this month are the crucial factor as regards the eventual size of this year's crop.

(c) Tobacco Leaf. Prices of tobacco leaf in the interior remain the same. The effect of the recent steep climb in the exchange rate has not as yet been felt there. In most areas the crop is 60% to 70% purchased, but buying of the prime

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0623

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Page 4 of
Ed. No. 43
Dep. No. 43
From SALVADOR

Mata Fina tobacco has not yet begun in quantity. Due to heavier than usual rains early in the growing season, this year's tobacco has a tendency to be lighter and more neutral in taste, or, what is known in the tobacco trade as "modern" tobacco. The crop will probably appear somewhat larger than last year due to a greater influx of tobacco from the neighboring State of Alagoas.

(d) Sugar Cane. It has been reported that the Bahia sugar-cane crop has been seriously affected because of lack of rain. According to Sr. Eduardo Gonçalves, local delegate of the Alcohol and Sugar Institute, three sugar mills are closed because of the drought and others may follow the example later.

Comment: Although years ago Bahia was a leading sugar area, plantations have deteriorated or become inoperative. The cane now grown in this area is consumed locally, mostly in the manufacture of sugar/alcohol. (Official Use Only)

(e) The Serviço de Produção Animal, a division of the Secretariat of Agriculture of Bahia, has purchased over 5,000 chickens (New Hampshire) in São Paulo for the agricultural experimental station located at Feira de Santana, Bahia.

(f) Lamar Hutchison, an American citizen, Manager of the Companhia/Eletrica da Bahia (CEEB) has also gone into the chicken business with the initial purchase of five thousand chickens. He has established a chicken farm on the outskirts of the city and plans to sell dressed chickens to the four of five supermarkets presently operating in Salvador. It is his intention to eventually supply eggs and dressed frozen chickens in cellophane bags and compete with the present system of purchasing live chickens at the local market which must be taken home for "execution". (Unclassified)

(g) An agricultural-livestock and industrial exposition was inaugurated on March 15 and continued through March 20, in the town of Vitoria da Conquista (VII Agricultural-Livestock-Industry Exposition). The exposition was promoted by the Departamento de Produção Animal, a Sub-Section of the Secretariat of Agriculture, Industry and Commerce of Bahia. Vitoria da Conquista is a prosperous town (agriculturally speaking), located on the highway connecting Ilheus and is well known in this area as an important livestock raising center. (Unclassified)

(h) The Federal Government has informed the State Government that it will grant Bahia the sum of 30 million cruzeiros to build a "Mercado Livre do Produtor" (Free Market), to be located at Retiro on the outskirts of Salvador. The Bahia State Government will furnish an equal amount for said purpose.

Comment: With the exception of four of five small and sparsely-supplied supermarkets, all fresh food in Salvador is sold in the open markets scattered throughout the city. These markets would remind one of the Middle-East and it is necessary to constantly remind yourself that you are in Brazil and not a bazaar in Baghdad when making purchases. The sights and smells can only be experienced. (Official Use Only)

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0624

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-5-

Page 5 of
Encl. No.
Disp. No. 43
From SALVADOR

4. Petroleum:

During 1960, Brazil produced 29.6 million barrels of petroleum, all from the State of Bahia, and exported 4.6 million barrels. Import figures have not been released. It is rumored that the federal government has advanced PETROBRAS two billion cruzeiros to bail it out of its present financial plight.

The local press reports that Dr. Geonísio Barroso, new President of PETROBRAS, has suggested to the Federal authorities that there may be certain advantages to transferring the head office of PETROBRAS to Salvador. No further comment at this time. (Unclassified)

5. Transportation and Communication:

The local press reports that the Companhia Navegação Bahiana, a mixed government-private company, is building a "carreira" (dry dock) with a capacity of 800 tons and will be able to repair ships up to 60 meters long. The inauguration of the new dry dock is expected to take place sometime in April 1961. (Unclassified)

6. Labor:

The only important event under this heading was the visit to this city recently of Mr. John Fishburn, Labor Attaché, American Embassy, Rio de Janeiro. He contacted various syndicate heads and was well received by those groups. (Unclassified)

7. Finance:

According to the State Internal Revenue Department Cr\$4,08,826,182 cruzeiros were collected during the first three months of 1961 which constitutes an increase of Cr\$83,745,477 over the same period in 1960. (Unclassified)

8. East-West Trade:

Exports to Soviet Bloc countries during the month of March 1961 were as follows: Poland, 350 metric tons of sisal fiber, 90 tons of cocoa powder and 11 tons of goat skins; Yugoslavia, 1,035 tons of sisal fiber. (Unclassified)

FOR THE CONSUL

Paul E. McCarthy
Paul E. McCarthy
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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DEPARTMENT OF STATE INSTRUCTION

UNCLASSIFIED
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FOR RM/R USE ONLY

COM-7 NO. A-2 May 9, 1961

SUBJECT: Classification of reference despatch

REFERENCE: Despatch No. 43, Consulate, Salvador, April 11, 1961, "Economic Summary for March 1961." (OFFICIAL USE ONLY)
TO: The American Consulate, SALVADOR

FROM COMMERCE

CA 4986, December 16, 1959, "Economic: Classification of the Economic Summary," which was sent to all diplomatic and consular posts, directed that such reports should be in unclassified form. Attention is called to the fact that this directive was not followed in the case of the subject despatch.

The monthly economic summaries received from the Foreign Service posts in Brazil are loaned to the field offices of the Department of Commerce and to a number of interested organizations and companies. The classification of the subject despatch precluded this customary use.

The "official use only" comments of the Consulate increase the value of the despatch and are greatly appreciated by this office. However, it will be appreciated if, in the future, any classified comments are appended in a separate section. The despatch should be clearly marked "unclassified when separated from classified comments."

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DRAFTED BY: C. Courand, Dir., Asst. Rep. Div.,
GK 5/8/61

APPROVED BY: EIREP: Mitchell:ml 5-9-61

CLEARANCES:

SIVEL
ECONOMIC READING
DEPARTMENT OF STATE

0626

AIR POUCH		UNCLASSIFIED		DO NOT TYPE IN THIS SPACE	
FOREIGN SERVICE DESPATCH		Security Classification		EAD 932.00/4-1261	
FROM :	Amoongen Sao Paulo	DATE	April 12, 1961	APR 14 1961	
TO :	THE DEPARTMENT OF STATE, WASHINGTON	DESP. NO.			
REF :	CERP Section D Item IV-A-5; Congen Desp. 295 of Feb. 7, 1961; Congen Desp. 236 of Jan. 4, 1961.				
ACTION		DEPT			
19 For Dpt. REC'D		4-18			
Line Only		4-18			
SUBJECT:		Sao Paulo State Development Plans			

The State Plan of Action is expected to be completed on schedule in most respects, according to Mario Laranjeira MENDONÇA, Chief of Cabinet of the Secretary of Transport and Public Works of the State of São Paulo.

Sr. Mendonça told an officer of this Consulate General that the Plan of Action staff attached to the Governor's office is now working hard on a second Plan of Action, to take effect on completion of the present Plan in 1963. This second Plan assumes practically complete fulfillment of the present Plan on schedule, an assumption which Sr. Mendonça considers well founded. There will, however, probably be a shortfall in the educational sector, attributable largely to bureaucratic delays in getting projects drawn up and approved. He said that it often took longer to get an educational construction project approved and ready to start work than to do the actual construction.

Sr. Mendonça stated that his Secretariat handles about 70 percent by value of the projects under the Plan of Action, including public works such as school construction.

Sr. Mendonça said that the recent action of the Federal Government in doubling the "cost of exchange" for certain imports will not seriously interfere with the Plan of Action. Imported items account for a minor percentage of costs incorporated in the current Plan of Action, and the State has ample financial resources to cover the increased cost of imports.

Certain large projects, such as the Urubupunga power complex, (the cost of which is not included in the current

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0627

UNCLASSIFIED
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Page 2 of
Encl. No.
Desp. No. 378
From. Amoznen São Paulo

Plan of Action), will require considerable amounts of equipment which are not now made in Brazil. However, in the case of Urubupunga, he predicted that even the largest generators and other equipment will be made in Brazil by the time they are needed some years hence. He indicated that groups of enterprises are in the process of being formed with the intention of eventually doing work on various phases of this vast project. § He expects that the company recently formed with the participation of state governments (Conden Despach No. 256 of January 4, 1961) will not sign a single overall contract with one construction firm, but instead will make separate contracts with various firms covering separate phases of the project. He indicated, however, that this point was not yet definitely settled, the project still being in its early stages.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
American Consul

§ It is understood that before any bids can be let, arrangements for financing this project must be concluded, and that this problem is far from solved.

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AIR POUCH		OFFICIAL USE ONLY (Security Classification)		DO NOT TYPE IN THIS SPACE	
PRIORITY		FOREIGN SERVICE DESPATCH		832.00/4-1761 APR 25 1961	
FROM : Ambassador RIO DE JANEIRO		930		APR 17, 1961	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		DESP. NO.		DATE	
REF : CERP C-1					
20 For Rep. Use Only	ACTION REG-5	DEPT. IN OFFICE	RM/R2 REPL INR-10 ICA-11 E-7 EOR-5		
4-28-61	6514-10 OSD-2 NSA-4 NSC-2 CIA-16 Army-35 Navy-20				
SUBJECT: BI-WEEKLY ECONOMIC REVIEW (Period Covered March 25 to April 7, 1961).					

INDEX

1. Coffee Statistics
2. Brazilian Mission Departs for Soviet Bloc Countries
3. Plans for Purchase of 36 Ships from Yugoslavia and Possibly others from Bloc Countries
4. Brazilian Government Interest in Polish Helicopters
5. Discussions of Pooling of Brazilian International Services
6. Statements by President of Federal Railway System
7. Petrobras President Outlines Plans for State Oil Monopoly
8. Furnas Electric Power Project
9. Social Security Institutes Discharge New Appointees
10. Lacerda Denounces Labor Minister Castro Neves
11. "Windfall Profits" of Wheat to Bank of Brazil
12. Free School for Employees
13. Bank of Brazil Loans to States and Municipalities Suspended Through End of 1961
14. Currency Issue in March
15. Cost of Living Index
16. Central Authority Established for Protection of Federal Domain

1. Coffee Statistics

Coffee registration for the current marketing year through February 28, 1961 was 28.4 million bags. Coffee exports (July 1, 1960/March 31, 1961) were 12,636,540 bags compared to 13,777,170 bags exported during the same period of the 1959/60 marketing year. Exports during the month of March 1961 were 1,506,330 bags. During the same month last year exports were 1,320,803 bags.

(UNCLASSIFIED)

2. Brazilian Mission Departs for Soviet Bloc Countries

Subsequent to an exchange of notes in Washington on March 21, between the Brazilian Embassy and the Hungarian, Rumanian and Bulgarian Embassies, providing

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MAY 2 1961

0629

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Page 2 of
Encl. No.
Disp. No. 930
From RIO DE JANEIRO

for the reestablishment (establishment in the case of Bulgaria) of diplomatic relations, Ambassador João Dantas, special emissary of President Quadros, departed Brazil for a tour of East European communist countries.

Dantas, whose mission is to establish legations in Hungary, Rumania and Bulgaria and to explore trade possibilities with all of the bloc countries, is accompanied by a delegation composed of diplomatic officials, CACEX (Foreign Trade Department of the Bank of Brazil), IBC (Brazilian Coffee Institute), and Petrobras experts, and representatives of Brazilian private commercial enterprise.

In addition to Rumania, Hungary and Bulgaria, the delegation's itinerary includes Yugoslavia, Albania--with whom Brazil, through a recent exchange of notes in Rome, also has established diplomatic relations--Poland, and Czechoslovakia. (UNCLASSIFIED)

3. Plans for Purchase of 36 Ships from Yugoslavia and Possibly others from Bloc Countries

On April 3 President Quadros authorized the Director of Lloyd Brasileiro to buy in Yugoslavia 26 ships of 8500 DWT and 10 of 10,500 DWT. The Director was enjoined to bear in mind the price of the ships, the delivery period and payment in Brazilian merchandise. In the same communication to the Lloyd director, Quadros approved the establishment of a Lloyd service to Scandinavia and an improvement in the services to Argentina, the United States and Canada, the Gulf of Mexico, Northern Europe and the Mediterranean. On the same day, the President gave instructions to the government agencies involved to examine Yugoslav offers of patrol boats, 80,000 tons of rail and electric generating equipment, all to be paid for with Brazilian products, guarantees against the re-exportation of which were to be obtained. On April 5 the Merchant Marine Commission, acting on instructions from Quadros, delivered to João Dantas, President Quadros' personal envoy to the Eastern European countries, the detailed information necessary to the conduct of the negotiations for the 36 vessels. The press also reported that the Dantas mission was authorized to examine, in the countries it was to visit, the possibility of contracting for a total of approximately 80 ships (including the 36 to be sought from Yugoslavia). The announcement of the government's plans has given rise to considerable press comment on the negative effects which they will have on the infant domestic shipbuilding industry. The two yards affected are those of Iehikawajima and Verolme, which together represent about two-thirds of the planned annual capacity of the industry and which are designed for the eventual construction of the type of ships now being considered for purchase from Yugoslavia. (UNCLASSIFIED)

Comment: The current reports do not give any delivery period for the Yugoslav ships, but the Director of Lloyd Brasileiro indicated to an officer of the Embassy that he "hoped" that the Yugoslavs could offer delivery in three or four years, if the deal were closed. No judge by 1960 production figures for Yugoslavia, such a period would be just barely possible provided the Yugoslav

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0630

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Page 3 of
Encl. No.
Disp. No. 930
From RIO DE JANEIRO

yards were to concentrate almost exclusively on the Brazilian ships. On the other hand, it would appear to be very difficult for Yugoslavia to absorb by itself the quantities of Brazilian products, especially coffee, which would be required to pay for the ships (not to mention the other items offered by Yugoslavia) whose cruzeiro value might be in the neighborhood of Cr\$20 billion. The purchase of the ships abroad in the quantities contemplated will undoubtedly retard the development of the domestic shipbuilding industry. The decision to examine foreign offers was presumably taken not only because of the prospect of placing surplus export products but also because of the higher costs and longer delivery dates of the domestic industry. (OFFICIAL USE ONLY)

4. Brazilian Government Interest in Polish Helicopters

According to April 4 press reports, President Quadros has authorized the Minister of Aeronautics to examine a Polish offer to sell helicopters to Brazil. The President was reported to have mentioned in his directive various civilian agencies of the government which would be interested in acquiring the helicopters and to have stipulated that the offer should be examined with respect to both technical and price considerations, taking into account the fact that the aircraft would be paid for in Brazilian goods, especially coffee. The Polish offer presumably will be examined by the João Dantas mission to Eastern Europe. (UNCLASSIFIED)

Comment: The Embassy understands that, in addition to the needs of civilian agencies, the helicopter requirements of the Brazilian Air Force are being canvassed in connection with the Polish offer and that the total shopping list may reach 30 aircraft, of which 12 would be for the FAB. This information is not as yet confirmed, however. (OFFICIAL USE ONLY)

5. Discussions of Pooling of Brazilian International Services

The meeting of the heads of Panair do Brazil, VARIG and REAL with President Quadros for the purpose of discussing the President's desire to pool the international services (EMER April 3, Embdesp 902) took place as scheduled on April 3 in Brasilia and lasted three hours. This conference has been followed by a series of meetings among the airline heads and their advisers, but according to public statements by some of the participants, no agreements have been reached. (UNCLASSIFIED)

Comment: The Embassy understands that (a) the President told the carrier representatives that unless the lines came to an agreement among themselves the government would have to impose its own solution; (b) the pool will not involve a loss of identity by any of the carriers, that is, there will not be an SAS-type arrangement; (c) real schedule and revenue pooling will apply only to the Rio-Buenos Aires route on which all three carriers currently operate; (d) on the other international routes there will be some kind of equipment pooling; and (e) Panair and VARIG seem to be in general agreement with one another

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0631

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Page 4 of
Encl. No.
Disp. No. 930
From RIO DE JANEIRO

but REAL seems to be less inclined to come to an understanding. It should be emphasized that the foregoing information on the nature of the pool, although accepted as quite accurate as of now, is subject to considerable modification as the discussions continue.

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6. Statements by President of Federal Railway System

In a press interview of April 7, Herminio Amorim Junior, President of the Rede Ferroviaria Federal (Federal Railway System), stated, among other things, that (a) the 1961 deficit of the Rede was now estimated at Cr\$40 billion, with another Cr\$7 billion of unpaid debts carried over from 1960; (b) this figure represented more than 20% of the tax revenues provided for in the 1961 federal budget; (c) the total personnel of the Rede exceeded 150,000; and (d) of the cost of transportation carried out by the Rede, the Federal Government covered two-thirds and the user only one-third. To combat the deficit, Amorim Junior said, various studies were being made looking toward (a) a rationalization of the personnel structure and policies of the Rede; (b) the elimination of money-losing branch lines, without prejudice to the users; (c) the selective and gradual upward revision of freight rates, accompanied by an improvement in service; (d) the avoidance of competition among land means of transport, to be accomplished by close collaboration among the Rede, the National Railroad Department and the National Highway Department; and (e) an increase in the carriage of heavy bulk goods, such as ores and coal. The president of the RFF warned that the critical situation of the railroads could not be corrected overnight.

(UNCLASSIFIED)

Comment: The personnel costs of the Rede are estimated by Amorim Junior to have increased from Cr\$18 billion in 1960 to Cr\$35 billion in 1961, with the sharp jump caused by the reclassification and "parity" laws of late 1960. The Rede president has privately estimated that the System could reduce its labor force from 150,000 to 120,000 immediately without any harmful effects on efficiency, and that with more equipment the force would be brought down to 100,000. The rather cautious statements on personnel reductions made by Amorim Junior to the press reflect, however, the difficulties, political and social, which major cuts in Rede employees will encounter. The other measures mentioned as being contemplated are ones which have been persistently advocated by the various bodies and individuals who have studied the causes and cures of the Rede's deficit. The new management of the Rede so far seems to have made all the right moves in analyzing the problems and outlining a course of action. The critical test of execution remains, however, to be faced.

(OFFICIAL USE ONLY)

7. Petrobras President Outlines Plans for State Oil Monopoly

Newly appointed Petrobras President Geonísio Barroso--the first technician to head the Brazilian State Oil Monopoly--stated at a recently held news conference that the funds accruing to Petrobras as a result of the increased prices were not likely to be expended for the purchase of controlling stocks in the private

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Page 5 of
Exd. No.
Dep. No. 930
From RIO DE JANEIRO

refineries, even though Petrobrás is authorized by law to own 51% of the shares of the aforementioned refineries. He added that Petrobrás programs would be carried out through a more efficient and more decentralized management structure which would emphasize economy measures, teamwork and selection of personnel based on competence. Thus Petrobrás would be in a position to make full use of the additional financial resources described above--estimated at Cr\$20 billion by the end of the year--in the attainment of self-sufficiency first in liquid fuels and petroleum derivatives, and eventually in petrochemicals. Such goals are being reached through the completion of the refineries at Materipe and Duque de Caxias, as well as through the fuller utilization of existing refining capacity. With regard to the construction of new refineries and pipelines, the pertinent projects are being considered in the light of overall needs as well as financial capabilities, no concrete action being anticipated, however, before 1962. Prospecting activities will continue throughout the land, possibly with the assistance of French and Italian specialized concerns and even Russian technicians (see comments). The Link report is being carefully studied and evaluated and no curtailment in the search for oil-bearing strata is contemplated at present.

Production in the Bahia crude oil fields continues at a daily average rate of close to 97,000 bbls., with only 55% of the wells in operation. There has been no increase in production on account of the delays in the deliveries of compressors and pumps. As a result, it became necessary to shut down about 45% of the wells in order to maintain the required pressure.

Regarding purchases of Soviet crude, Sr. Barroso said that such oil will be purchased when and if it is considered suitable for use by Brazilian refineries. Since the first shipments received--on a trial basis--proved to be of a very viscous type of crude, sample shipments of other types have been requested, which are to be delivered in the very near future. (UNCLASSIFIED)

Comments: Apparently Sr. Barroso intends to run Petrobrás in such a way as to avoid recurrence of past criticism for reckless spending, inefficiency and noncompliance with National Petroleum Council policies. With reference to the hiring of Russian technicians, there was only the briefest mention in one major Rio newspaper (Diário de Notícias); São Paulo's leading daily, O Estado de São Paulo, was silent on the matter. There is no further information available at this time. (OFFICIAL USE ONLY)

8. Furnas Electric Power Project

During the recent visit of João Agripino, Minister of Mines and Energy, to Furnas, problems were discussed with the directors of the electric power plant related to the construction of the plant and the necessity for financial assistance from the government to enable the plant to furnish electric energy to the central-south region of Brazil within the established period. Technicians in charge of the construction guaranteed the Minister that, in 1962, the first units of the plant will be operating, thus relieving the electric energy

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0633

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Page 6 of
Encl. No.
Disp. No. 930
From RIO DE JANEIRO

crisis expected in São Paulo during next year. Minister Agripino indicated that the financial difficulties would be solved with a foreign currency loan of 75 million dollars by the International Bank of Development and Reconstruction. With reference to cruzeiro financing, he stated that the government would not allow anything to occur that might result in a delay of the work.

(UNCLASSIFIED)

9. Social Security Institutes Discharge New Appointees

In compliance with President Quadros' decree of February 21, the Social Security Institutes dismissed (effective March 31) a number of employees who were appointed to their jobs during the final five months of the Kubitschek administration. In the absence of official information, press speculation on the number of employees who were discharged varied widely, with O Estado de São Paulo's figure of 10,000 occupying a middle position between the highest and lowest estimates. Quadros' decree applied to all federal agencies, but it is generally believed that a substantial majority of job appointments at the end of the last administration were in the Social Security Institutes. (UNCLASSIFIED)

10. Lacerda Denounces Labor Minister Castro Neves

On March 30, Guanabara's Governor Carlos Lacerda sent a telegram to President Quadros criticizing Labor Minister Francisco Castro Neves. Although the text of the telegram was not made public, Lacerda reportedly charged Neves with protecting communist labor leaders and blamed him for the recent re-election of Jose Paulo da Silva as president of the Brazilian Port Workers Association. On April 3, Castro Neves called a press conference in which he declared, *inter alia*, that Lacerda is angry because his efforts to influence the outcome of the Port Workers election failed, that he will not require a "certificate of ideology" from any candidate for any union office, but that Silva is not a communist. In a public manifesto, the Port Workers stated that Castro Neves did not interfere in their election, in which four slates of candidates competed, but that Lacerda himself interfered by supporting one of the slates (which obtained the smallest number of votes).

(UNCLASSIFIED)

Comment: Lacerda wishes to increase the state of Guanabara's (and his own) participation in the Rio de Janeiro Port Authority, but apparently he has not had much success; for example, Quadros reportedly did not consult him when he appointed a new superintendent of the Port. Lacerda believes that Ministry of Labor officials who supervised the Port Workers election allowed some persons to vote who did not meet the legal requirement of six months membership in the union. Castro Neves and Lacerda also differed over labor policy in the Port in February, when Neves reportedly asked Lacerda to send some state police into the Port area during a brief strike and he refused.

The Port Workers Association represents part of the workers in Rio's port, the Warehouse Workers and the Stevedores being the other major unions. The

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0634

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(Classification)

Page 7 of
Encl. No.
Disp. No. 930
From RIO DE JANEIRO

Port Workers joined with the Railway and Maritime Federations in last November's "parity strike" which the then Minister of Justice and most of the press described as communist inspired. (OFFICIAL USE ONLY)

11. "Windfall Profits" of Wheat to Bank of Brazil

Decree 50,359, signed by President Quadros on March 18 applied to profits arising from high prices of existing stocks of wheat the same formula already applied to existing stocks of other import items affected by SUMOC Instruction 204 (see EWER Item 2 of Despach 902). The Decree instructs the Federal Commission of Supply and Prices to take an inventory of all stocks of wheat and by-products held by millers and the Foreign Trade Department of the Bank of Brazil shall take inventory of all wheat grain in transit, imported and intended for millers. The Minister of Agriculture shall establish new prices for wheat grain to be sold to millers and COFAP shall fix new prices for wheat flour, by-products, and sub-products for sale to consumers. Millers and consumers shall keep account of the difference between the new and old prices and at the end of each month this difference shall be deposited in the Wheat Account of the Bank of Brazil, up to the 10th of the following month. (UNCLASSIFIED)

12. Free School for Employees

President Quadros sent a "bilhetinho" to the Minister of Education and Culture, Mr. Brígido Tinoco, calling his attention to Article 168, No. III of the Federal Constitution which requires that all industrial, commercial and agricultural companies with more than 100 employees provide free primary education for all employees and their children. President Quadros asked that the Minister, in collaboration with all mayors of municipalities, make a report of all companies in this category to be presented within 90 days. (UNCLASSIFIED)

Comment: This constitutional provision has never been carried out. If it is now to be enforced, it would be tantamount to an additional tax on firms, particularly burdensome to small firms. A possible solution would be to permit small firms to combine in establishing schools. (OFFICIAL USE ONLY)

13. Bank of Brazil Loans to States and Municipalities Suspended Through End of 1961

President Quadros signed Decree on March 27 prohibiting the Bank of Brazil from making loans to Federal States and Municipalities this year. Exceptions may be made in the following cases: 1) loans based on anticipated revenues; 2) where huge drop of tax revenue occurs during the first months of the fiscal year; and 3) when the local money market does not offer other ways of financing overhead expenditures. (UNCLASSIFIED)

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0635

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Page 9 of

Encl. No.

Disp. No. 930

From RIO DE JANEIRO

Comment: Loans to States and Municipalities have been fairly stable during recent years and are not significant in relation to total loans made by the Bank of Brazil (2.5% in 1959 and 3.3% in 1960). The action represents at best a modest step in the direction of restricting credit operations of the Bank of Brazil.

(OFFICIAL USE ONLY)

14. Currency Issue in March

According to figures received from the Amortization Office, Cr\$7.0 billion was issued in March 1961. With the Cr\$7.0 billion issued in March, the total net currency issued in the first quarter of the fiscal year exceeds Cr\$8.0 billion. For the comparable period of 1960 there were no net currency issuances.

(UNCLASSIFIED)

Comment: These currencies issues were, for the most part, made before Instruction 204 became effective (see BWER Item 3 of Despach 804). The effect of this instruction will be to increase Government revenues through increases in the single tax on gasoline (resulting from gasoline price increases) and through greater "profits" from foreign exchange sales (since cruzeiro income from dollar sales to importers increases as a result of the cruzeiro depreciation while cruzeiro payments to coffee exporters remains the same). Once the effects of this instruction are felt, the rate of currency issuances should diminish.

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15. Cost of Living Index

Preliminary data obtained from the Getulio Vargas Foundation indicated an increase in the cost of living in the State of Guanabara of 1.8% as compared with only 1.0% in February and 2.1% for January 1961. These figures compare with 1.4% for March, 0.8% for February and 0.7% for January 1960.

(UNCLASSIFIED)

16. Central Authority Established for Protection of Federal Domain

President Quadros signed a decree creating a service to present and to check violations of law governing the "property, services, interests and rights" of the Federal Government. Smuggling and other customs violations would be included in the province of this service. The measure was taken in order to facilitate the action of Federal authorities in the States and Municipalities where on account of the multiplicity of laws, decrees and regulations such action is very difficult.

(UNCLASSIFIED)

Comment: The working group appointed to propose appropriate measures suggested the creation of the above central authority and that special regulations be issued, considering that current regulations are composed of fragments

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0636

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Page 9 of
Encl. No. 930
Disp. No.
From RIO DE JANEIRO

of numerous laws and decrees, some of them dating from the early years of the Republic. The new service, known as Serviço Federal de Prevenção e Repressão de Infrações contra a Fazenda, having centralized authority, will be in a better position to crack down on smuggling operations countrywide.

(UNCLASSIFIED)

For the Ambassador:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy
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832-004-1961

FOREIGN SERVICE DESPATCH

FROM : AMCONSUL, Belém, Pará, Brazil

32

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 19, 1961

DATE

REF : CERP Requirement, Section B, Item 2.

SCS-1

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			COM-12	REP-1	INR-7	ARA-4	E-7	ICA-4
	5/6		CTA-10	TAA-2	TA-3	FAA-3	XMA-4	DUE-2

SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - MARCH, 1961 HEW-5

AGA-8 INT-7 LPA-6 OSD-5 army-6
Navy-4 INDEX NSA-4 LOC-4 USIA-10

1. SUMMARY
2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
3. FINANCE
4. IMPORTS AND EXPORTS
5. AGRICULTURE
6. CENSUS

1. SUMMARY

As was the case during February official sources of financial aid remain paralyzed. It is hoped that this situation will soon change so that the needs of the area will be met. The Governor of Pará has asked the municipalities to cooperate in the collection of local taxes. Petroleum and its byproducts as well as wheat and newspaper suffered a considerable increase in price, as a result of SUMOC's Instruction 204. Governors of the States of Pará, Maranhão and Amazonas are hoping for substantial financial assistance from the "Banco Inter-Americano de Desenvolvimento". SPVEA, Banco de Crédito da Amazonia, Banco do Brasil and SNAFF are planning programs to improve the financial situation of the Amazon basin.

The value of the cruzeiro on the free exchange dropped considerably and dollar purchases were limited. Bank collections were normal.

Movements of imports and exports through the ports of Belém and Manaus were quite active.

Jute production in the district is rapidly increasing. Producers and exporters of jute intend to discuss with the President of the Republic, matters concerning increased exportation.

Revised census figures indicate the present population of Belém as of January 1961 is 402,170 in comparison to the 1951 census which was 254,949.

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HEW/ma/RTW:zeira:mt
REPORTER

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2. Domestic trade and/

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0638

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Page 2 of
Encl. No. 32
Disp. No. 32
From Belem, Para, Brazil

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Local merchants reported that during March the retail sales volume showed a slight increase in comparison with the volume registered in January and February 1961. Arrival of merchandise from southern, eastern, and north-eastern Brazilian ports replenished the stocks of goods and few articles were offered the retail trade at prices lower than in the previous months. Although ten thousand bags of coffee beans were received in Belem, rationed ground coffee was still being sold on the retail market at 56 cruzeiros per kilogram.

The new Para State administration has held several meetings with local cattle producers and dealers, and an agreement was reached that fresh meat was to be sold for local consumption at 140 cruzeiros per kilogram of first grade meat and 200 cruzeiros a kilogram of fillet. During March the supply of fresh meat was considered fair in Belem, and there is hope that it will continue in this way for the coming months. The State government also regulated the maximum prices for vegetable sold in Belem which were reaching prohibitive levels. Japanese farmers, who constitute the largest group of vegetable suppliers in the city, showed a strong reluctance to sell. Their holding of products on the farms created a scarcity of vegetables on the market, but measures are being taken to solve this matter.

During March, credit to business continued tight; however, there are announcements that all credit sources in the Valley, including those of official establishments, will renew broader credit policies in the near future.

Coastal navigation was maintained regularly during March, and interstate shipping, both incoming and outgoing, continued on a large scale.

3. FINANCE

Up to March, the financial situation of the Amazon Valley has not shown any improvement. Official financial sources, such as Banco do Brasil, Banco de Credito da Amazonia, Caixa Economica Federal, and SPVEA, had their financial operations completely paralyzed because of the inspections authorized by the Presidency of the Republic of certain errors and faults committed by the former administrations of these entities. Only private financial concerns continue to provide financial facilities to commerce and industry, but only a limited scale.

The governor of Para seems to be somewhat preoccupied with the state budget of the current year which is larger than the estimated income. In an attempt to increase the state revenue, the governor has decided to meet with the mayors of all municipalities within the state of Para in order to implement measures that will curb tax delinquency.

Sumoc's Instruction/

UNCLASSIFIED

0639

UNCLASSIFIED

(Classification)

Page 3 of
End. No. _____
Disp. No. 32
From Belem, Para, Brazil

Sumoc's Instruction 204 has resulted in difficulties for domestic finance. This instruction forced an increase in the prices of the products and subproducts of petroleum, wheat, and newsprint. However, in view of the activities of both the state and the federal governments, this region should be entering a new phase of financial policies within a relatively short period of time. The governors of Para, Maranhão, and Amazonas are seriously interested in bringing in outside capital and industry to the Amazon Valley. They promoted the visit of the president of the Banco Inter-Americano de Desenvolvimento to Belem, Para, and will show him the real economic possibilities of the Valley and will request his approval of studies already elaborated and of the allotment of funds to develop various industries in the area. The Federal Government has granted permission for the installation of the Para State Bank, which is destined to finance commerce, industry, and especially agriculture in the state of Para. In addition, SPVEA, Banco de Credito da Amazonia, and Banco do Brasil are preparing to start operations to fulfill the needs of the region for purposes outside the sphere of politics. The Servicos de Navegacao da Amazonia e Administracao do Porto do Para (SNAPP) is also organizing its operations to offer effective river transportation and port facilities that will meet the real needs of the Amazon Valley.

During the month of March, the value of the cruzeiro in the free exchange continued to fall. The banks' purchase and sale of the dollar on free exchange were as follows:

	<u>Purchase</u>	<u>Sale</u>
March 1	Cr\$214	Cr\$220
Mid-March	Cr\$255	Cr\$262
March 31	Cr\$270	Cr\$277.

Demand for the U.S. dollar was reported negligible. Domestic and foreign bank collection was normal during this period.

4. IMPORTS AND EXPORTS

A considerable tonnage of imported merchandise such as dried cod fish, dried and fresh fruits, fertilizers, wheat, dried milk, and machinery was received at the ports of Belem and Manaus. The export of Amazonian products such as balata and serpa gums, wild animal hides and skins, cacao beans, Brazil nuts, lumber, black pepper, rosewood oil, etc., to Europe, the United States, Germany, and Japan was active in the ports of Belem and Manaus.

5. AGRICULTURE

Jute:

The current year's production of jute, malva, and uacima fibers in the Amazon Valley is estimated at 82,000 tons. The quality of these fibers is considered excellent, but the producers, dealers, and exporters believe that the production and quality can be improved if necessary attention is given to these products. In view of the fact that the country's overall consumption is about

72,000 tons,/

UNCLASSIFIED

0640

UNCLASSIFIED

(Classification)

Page 4 of
Encl. No. 32
Desp. No. 32
From Belém, Pará, Brazil

72,000 tons, the firms engaged in the jute business in the states of Pará and Amazonas will petition the President of the Republic to permit the export of 10,000 more tons at a reasonable rate of exchange. A local leader in the jute business (producer, technician, dealer, and industrialist), Mr. Waldomiro Martins, is heading a group of his colleagues from Pará and Amazonas to discuss the problems of the jute industry with President Janio Quadros. Mr. Martins is confident that he will be able to demonstrate to President Quadros by means of an accurate and documented study that the hope of Brazil's economic emancipation lies not only in coffee but also in jute, if duly assisted by the nation's central power.

6. C E N S U S

Revised census figures of the city of Belém, Pará, have been published by the local agency of the Instituto Brasileiro de Geografia e Estatística (IBGE). The previously estimated figure was 401,002; the current estimate is 402,170. The most recent census, that of 1950, indicated that Belém had 254,949 inhabitants. Belém is the seventh largest city in Brazil.

Henry M. Dumas
Henry M. Dumas
American Consul

c.c.: American Embassy, Rio de Janeiro, Guanabara, Brazil.

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0641

AIR POUCH		UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE 832.00/4-2061	
FOREIGN SERVICE DESPATCH					
FROM :	Amcongen São Paulo		390	April 20, 1961	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.				
REF :	OERP C - General Interest				
20 For Dep. Use Only	ACTION REC-4	DEPT. RM/4-2	REF-1	INR-7	E-3
	4-24-61	CIA-10	COM-12	TR-3	INT-7
				AGR-8	FRB-3
				NSA-4	ARMY-4
SUBJECT: Biweekly Economic Review, April 7 - 20, 1961					

INDEX

1. Regulations Issued Governing São Paulo Agrarian Reform R. E. Cahn
2. São Paulo Trade Associations Follow Anti-Trust Bill Closely R. E. Cahn
3. Continuing Rains Have Damaged the Cotton Crop and Delayed the Harvest of Corn F. W. Traeger
4. Congestion of the Port of Santos A. D. Ventura
5. São Paulo-Curitiba Road to be Finished Under Forced Pressure R. E. Cahn
6. Shipping Line Santos-Budapest A. D. Ventura
7. Rolis-Royce Inaugurates Local Plant A. D. Ventura
8. Mechanical Hoes now Manufactured in Brazil A. D. Ventura

1. Regulations Issued Governing São Paulo Agrarian Reform

Decree No. 38,328 regulating Law No. 5994 on the São Paulo Agrarian Reform (see despatch 258 January 6, 1961) was signed on April 14, 1961. The regulations classify land into the following four categories: 1) land suitable for farming; 2) land suitable for farming through modern methods of fertilization, irrigation, etc.; 3) land unsuitable for farming, but suitable for pastures and forestation; 4) land unsuitable for economic utilization. Items 1 and 2 must be land that lends itself to mechanization. Expropriation may take place upon a year's notice if less than 70 percent of the land is utilized. On appraisalment, the regulations specifically state no re-appraisalment shall take place in 1961.

2. São Paulo Trade Associations Follow Anti-Trust Bill Closely

The press disclosed that the São Paulo Federation of Industries, the São Paulo Commercial Association, and other trade entities are following congressional discussions of the anti-trust bill very closely. It is reported that the Federation of Industries is keeping in touch with the Brazilian Congress regarding the bill.

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(see index for contributors)

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0642

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Page 2 of
Encl. No. 390
Desp. No. Amcongen São Paulo
From

will not lack technical assistance and advice.

Comment: Trade associations now appear to be more cautious, than they were under the past federal administration, in their approach towards bills pending on which they have reservations. Instead of expressing direct opposition, as they might have done in the past, they now resort to lobbying in order to eliminate what they consider the most objectional features.

3. Continuing Rains Have Damaged the Cotton Crop and Delayed the Harvest of Corn

An unusually heavy and prolonged rainy season (see item 3, despatch 331 March 10, 1961) has continued through March and April, reducing the quality and quantity of the South Brazil cotton crop. Abundant rains in December, January, and February boosted forecasts of lint production to a 280-300 thousand metric ton level, but the rain that has fallen since the cotton harvest started in early March has resulted in losses of cotton in the fields and the harvest of lower grades. The South Brazil crop forecast has been cut back to 245,000 metric tons. About 175 to 180 thousand tons of this will be produced in São Paulo as compared to a production of 182,000 tons a year earlier.

The rains have favored the corn crop thus far, but have delayed the harvest and may cause losses in the fields if they continue. Earlier, a 30 percent reduction in São Paulo's corn production had been predicted because of reduced plantings and dry weather at planting time.

4. Congestion of the Port of Santos

The congestion of the port of Santos (see item 2 of despatch 349 of March 24) showed signs of definite improvement, according to officers of shipping companies. On April 19, a total of 50 vessels were loading and unloading cargo at dock, while another 11 vessels were in the stream and only 1 more was anchored at the bar awaiting dock space. The port congestion is expected to be practically over by the end of the first week in May.

5. São Paulo-Curitiba Road to be Finished under Forced Pressure

The Minister of Transportation ordered the Special Commission to work day and night, Sundays and holidays, in order to open the new São Paulo-Curitiba road to traffic within 40 days, "even if in some stretches only one side of the road is paved."

Comment: This road was officially inaugurated on January 24, but not opened to traffic because 20 kilometers were still unpaved (see item 6 despatch 283, January 27, 1961). Subsequently heavy

UNCLASSIFIED

0643

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 390
From Amcogen São Paulo

rains damaged a bridge and further delayed opening the road to traffic. The Consulate General consulted the Special Commission building the road and was told it probably would be ready in about 40 days. They said the bridge was already being repaired. Besides this, one stretch of three kilometers still had to be graded, and some 12 to 13 kilometers had to be paved.

6. Shipping Line Santos-Budapest

According to a news despatch, a spokesman for the Continental Owners Management Ltd. of Panama announced that the company is considering operating a regular steamship line from Santos to Budapest, Hungary, without transshipment of freight. The itinerary of the line will be: Santos, Rio de Janeiro, Istanbul, Braila, Belgrade and Budapest, with the freighters traveling on the Danube River on the last lap of the voyage from Braila, in Rumania, to Budapest.

7. Rolls-Royce Inaugurates Local Plant

Motores Rolls-Royce S. A., a subsidiary of Rolls-Royce Ltd. of Derby, England, officially inaugurated its plant at São Bernardo do Campo, for the repair and reconditioning of turbo-prop and jet airplane engines. Rolls-Royce invested 500 thousand pounds sterling in modern machines and equipment and Cr\$350 million in the plant, which has already been operating for the past year, overhauling and reconditioning airplane aircraft engines of Brazilian and other South American airlines.

8. Mechanical Hoes now Manufactured in Brazil

Power shovels (mechanical hoes) are now manufactured for the first time in Brazil by Equipamentos Industriais Villares S. A. of São Bernardo do Campo, São Paulo, in association with the Harnischfeger Corporation of Milwaukee, Wisconsin. The tractor-type 1 1/4 yard hoes, which have a 25-ton shovel capacity, are being manufactured at the rate of 5 units monthly. Local parts now total 50 percent of the equipment's overall weight, while the rest of the parts are imported from the United States. In June, local parts content will be raised to 88.5 percent.

Equipamentos Industriais Villares S. A., which also manufactures travelling cranes, electric cutting machines, and assembly belt equipment, is controlled by the Dumont Villares group, which also

1/ Current free market rate is 279 cruzeiros a U. S. dollar.

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0644

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(Classification)

Page 4 of
Encl. No.
Disp. No. 390
From Amcongen São Paulo

holds controlling interest of a mill making special steels,
and plants manufacturing industrial and home elevators, and
electric trolleybuses.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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AIR POUCH		UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE
FOREIGN SERVICE DESPATCH		396	832.00/4-2661
FROM :	Amoongen São Paulo		April 26, 1961
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DATE
REF :	CERP D-VII.A.		APR 26 1961

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	ARMY-2 ZNR-7 REP-1 E-7 ICAH PER-7	
	1/2 CIA-10 COM-10 TAR-2 TR-3 FRB-3 XMB-4	

SUBJECT: Business Activity and Prospects in São Paulo *USIA-10 NSA-4*
DUF-7 AGR-8 INT-7 HAB-6 OSD-5 Army-4 Navy-4

Business activity in São Paulo has been good during the current year and continues good at present. Contrary to the expectations of retailers, the rising cost of living has not yet resulted in a drop in retail trade. During the first quarter of 1961 the cost of living in São Paulo rose 10.3 percent. With retailers promptly replenishing their stocks, wholesale trade has been equally good.

Almost the only exception is the trade in automotive vehicles, and primarily that of passenger cars. The rise in the cost of petroleum products, with gasoline going up 70 percent, prompted prospective buyers to think twice before buying a car and the demand fell off sharply. If past reactions to price increases are a guide, this buyer resistance is expected to disappear in a month or two. The temporary lull in demand for cars is not of great concern to producers, because other factors caused them to cut production. The cut in maximum permissible weekly foreign exchange purchases from US\$50,000 to US\$20,000 for imports prompted a temporary reduction in overall output of automotive vehicles of around 20 percent. It now appears that this temporary reduction in production will be stretched out longer than had been anticipated. The automotive vehicle manufacturers had expected no difficulty in obtaining a higher weekly exchange quota, but are encountering delays in having their requests processed. The authorities do not seem to be disposed to increase import exchange quotas readily, and some of the producers maintain they need the full US\$50,000 previously allowed.

While at present overall business is active, the outlook for the immediate future is not encouraging. A number of

1/ See item 1 of despatch 349 of March 24, 1961.
2/ See despatch 362 April 1961

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ACTION ASSIGNED TO	ACTION TAKEN
NAME OF OFFICER	DATE OF
OFFICE SYMBOL	ACTION

DEPARTMENT OF STATE
BUREAU OF
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MAY 3 1961

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0646

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Page 2 of
Encl. No.
Disp. No. 396
From Amcongen São Paulo

manufacturers outside the automotive field are reducing production. These foresee a tighter money situation and a slackening of sales, and they prefer to have ready cash than a stock of slowly moving ~~moving~~ manufactured goods.

The exact timing of a slackening in sales is difficult to determine. The curtailment of production for the several reasons given above eventually will result in a drop in employment and will contribute to lower purchasing power. The main cause of concern, however, is inflation which was at the high rate of 10.3 percent during the first quarter of the year. A number of firms have recently increased wages by 10 to 20 percent, but this is not widespread enough to counterbalance rising living costs.

The consensus of opinion therefore is that business will drop in the near future. Most people however are confident that after a short period of consolidation an upward trend will again take place, but probably not before the end of the year, depending upon government actions that might influence the situation.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
American Consul

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FOREIGN SERVICE DESPATCH

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

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20 For Dept. Use Only	ACTION REC'D	DEPT. OTHER
	000-12	REP1 INR-7 E-3 ARA-4 ICA-11
	5-15-61	CIA-10 TAR-2 TR-3 FPA-3 XMA-4 AGR-8 INT-7

SUBJECT: MONTHLY ECONOMIC SUMMARY - MARCH 1961

AAB-6 USA-10 NSA-4

Army-6 Navy-4 SEC-4

Summary:

Foreign exchange reform and emphasis by recently inaugurated President Janio Quadros upon a wide range of basic economic problems drew the virtually full attention of Brazilian businessmen and organizations during March. Other developments were given little significance in contrast to the importance placed upon SUMOC Instruction 204 and presidential pronouncements which stressed the importance of curbing inflation by action to achieve monetary and price stabilization. Assistance from abroad was sought through three special emissaries sent to commence negotiations simultaneously with the United States, Western European countries and the Soviet Bloc. In the meantime, while economic conditions during March continued in the basic pattern of preceding months, speculation was intense as to changes that might come from executive and legislative action.

832.00/4-2861

Finance:

In the field of exchange and finance the major event of the month was the issuance of SUMOC Instruction 204, on March 14. This provides for substantial changes in the foreign exchange structure. The changes introduced will affect foreign exchange operations for the importation of general category goods, the importation of goods classified in the special category and those made at the lowest preferred rate (custo de cambio) as well as the foreign exchange proceeds from exports (see Emdec 800, March 14, 1961).

Instruction 204 establishes that all imports except (a) preferential imports at the cost of exchange rate, (b) imports by the automobile industry, and (c) imports by government agencies, be

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0648

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No.
Disp. No. 967
From Rio de Janeiro

made through the free exchange market. Foreign exchange therefore shall be acquired by the importer from an authorized bank. This general principle, however, sets a distinction between convertible and inconvertible currencies. For the latter, the rate will not result from the free play of demand and supply but shall be fixed by the Bank of Brazil. Another distinction is set between general category and special category goods. For the latter, the importer must purchase in the auctions a "Promise of License", the supply of which to be regulated by CACEX.

Although the importation of general category goods can be made through the free exchange market, a ceiling of \$20,000 per firm per week is set for the amount of foreign exchange that can be bought. For goods requiring massive importation or imports that cannot be fit into that ceiling, a system of foreign exchange quotas may be used. Under the new system, importers will pay, at the time of the closing of the exchange contracts, the full cruzeiro equivalent to the dollar value of the desired importation (at the free market rate of the day) into the Bank of Brazil and will receive in return letters at 150 days, bearing 6% per annum interest. A term limit of five days is set between the closing of the exchange contract and the cruzeiro deposit. (This time limit is scheduled to be reduced at the beginning of the second semester of this year).

The core of the exchange reform, however, is the increase in the lowest preferred rate (cost of exchange) from Cr\$100.00 per US\$1.00 to Cr\$200.00 per \$1.00. The new lowest preferred rate continues to be applicable, as it was before the reform, to the importation of petroleum and derivatives, wheat, newsprint, foreign obligations of the Brazilian Government and amortization of certain "special interest" loans contracted abroad with the approval of SUMOC, for specific projects. (It may be recalled that Law 3,244 provided that the lowest preferred or "cost of exchange" rate should be no less than that resulting from the weighted average of the bonuses paid to exporters plus the exchange rate resulting from the parity registered with the IMF. In spite of the rise of the "coffee-dollar" in June 1960 (see Annex 4, July 1, 1960) the "cost of exchange" was not increased accordingly. In fact, it has remained unchanged and at Cr\$100.00 to the \$1.00 since January 1959. It now has been increased to Cr\$200.00 and shall be increased progressively, beginning with the second semester of the year, to reach the level of the rate of the free exchange market. At the moment this happens, the structure will be reduced to one single rate and the abolition of the preferred import rates shall be completed.)

The purchase of foreign proceeds of exports in the free market will be made in the following manner: Cr\$100.00 per dollar in letters

UNCLASSIFIED

0649

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 967
Disp. No. 967
From Rio de Janeiro

at 120 days and at interest of 6% per annum, and the remainder in national currency. This represents a minor change over the previous scheme which provided for a conversion rate of Cr\$130.00 per dollar and letters maturing at a period of 150 days. As a result of Instruction 204, the prices of the items which are imported at "cost of exchange rate" will rise and some have already risen as is the case of petroleum products and bread.

As reported, the last regular dollar auction was held in late January and the only dollar auction held in February was a specific auction for fertilizers and insecticides. Data on the foreign exchange transactions carried out in accordance with Instruction 204 (see Emdes 800, March 14, 1961) are not yet available. Under the previous exchange system, three auctions were held in March for currencies of bilateral accounts denominated in dollars, at the uniform rate of Cr\$178.00 to the \$100 throughout the month, with no change in relation to the previous month.

During March, paper money issued increased by Cr\$7.0 billion or 3.3% over the level of outstanding currency in circulation as of the end of the previous month. For the comparable period of 1960 there was no paper currency increase.

The cost of living index of the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 1.8% for March 1961).

The average check buying rate in the free market for March was Cr\$244.50, which compares with Cr\$223.00 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$187.80 and Cr\$184.51.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$219.42 and then deteriorated continuously to reach Cr\$238.70 on the 13th. On March 14, the date Instruction 204 was published, the rate dropped to Cr\$253.68 and continued to deteriorate during the balance of the month. The closing rate was Cr\$278.98 on March 31, and the average for the month was Cr\$249.54.

On March 15, the President presented his annual message to Congress (See Emdes 850). In the economic field the Message pointed to the difficult economic-financial situation, the tensions resulting from inflation which have accompanied a partial and unbalanced development, and have been fed by inequalities in the distribution of national income. Significant figures cited include the following:

UNCLASSIFIED

0650

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. _____
Disp. No. 967
From Rio de Janeiro

- Real Product per capita was estimated to have increased 3.5% in 1960.
- The cost of living index for the country as a whole was estimated to have increased 31% in 1960.
- The Federal cash deficit in 1960 was Cr\$76.6 billion, representing an excess of spending over receipts of 35%.
- The Balance of Payments deficit for 1960 was estimated at \$412 million dollars.

The Message states that the economic situation will no longer support the easy climate of ambiguity and of compromise with the future, and acknowledges that the inflationary pressure calls for strict measures aimed at promoting the monetary stabilization. The President warned that great progress may not be expected during the current fiscal year, when the volume of resources required by the National Treasury for deficit financing alone amounts to Cr\$200 billion.

Trade and Industry:

The major development affecting trade and industry during March was the issuance of SUMOC Instruction 204 (see Finance) doubling the cruzeiro cost of foreign exchange required for the importation of petroleum and derivatives, wheat, fertilizers, newsprint and certain other products which enjoyed a preferred "cost of exchange rate" of Cr\$100.00 per US\$1.00. Inventories of existing stocks were ordered with the view of capturing the increased values and preventing so-called "windfall profits". Price increases were authorized to cover the higher foreign exchange cost factor.

Prices of individual petroleum products rose as much as 80 percent, but oil companies were ordered to pay the additional sales revenues to the Bank of Brazil for use by PETROBRAS, the government's petroleum monopoly agency, and for various governmental economic development projects. In the meantime, the private oil companies will have to secure financing to replace inventories at the higher cost of exchange.

The issuance of SUMOC Instruction 204 promised to relieve growing pressures in some industrial sectors which were beginning to experience shortages in imported items required for domestic production. Importation schedules for such necessities were interrupted as a consequence of the effective suspension of most foreign exchange auctions in late January. The import "pipeline" was generally adequate, however, to maintain normal industrial

UNCLASSIFIED

0651

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 957
From: Rio de Janeiro

production levels during March. Merchandising levels likewise were reported as normal in most lines.

With attention centered on foreign exchange reforms and basic economic problems under study by the new Brazilian administration, few significant developments occurred in the field of new industrial projects. Government controlled steel companies, under newly appointed managers, spoke of higher production goals. PETROBRAS announced a 1961 crude oil production goal of 35 million barrels, as compared with its 1960 record of 29.6 million. Government credits were extended to the Paranapanema power plant in the State of São Paulo and to projected slaughterhouses and cold storage plants in the States of Paraná and Espírito Santo. The subsidiary of the Swiss firm Sulzer Frères started installation of a plant in the State of Guanabara to produce diesel motors and industrial cold storage installations and air conditioning sets. A second lamp-black plant is to be constructed, to use residual oils from Bahia. The first production of electric cranes for the shipbuilding industry was announced by the firm Mecânica Pesada, S.A., at Taubaté, São Paulo.

No progress was made in development of a program to promote large scale iron ore exports. The Government of the State of Guanabara is considering a project to include an iron ore export loading dock in its proposal for a tide water steel plant at Santa Cruz but this undertaking would be contingent upon future developments in the over-all iron ore export project.

President Quadros directed the Companhia Vale do Rio Doce to move its main office from Rio de Janeiro to Belo Horizonte, Minas Gerais. This order has aroused some opposition from those who favor establishment of the office at Vitória, Espírito Santo, the port through which most of the ore is exported.

The most significant development in trade relations with the Soviet Bloc, during March, was the departure at the end of the month of the Dantas delegation for a tour of Eastern Europe. Ambassador João Dantas, special emissary of President Quadros, was authorized to establish legations in Hungary, Rumania and Bulgaria, and to explore trade possibilities with all of the bloc. Assisting him in this task was a delegation composed of diplomatic officials, CACEX (Foreign Trade Department of the Bank of Brazil), IBC (Brazilian Coffee Institute), and PETROBRAS experts, and representatives of Brazilian private commercial enterprise. In addition to Rumania, Hungary and Bulgaria, the delegation's itinerary included Yugoslavia, Albania, Poland and Czechoslovakia.

UNCLASSIFIED

0652

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No.
Disp. No. 967
From: Rio de Janeiro

Labor:

Some criticism from conservative sources of the new administration's Minister of Labor, Francisco Castro Neves, started to be heard during the month of March. Among Rio newspapers, "O Globo" was probably most outspoken in its criticism. In one editorial it alleged that Castro Neves is uncritically and demagogically pro-labor. At the end of the month, Guanabara's Governor Carlos Lacerda joined in the criticism when he sent a telegram to President Quadros in which he accused the Minister of "protecting" Communist labor leaders. Apparently Lacerda was disturbed over the results of an election of officers in the Port Workers Association (which joined with the Railway and Maritime Federations in last November's "parity" strike). According to Lacerda, the Port Workers' president was re-elected at least in part because of the way the Ministry of Labor supervised the election. Castro Neves denied that Lacerda's charges had any validity. There was also some criticism of Castro Neves from labor sources following his appeal to unions to avoid strikes and thereby aid the administration in its economic-financial policies.

The wage settlement during March which affected the largest number of workers gave some 200,000 commercial workers of Rio a 28% increase over last year's settlement. Several smaller groups obtained wage increases of 35% over last year's agreements.

Unions of workers at several government-owned corporations started to hold elections during March for selecting possible workers' representatives on the boards of directors of the corporations. One such election was held at the metal, machine and electrical workers union of Volta Redonda, where the national steel plant is located, but the results were reportedly indecisive and another election will be held. Under Quadros' plan for worker representation, which he announced shortly after taking office, the unions at government-owned corporations will select five possible labor members for the boards of directors, with the final selection to be made by the President from among the five persons picked by the unions.

Coffee:

Coffee exports during the current coffee marketing year through March 31, 1961 were 12,636,540 bags, compared to 13,777,170 bags exported during the same period last year. March 1961 exports alone amounted to 1,506,335 bags, as compared to 1,320,803 in March 1960.

UNCLASSIFIED

0653

UNCLASSIFIED

(Classification)

Page 7 of
End. No.
Disp. No. 967
From Rio de Janeiro

Transportation and Communications:

The major events in transportation and communications during March occurred in the field of basic policy. These were, first, the declaration of long-term transportation and communications policy contained in President Quadros' state-of-the-union message of March 15, and, second, the exchange reform carried out by SUMOC Instruction 204 of March 13. These two key governmental acts were reflected in a series of developments in the various sectors during the month. Although some of these were in direct consequence of the exchange reform, most represented a continuation of activities which were already underway before the formal declaration of policy of March 15.

With respect to general transportation policy, the President's message called attention to the financial chaos existing in the field, to the partial dependency of all means of transport on public subsidies, to the wastefulness of overlapping services and excess capacity, and to the lack of economic justification and of priority criteria for construction activities. The need for a comprehensive policy to coordinate the activities of all transportation agencies was apparent, the message said. It added the truism that the transportation system must be considered as a whole and must be rationalized, with traffic being distributed among the means of transport so that each mode handles that portion for which it is best suited. No specific program for attaining this goal was outlined, except that the message declared that there should be free competition among the several means of transportation, with the user making his own decisions and the role of the government being restricted to providing guidance by planning investments to expand the transportation system and by trying to establish equitable regulations and realistic tariffs as between the various means so that the choice of the user would be made on the basis of accurate, undistorted information. Somewhat vaguely, the message referred to the need to equip the Ministry of Transport with machinery to enable it to determine periodically overall transportation expenditures and to carry out the technical and economic surveys required for making basic decisions on investments for expansion of the transportation network.

In the railroad sector, the message noted that progress in improving the efficiency of operation and quality of service in the Federal Railway System (RFF) had been small and that in spite of the government's investment effort the operating deficit of the system had been increasing rapidly to the extent that the 1961 deficit would surpass Cr\$35 billion. It is necessary, the message said, to make a "clear, coordinated and constant" effort to reduce

UNCLASSIFIED

0654

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No.
Disp. No. 867
From Rio de Janeiro

the deficit quickly and to create conditions for its eventual elimination. The message, in agreement with previous official and private analyses of the Rede's ills, attributed an important part of the deficit to insufficient tariffs (principally for passengers, raw materials and foodstuffs), excessive personnel costs, technical deterioration, and inefficient administration and operation in general. The message went on, however, to state--and here also it was consistent with previous studies--that measures to correct the deficiencies indicated above would not be in themselves sufficient to reverse the tendency toward increasing deficits unless the degree of utilization, i.e., the traffic density, of the railroads was increased. Therefore, the message emphasized, the government's entire railroad policy should be directed toward an increase in traffic density. To this end, (a) the government will apply existing legislation to replace uneconomic rail lines by highways; (b) the railroad net should be restricted to major trunk lines; (c) on some of these roads traffic densities can be raised by increases in mineral production, but (d) on most railroads an expansion of traffic will depend on the ability of those lines to compete with highway transport in price and quality of service. This ability, the presidential document pointed out, will in its turn depend on the technical re-equipment and rehabilitation of the railroads, especially with regard to improvement in the right-of-way, and on the pursuit of a general transportation policy which does not distort the relative advantages of each mode of transport. Inasmuch as the existing physical situation of the federal railroads imposes definite limits on the ability of the system to increase productivity and density, it will be necessary to commence a construction program designed to endow the railroads with modern technical conditions. The message concluded that this priority task should be undertaken before attempting to expand the present national rail net and that new construction could be begun once economic operation of the existing system were attained.

Governmental actions concerning railroads taken in March were generally compatible with the policies laid down in the message. On March 6, Quadros authorized the Minister of Transport to appoint a committee to survey existing rail lines which were losing money with a view to designating those which should be eliminated immediately and those which should be eliminated after other measures had been taken. At the end of the month the President of the Rede delivered to Quadros, in response to a presidential bilhetinho of February, a proposed plan for the improvement in suburban transport in Rio de Janeiro, Belo Horizonte and São Paulo. As Quadros stipulated in his original memorandum, the plan recognized that an improvement in service would have to precede any

UNCLASSIFIED

0656

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No. 867
Disp. No.
From Rio de Janeiro

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UNCLASSIFIED

0656

UNCLASSIFIED
(Classification)

Page 9 of
Encl. No. 967
Disp. No.
From Rio de Janeiro

increase in passenger fares. (At present, the cost to the Central of transportation of an average suburban passenger is estimated by that road to be Cr\$10; the actual fare is Cr\$2.) The plan, according to the press called for the immediate expenditure of Cr\$1.5 billion and the eventual investment over a five-year period of Cr\$10 billion. The principal element in the plan was the recommendation for the purchase in England of equipment for 100 electric trains (100 motor cars, with 200 trailer cars), with actual construction of the cars to be carried out by Brazilian industry. The cost of such an order was calculated at a total of somewhat more than Cr\$75 billion, including nearly 7 million English pounds.

On the administrative side, the President of the Rêde took steps to modify the organization of the directorate of the Rêde so as to centralize in himself decision-making authority in contrast to the former ineffective collegial system which distributed power among the seven directors. The new members of the Board of Directors were generally considered to be capable technicians.

In its discussion of highway policy, the presidential message noted the rising importance of highway transport, but stated that a change in present practices and thinking was required. At the outset, the message criticized waste of resources in the past decade arising from poor planning and execution of highway projects. Concerning criteria for determining priorities for projects, the government stated its intention to integrate highway programming in a coordinated plan for investments in transport as a whole and therefore preferential attention should be given to investments contributing to an over-all increase in the efficiency of the general transportation system, especially with respect to the paving or construction of highways intended to replace uneconomic rail lines. Second priority should be assigned to the paving of the existing highway net, and here the message laid down the general principle that the concentration of available resources on improving the existing roads rather than constructing a small number of new ones would mean a greater return from the same volume of investment. In the coming years, preference in any construction program should be given to highways extending rail lines or to those which serve the railroads as feeder roads, this in order to increase the railroads' traffic densities. With respect to financing, the message declared that the sources of funds for highway investments must be reviewed in order to avoid inflationary methods of financing, to establish a more equitable tax system, and to require vehicles using the highways to bear the costs of the routes built by the government. The message went on to say that the apportioning of highway costs among users is linked

UNCLASSIFIED

0657

UNCLASSIFIED
(Classification)

Page 10 of
Encl. No.
Disp. No. 967
From Rio de Janeiro

to the necessity for greater attention to the problem of maintenance which had been relegated to a secondary position. The section on highways concluded with the emphatic statement that it would be imperative to maintain the cost of highway construction at a realistic level in order not to upset competitive conditions in the transportation system in general. This observation was specifically applied to liquid fuels and lubricants, which must, the message insisted, no longer benefit from exchange subsidies.

Shortly after the delivery of the President's message, the working group which had been set up early in March at Quadros' direction in the Ministry of Transport to draw up a five-year highway plan (which in effect would be a revision of a draft proposal presented to the President earlier by the National Highway Department) met for the first time. The Transport Minister announced after this session that as a first item of work the group would make a survey to determine what the National Highway Department (DNER) owed and what resources it actually had and would have to carry out the highway program once it was definitely established. The Minister also stated that the working group had already established a general scheme of priorities for the program: 60 per cent of the available funds would be used for highways of major economic importance; 25 per cent for those of political (including strategic) importance; 10 percent for "pioneer" or penetration roads; and five percent for roads of importance to tourism. It was explained that the distribution of resources would take into account the fact that many highways were significant in more than one sense; for example, the Belem-Brasilia highway had political importance and was a "pioneer" route while the Rio-Sao Paulo highway was important economically, politically and from the standpoint of tourism. Presumably, the priority criteria announced by the Minister of Transport would be adjusted within the broader framework of priorities indicated in the state-of-the-union message.

Other statements during the month by persons connected with the highway effort echoed the emphasis in the presidential message on the need for greater attention to maintenance. In this respect, plans were announced for the establishment of a separate, specialized maintenance division in the DNER.

The effects of the exchange reform on highway transport were widely discussed following the March 13 issuance of SUMOC 204. The doubling of the petroleum agio and the provision in the SUMOC instruction for the eventual elimination of the subsidized exchange rate will result, on the one hand, in substantially higher freight rates, and truckers at the end of the month were pressing for a 30-40 percent increase; thus, the reduction of the subsidy on fuels

UNCLASSIFIED

0658

UNCLASSIFIED
(Classification)

Page 11 of
Encl. No.
Disp. No. 967
From Rio de Janeiro

and lubricants will make for the greater realism in allotting transport costs that the president's message called for. On the other hand, receipts of the National Highway Fund, which gets 75 percent of the ad valorem sales tax on liquid fuels and lubricants and which finances a large part of the highway construction in Brazil, will sharply increase, thus making possible the construction, improvement and maintenance of more kilometers of highways. The National Paving Fund, which is based on the petroleum agio itself will in the long run, however, be deprived of receipts when the agio system is replaced by the use of the free-market rate, as SUMOC 204 envisages.

In the section on maritime transport, President Quadros' March 15 message declared that the fact that the merchant marine since World War II had not maintained its relative position in total cargo movement was caused by the failure to replace over-age vessels, insufficient progress in the productivity of shipping and port operations, and the increasing costs of cargo handling. Concerning the merchant fleet, the message observed that (a) only in the tanker sector did the country possess a fleet in adequate technical conditions, since the coastal and transoceanic fleets were composed largely of old and uneconomic units; and (b) the installation of a shipbuilding ~~plant~~ ^{industry} would permit the replacement and expansion of the merchant fleet on a more regular basis and with less pressure on the balance of payments, although the financial basis of the industry had to be urgently revised and substantially reinforced since at present construction prices the resources available would not be sufficient to keep the industry occupied. With respect to investments in ports, the message stated the establishment of the National Port Fund and the Port Improvement Fee still had not produced benefits because the plan of improvement and expansion which the Fund should finance had not yet been carried out. The message warned that the effects of investment in the maritime sector would be small unless shipping and port services were reorganized and regulated so as to increase their productivity. This effort would involve revision of legislation on ship and port labor and on the performance of port services. Unless the legislation were changed, the message went on, there would be no hope of re-establishing economic conditions in the operation of waterborne transport--the global deficit of which should surpass Cr\$21 billion in 1961--or of benefitting from an increase in the participation of Brazilian flag vessels in foreign trade, which should be stimulated in order to reduce the burden which international freight charges represented in the Brazilian balance of payments. The message declared that in the general reorganization of shipping and port services the government intended to create sound conditions for the development of private enterprise upon

UNCLASSIFIED

0659

UNCLASSIFIED
(Classification)

Page 12 of
Encl. No. _____
Dep. No. 967
From Rio de Janeiro

which the greatest responsibility for an increase in maritime transportation should fall. With respect to government entities, the message noted that a revision of their organization would be required in order to reduce their deficits.

Practically simultaneously with the publication of the President's message, he took a major step toward the reorganization of the government shipping companies advocated in his message when he directed as a matter of "absolute priority" the planning of the unification of the administrations of Lloyd Brasileiro and the Costeira, the national coastwise shipping line, with Lloyd to be limited exclusively to transoceanic service and Costeira to handle all coastal service (Lloyd at present operates both transoceanic and coastal services). Such a rationalization has had many supporters for many years, and indeed there was some criticism directed against the President's directive because it stopped short of removing the shipyards of Lloyd and the Costeira from those lines' control and placing them in a separate state enterprise, a course frequently recommended in the past.

At the end of the month, the press reported that the working group which had been appointed in February to study the revision of maritime shipping rates with a view to making the shipping companies more nearly self-sufficient had delivered its report to Brasilia. The press accounts stated, without official confirmation, that the group had concluded that a 50 percent increase would be required. These reports gave rise to serious expressions of concern that such a sharp rise in transportation costs would prevent products of the northeast from competing with markets of south-central and south Brazil. By the end of the month the working group's report had not been published. If such a rate increase were to be accepted and if it did not result in a self-defeating large-scale diversion of traffic to land transport, not only would the shipping lines benefit but also the domestic shipbuilding industry, the financing of which is in large part ultimately dependent on the level of freight rates. As the President's message indicated, the financial basis of the industry is not solid, and supporters of the industry have long recommended higher freight rates as one means of increasing available resources. If the possibility of a major upward movement in freights gave encouragement to the domestic shipbuilders, reports, widespread at the end of the month, that large purchases by barter of ships in Eastern Europe were being contemplated by the government, could not only dishearten them, and the specialized sectors of the press were quick to point out the apparent inconsistency of a government policy which--as in the President's message--supported the development of a national ship construction industry,

UNCLASSIFIED

0660

UNCLASSIFIED
(Classification)

Page 13 of
Encl. No. 967
Dep. No.
From Rio de Janeiro

and at the same time seemed prepared to depriving the infant industry of much of its market.

The reference in the President's message to the need for increasing the participation of Brazilian flag vessels in foreign trade had already been given forceful substance in a March 13 circular from the Chief of the Civil Household to all government departments and agencies which restated in vigorous terms the Brazilian Government's policy requiring the shipment on Brazilian bottoms of imports which benefitted from any government favor. This policy has been a continuing issue between the Brazilian Government and the governments whose shipping companies operate to Brazil. The content of the circular indicated that there was no immediate prospect of a modification in the Brazilian attitude.

In outlining aviation policy, President Quadros' March 15 message stated that the size of Brazil made it imperative to expand air transport of passengers, which had proven to be in the past few years more economical over long distance than rail or highway transport and which was the only means of reaching vast areas of Brazil. The President went on to say that in spite of the tremendous expansion of Brazilian domestic civil aviation, the industry was undergoing serious financial difficulties because of substantial excess capacity created partly by lack of government planning and guidance, partly by the technological revolution in aircraft and partly by domestic inflation. The principal financial burdens, the message said, were being borne by the Federal Government by means of subsidies for operations and investments. In order to remedy the situation, the message stated that capacity had to be regulated; rates had to be observed; each company had to be assured an adequate share of the market, mergers had to be encouraged; and domestic routes had to be evaluated so that indirect subsidies could be replaced by direct assistance to money-losing routes of public interest. After acknowledging the need for improvement in the aviation infrastructure in general, the section on aviation concluded with the declaration that the balance of payments situation of the country would require in the near future greater caution in the expansion of Brazilian international services, which should not be given investment priority unless the proposed services could produce exchange earnings.

With respect to the exchange problems of the aviation industry, referred to briefly in the message, SUMOC 204 represented a very hard blow to Brazilian civil aviation, 40 percent of whose total expenditures are estimated to be in foreign exchange and almost all of this at the cost-of-exchange rate. The instruction in effect nearly doubled the costs of the Brazilian carriers. Late

UNCLASSIFIED

0661

UNCLASSIFIED
(Classification)

Page 14 of
Encl. No.
Disp. No. 967
From Rio de Janeiro

in the month the President took rather dramatic actions which stemmed directly from the SUMOC 204 reforms and reflected the policy considerations sketched in the presidential message. On March 22, Quadros cancelled the authorization granted to Real-Aerovias in the waning days of the Kubitschek administration to serve New York from Rio via Lima and at the same time announced that the government would adapt the policy of creating a pool among the principal international operators, Real, Varig and Panair do Brasil. In a related decision the same day, Quadros called a meeting for early April in his office of the three carriers and government aviation and financial officials for the purpose of examining solutions to the problems of the international carriers, particularly in light of SUMOC 204. As March ended, it was clear that far reaching developments were in store for the Brazilian aviation industry.

For the Ambassador,

Edward J. Bush
Edward J. Bush
Commercial Attaché

Approved:

William A. Fowler
William A. Fowler,
Counselor of Embassy
for Economic Affairs

Enclosure: *AM 7.7.71*
Economic Indicators

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Page 1 of
Encl. No. 1
Dep. No. 967
From Rio de Janeiro

ECONOMIC INDICATORS

Cost of Living in Rio de Janeiro
(1948=100)

1960	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
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

1961

Jan.	976	654	705	642	846	905	997	866	2.1
Feb.	987	655	712	647	856	936	997	875	1.
March	999	682	721	663	871	974	997	891	1.8

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (US\$1,000,000)

Imports	Nov.	Dec.	Jan-Dec.	Nov.	Dec.	Jan-Dec.
Total	132.2	137.3	1,462.1	100%	100%	100%
USA	40.1	38.3	443.1	31	28	30
C.B.*)	6.9	15.1	79.6	5	11	5

Exports

Total	101.8	109.9	1,268.8	100%	100%	100%
USA	39.3	40.1	563.7	38	36	44
C.B.*)	5.3	8.2	71.5	5	7	6

*) 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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832.00/5-361

0664

AIR FORCE		OFFICIAL USE ONLY (Security Classification)		DO NOT TYPE IN THIS SPACE 832.00/5-361	
FOREIGN SERVICE DESPATCH					
FROM	Ambassador RIG DE JARVIS		DESP. NO.	973	
TO	THE DEPARTMENT OF STATE, WASHINGTON		DATE	MAY 9 1961	
REF	CMT 0-1				
20 For Top Only	ACTION	DEPT.	FOR/PA PPAI INAD - R-9 10411 EVR-5		
5-13-61	RECU	OTHER	CIA-10 OSD-2 MIA-4 NSC-6 CIA-16 Army 35 Navy 40		
SUBJECT: BIRMINGHAM REVIEW (Period Covered April 8 to 21) CIA-10 TR-3 A-23 WMO-4 INT-7 A-68 A-2-6 F-4-5					

INDEX

1. Coffee Statistics
2. Draft Antitrust Bill Sent to Congress
3. Working Group to Study Banking Reform
4. New Dollar Rate for Cocoa Exports
5. New Minimum Prices Set for Foodstuffs
6. Working Group to Determine the Magnitude of Federal Indebtedness to Social Security Institutions
7. Cost of Living Increase in the First Quarter of 1961
8. Labor Minister Speaks on Wages
9. Manifest by General Sarvenberg Touches off Controversy on Petrobras
10. Study of Possibility of Producing Raw Film in Brazil
11. Jewish Orders Re-examination of Air Route to Cairo
12. Threatened Strike on Paulista Railroad
13. Interest in Importation of East German Highway Construction Equipment
14. Examination of East German and Spanish Ships-for-Coffee Offers
15. Working Group to Encourage Exports
16. Brazilian Trade Mission Departs for Moscow
17. "Travel USA" Seminar Held in Rio

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
MAY 16 1961
File 5W 5-13
for 5-13-61

1. Coffee Statistics

Coffee exports during the month of April 1961, through the 27th, were 1,097,300 bags compared to 940,000 bags exported during the same period last year.

Total coffee exports for the current marketing year, July 1, 1960 to April 27, 1961, were 13,725,000 bags compared to 14,712,875 bags exported during the same period last year.

Source: MacGillister & Co.

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0665

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Page 2 of
Encl. No. 975
Disp. No.
From RIO DE JANEIRO

2. Draft Antitrust Bill Sent to Congress

On April 5 President Janio Quadros sent to the Chamber of Deputies a draft bill designed to "end abuses of economic power" defined as "effecting or promoting agreements or combinations of persons or firms for the purpose of dominating markets, unjustly eliminating competition or arbitrarily increasing prices or profits." The law would be administered by an Administrative Committee for Economic Defense (CADEC) which would report directly to the Minister of Justice. The Committee would have broad powers which would permit it to investigate abuses of economic power and to intervene directly in the economic activities of the nation. According to the draft bill, these powers would include authority to expropriate stocks of merchandise or consumer goods in order to regulate supply or restrain price increases. (UNCLASSIFIED)

Comment: The bill which reportedly was largely drafted by the Ministers of Mines and Justice (Srs. João Agripino and Pedroso Horta) is said to have the support of the Chairmen of the Justice and Economic Committees of the Chamber of Deputies. (OFFICIAL USE ONLY)

3. Working Group to Study Banking Reform

President Quadros ordered that a working group be set up to study banking reform. In announcing this action, the President of the Bank of Brazil stated that the study will be complemented by a credit control program in the public sector, whose policies will also be oriented toward bank reform. According to the President of the Bank of Brazil, this action is necessary in order to bring about a unified command of the banking policy, which at present is guided by several scattered agencies. Members of this working group will include various State Ministers and the President of the Bank of Brazil. (UNCLASSIFIED)

Comment: A curious and as yet uncommented on aspect of this action is the failure to invite SUMOC, the agency which presumably would exercise Central Bank authority, to participate in the study. (UNCLASSIFIED)

4. New Dollar Rate for Cocoa Exports

The Superintendency of Money and Credit (SUMOC) issued a Resolution increasing the cocoa-dollar (dollar rate for cocoa exports) from Cr\$90 to Cr\$210 or the equivalent in other currencies. This decision was based on a report presented by the Foreign Trade Department (CACEX) concerning the sale of the cocoa crop and the rate to be established for the official cocoa-dollar, according to Item VII, group b of Instruction 204. This rate of exchange covers exports of cocoa, seeds, paste, butter and cake.

The above resolution also stated that operations of foreign exchange resulting from exports of cocoa derivatives other than those mentioned above, processed and ready for consumption, shall be made on the free exchange market.

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0666

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Page 3 of

End. No.

Disp. No. 973

From RIO DE JANEIRO

In other words, the marketing of such products will be made directly by exporters subject to pertinent regulations instead of through CACEX which was previously the sole buyer and exporter of all cocoa products. (UNCLASSIFIED)

Comment: The change is not expected to be of much importance in a monetary sense since, under the previous procedure, CACEX had been buying up the entire crop at a price in cruzeiro terms higher than the official cocoa dollar rate of Cr\$90 to \$1.00. CACEX was then reimbursed for the difference between its payments to producers and its earnings from exports (converted at Cr\$90 to \$1.00) from the Agio Account. Under the new system, CACEX will simply pay the producer at the rate of Cr\$210 to \$1.00 thus eliminating the extra transaction from agio account to CACEX. It is possible the producer may receive somewhat more under the new system but it is believed that the difference will not be substantial. (OFFICIAL USE ONLY)

5. New Minimum Prices Set for Foodstuffs

On April 5 President Quadros signed a decree fixing minimum basic prices for rice, beans, corn, peanuts and soybeans for crop year 1961-62 and surpluses of 1960-61, at the same time guaranteeing the government's readiness to enter the market should prices drop below the prescribed levels. (UNCLASSIFIED)

Comment: Price support schemes for farm products are not new in Brazil. As a matter of fact, they existed under the Kubitschek Administration. President Quadros has alleged, however, that previous price support levels were too far below world prices to encourage production and that middlemen profits were too high. To correct this situation, the government will now, presumably, buy up products at the minimum prices if middlemen are not willing to pay them and distribute them at the market centers itself in order to keep retail prices down. Success of the scheme would appear to depend on the government's warehousing and distributive capacity which is believed by many to be too limited to be effective. (OFFICIAL USE ONLY)

6. Working Group to Determine the Magnitude of Federal Indebtedness to Social Security Institutes

President Quadros ordered that a working group under the Minister of Labor report on the exact value of the Federal Government's indebtedness to the social security institutes. A 90-day time period was set for the working group to submit its report. (UNCLASSIFIED)

Comment: According to press reports, the indebtedness of the Federal Government and the employers for contributions overdue amounted to Cr\$1.38 billion (at the end of December 1960) of which Cr\$1.05 billion accounts for the government share and the balance for that of the employers. For many years, the government failed to pay its obligations to the Institutes and no pressure was exerted on the employers to enforce the payment of their share. (UNCLASSIFIED)

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0667

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Page 4 of
Encl. No.
Disp. No. 973
From RIO DE JANEIRO

7. Cost of Living Increase in the First Quarter of 1961

In the State of Guanabara, the cost of living index rose by 1.7% during March 1961. The cumulative increase for the first quarter was 5.1% and compares with 2.9% for the corresponding period of 1960. (UNCLASSIFIED)

Comment: The Federation of Industries of the State of Guanabara, which supplied these statistics, attributes the major part of this increase to the rising cost of foodstuffs; while in 1960 there was a decrease of 0.1% in the foodstuffs index, this year's index indicates an increase of 4.3%. It is of interest, however, that all of the rise in the price of foodstuffs this year occurred in January and February while March actually showed a decline of .5%, belying the charge that the food price increase this year has been the result of SUMOC Instruction 204 (issued March 15). Actually these price rises probably reflect the after effects of large currency issues which took place in the last months of 1960. (OFFICIAL USE ONLY)

8. Labor Minister Speaks on Wages

Press reports from various cities during the past week or two indicate that Labor Minister Francisco Castro Neves has repeatedly promised groups of local labor leaders that the Administration will soon submit to Congress a bill which would tie wages to living costs by providing for automatic increases every six months, in direct proportion to any increases in prices. As far as can be determined, the Minister was referring only to legal minimum wages rather than to wage contracts, which cover wages at all levels. However, the wages of most unskilled workers in Brazil are at or near the legal minimum. The Minister also announced that the present twenty-two different minimum wage regions into which the country is divided would be reduced to five: the North, Northeast, Central East, South and West. There might be some instances, Castro Neves indicated, when the same legal minimum would not apply throughout an entire region, but in any event the total number of different minimum wage rates throughout the country would not exceed fifteen.

In announcing the Administration's intention to tie minimum wages to the cost of living, Castro Neves cautioned that the new system could not go into effect until sometime in 1962, after anti-inflation measures have taken effect, and that in the meantime labor would have to accept some decline in real income as its "quota of sacrifice" for a better Brazil. He stated, however, that he would not oppose all wage increases, commencing next September and October when most annual wage agreements expire, because that would be asking too great a sacrifice; but the increases would have to be modest and generally for smaller percentages than the increase in the cost of living.

Questioned in São Paulo as to whether the Administration would decree different legal minimum wages for various industries, Castro Neves replied that this was a problem for unions to negotiate with employers, in harmony with the circumstances existing in a given industry. He said that legislative action in this field would impede flexibility, as well as being too paternalistic.

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0668

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Page 5 of

Encl. No.

Disp. No. 973

From RIO DE JANEIRO

In Belo Horizonte, the Minister reportedly said the Administration would approve of the negotiation by unions of wage increases exclusively for union members.
(UNCLASSIFIED)

Comment: Neves' statement that the Administration would permit unions to negotiate increases for members only may be tied to his previously announced intention to eliminate gradually the union tax. By providing such strong benefits for union membership, his proposed plan could permit unions to establish reasonable dues to replace the gradual withdrawal of the syndical tax funds.
(UNCLASSIFIED)

9. Manifest by General Sardenberg Touches off Controversy on Petrobras

On April 13 former Petrobras President Sardenberg issued a manifesto under the title THE TRUTH ABOUT PETROBRAS, in which he refuted statements made by President Janio Quadros regarding the precarious financial situation of the state oil monopoly.

President Janio Quadros immediately ordered General Sardenberg to be placed under arrest for four days. This action by the Chief Executive gave rise to strong protest and criticism on the part of opposition leaders in the Federal Congress and at least one Cabinet Minister (Mines and Energy), who voiced the opinion that it was absurd to punish an individual just because he defended himself against an accusation and justified his actions while head of the state oil monopoly. Another view was that President Quadros had been erroneously advised concerning the actual situation of Petrobras, although apparently Geonísio Barroso--recently appointed as the head of Petrobras--was not the person who had supplied President Quadros with information on Petrobras' financial difficulties. Some members of the opposition went further and began to cast strong doubts as to the Administration's position with regard to Petrobras. Even those who backed the President's stand felt that the veil of secrecy and "untouchability" that has surrounded most of Petrobras management operations must be lifted once and for all.

In this connection there was also expressed the opinion that Sardenberg should have requested a hearing before Congress rather than issue his manifest. One view generally held among members of the Federal Congress was that General Sardenberg should be promptly summoned to testify on his manifest and other matters pertaining to Petrobras before Congress--very likely before the Congressional Committee which was created in March for the purpose of investigating all aspects of the state oil monopoly. It was reported that the Committee would also hear testimony from Petrobras President Geonísio Barroso, from past Petrobras presidents, from Federal Deputies Paulo Mincarone and Droult Hernanny, and possibly other persons as yet unnamed.
(OFFICIAL USE ONLY)

Comment: The General's manifesto seems to have spurred the Congressional Committee into action. It remains to be seen how thorough and impartial the investigations are going to be, since several federal deputies, including members of the Committee, have stated that Sardenberg was only doing his duty and that he was exercising his right of "self-defense".
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0669

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Page 6 of
End. No.
Disp. No. 973
From RIO DE JANEIRO

10. Study of Possibility of Producing Raw Film in Brazil

On April 11 President Quadros instructed the president of GEICINE (The Executive Group for the Motion Picture Industry) to study urgently the possibility of creating an industry in Brazil to manufacture raw stock. The President requested information particularly on (a) the degree of nationalization which could be attained in the production of the film; (b) the participation of necessary foreign capital; (c) the savings in foreign exchange which could be made by domestic manufacture of the raw stock; and (d) the tax, commercial and credit incentives which might be advisable in order to speed up the creation of the industry. The President pointed out further that the interest of the government in the matter was not restricted to the commercial motion picture industry but extended also to the needs of the medical profession, which used substantial amounts of raw stock.

Quadros also reminded the president of GEICINE of the government's interest in seeing that body undertake "practical and objective" action.
(UNCLASSIFIED)

Comment: The President's instruction is another example of his desire to foster the domestic motion picture industry. It preceded by a day the issuance of a decree requiring that as of January 1, 1962, one Brazilian film would be shown on television for every two foreign films (EMER Embdespatch 902 of April 3; Embdespatch 949 of April 24).
(UNCLASSIFIED)

11. Jânio Orders Re-examination of Air Route to Cairo

In a memorandum reported in the press of April 14, President Quadros issued instructions to the Minister of Aeronautics to re-examine the question of a Brazilian air route to the Near East "for the purpose of reaching Cairo." The memorandum, according to the newspaper accounts, added that the United Arab Republic would provide all necessary facilities to bring the matter to a successful conclusion.
(UNCLASSIFIED)

Comment: It is not yet known whether the route, if decided upon, would be granted to VASP (Viação Aérea de São Paulo, owned by the State of São Paulo), which has been seeking to enter the international field by means of routes to Africa, or to Panair do Brasil, which now serves Beirut but via the European continent. In either case, it is significant that Jânio has expressed interest in this new route so soon after his declarations in the March 15 State-of-the-Union message that "greater caution in the expansion of international aviation services" was necessary because of the balance of payments situation and that these services should not have priority in Brazil's investment needs unless they could be shown to have no adverse effects on the balance of payments. It seems quite clear that political considerations involving Jânio's professed admiration for Nasser and his policy, as well as the "bridge-to-Africa" theme figured prominently in the Presidential decision.
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0670

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Page 7 of
Sed. No.
Disp. No. 975
From RIO DE JANEIRO

12. Threatened Strike on Paulista Railroad

In a meeting in Rio Claro, São Paulo on April 16, the members of the union of workers on the Paulista Railroad approved the proposal of the union president (a) to seek equality of salaries with the workers on the São Paulo State-owned Sorocabana Railroad; (b) to give the Paulista, the only major privately owned railroad in Brazil, a period of 30 days to agree; and (c) if the management failed to reply or gave a negative reply, to begin a general strike with the intention of bringing about the expropriation (anacampão) of the road by the state government. The union officers delivered a letter reporting this decision to Governor Carvalho Pinto on April 17. According to press accounts of the meeting, the Minister of Labor in the Quadros Government, Castro Neves, was present and "indirectly" indicated that he would be favorable to expropriation as a last resort.

(UNCLASSIFIED)

Comment: Heráclio Amorim Junior, the present head of the Federal Railroad System and former president of the Sorocabana, has expressed the opinion informally that if the Paulista were forced to pay the wage scales which the Sorocabana has been obliged to observe it would have a substantial deficit, larger than that of the state-owned road. The Paulista, which is a first-class railroad by any standard, has always showed a profit, but in 1960 it was very small and sharply down from 1959. Moreover, the Paulista's annual production has remained essentially stable during the past four-five years. The majority of the Paulista union, led by its president who is a deputy considered to be far to the left, has long advocated expropriation of the railroad in order to benefit from high wages paid by the roads owned by the State of São Paulo and the Federal Government.

(OFFICIAL USE ONLY)

13. Interest in Importation of East German Highway Construction Equipment

On April 17, the President instructed the Minister of Finance to constitute a working group to study the importation of highway equipment from the German Democratic Republic in exchange for coffee and within the terms of the presentation made by the Brazilian Association of Municipalities (ABM). The group will be composed of representatives of the Finance Ministry, the Bank of Brazil, and the ABM, and will have 20 days in which to report.

(UNCLASSIFIED)

14. Examination of East German and Spanish Ships-for-Coffee Offers

In actions of April 13 and 14, President Quadros instructed the presidents of the Merchant Marine Commission and the Brazilian Coffee Institute to examine offers made by the German Democratic Republic and by a Spanish shipyard to furnish ships in exchange for coffee. No figure was cited in connection with the East German offer but the Spanish deal, which was proposed by a private Brazilian shipping company, involved eight vessels.

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0671

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Page 8 of
Encl. No. _____
Disp. No. 973
From RIO DE JANEIRO

Comment: Although unofficial accounts in the newspapers continue to mention the Government's interest in acquiring as many as 80-85 vessels abroad, the Embassy believes that as yet there has been no firm program of acquisition developed by the Merchant Marine Commission or the shipping lines, government and private. Skepticism continues to be expressed concerning the possibility of furnishing coffee, particularly to Eastern European countries, for any substantial number of ships without the risk of re-exportation to traditional Brazilian markets. In addition, various sectors of the press continue to reflect the alarm of the domestic shipbuilding industry at the prospect of large-scale purchases abroad (EMER Embdespatch 930 of April 17).

(OFFICIAL USE ONLY)

15. Working Group to Encourage Exports

The working group that President Quadros ordered to study and propose measures aimed at the expansion of exports, began operations on April 6. The terms of reference set for the group include the elimination of unnecessary bureaucratic formalities, the reduction of port charges and taxes, etc., that hamper the normal flow of trade. Members of this working group include representatives from various Ministries, the Bank of Brazil and several trade associations. A time limit of 30 days was established for the group to present its conclusions and recommendations.

(UNCLASSIFIED)

16. Brazilian Trade Mission Departs for Moscow

On April 19, a Brazilian trade mission departed for Moscow for the purpose of entering into negotiations designed to increase trade between the two countries, in accordance with the Brazil-USSR Trade Agreement of 1959.

The mission, which will remain in Moscow for approximately one month, is headed by Paulo Leão de Moura, Chief of the Economic and Commercial Department of the Foreign Office and President of the Executive Commission for the Exchange of Products of Brazil and the Soviet Union (CEBRUS). The delegation includes Paulo Amelio do Nascimento Silva, Executive Secretary of CEBRUS; Albino Rogallo de Souza of the National Petroleum Council; Eduardo Castro Neiva of the Exchange Department of the Bank of Brazil; Evaldo Garcia of Petrobras; Helio Sales Lopes of the Foreign Trade Department of the Bank of Brazil; and Osmer Allen of the Brazilian Coffee Institute.

President Quadros has attached great importance to Minister Leão de Moura's mission, considering it "vital to Brazilian trade." The President has recommended that the mission be instructed to expand the volume, value and number of products for commercial interchange between the two countries and that emphasis be given to Brazil's particular interest in wheat, fertilizers, metals, machinery and equipment. The mission has been instructed to ask for ample credits for purchases for Brazil, taking into account a possible lack of equilibrium in the balance of payments, and to request specific credits for the purchase of wheat, petroleum and industrial products. The mission will examine a

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0672

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Page 9 of
Encl. No. _____
Disp. No. 973
From: RIO DE JANEIRO

Soviet proposal to have an exhibition of Russian industrial products in Brazil and will also study the creation of a reciprocal commercial service between the two nations. (UNCLASSIFIED)

17. "Travel USA" Seminar Held in Rio

A "Travel USA" Seminar organized by Braniff International Airways, designed to show the people of South America, through their travel agents, the advantages of visits to the United States, was held in Rio on April 20. Featuring a panel discussion presented by visiting United States specialists in hotel, tour, and transportation services, the program attempted to present a new and clearer view of North America as a tourist attraction, emphasizing the increased facilities and low cost packages now available to foreign visitors. (UNCLASSIFIED)

For the Ambassador:

Approved:

William A. Fowler
William A. Fowler
Counselor of Embassy for Economic Affairs

Edward J. Bash
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Commercial Attaché

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Items 6, 13, 14, 15 - WElomeyer	Items 16, 17 - BAgoldstein

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FOREIGN SERVICE DESPATCH			
FROM :	Amcogen São Paulo	409	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	May 5, 1961	
REF :	CERP C - General Interest		
20 For Dept. Use Only	ACTION ARR-5 REC'D 5-8-61	DEPT. N O OTHER ARR-2 REP-1 INR-7 E-7 ICA-4 CIA-10 COM-12 TAR-2 TR-3 FRB-3 XMB-4 AGRS	
SUBJECT: Biweekly Economic Review, April 21 - May 4, 1961			
INT-7 NSA-4 ARMY-4 NAVY-4 AIR-6 DAF-7			

INDEX

- SUMOC Director Indicates Tax Revision in Offing R. E. Cahn
- Federal Bill Threatens São Paulo Agrarian Reform R. E. Cahn
- Call for Tenders for Telephone Service H. J. Jelinek
- Railway Line to Link Viracopos Airport to São Paulo A. D. Ventura
- Outboard Motors Manufactured in São Paulo A. D. Ventura
- Price Rises and Effects of SUMOC Instruction 204 A. D. Ventura
- Latin American Congress of Metallurgy A. D. Ventura

1. SUMOC Director Indicates Tax Revision in Offing

Otávio Gouveia de Bulhões, executive director of the Superintendency of Money and Credit (SUMOC), came to São Paulo and discussed, justified and defended SUMOC instruction 204 that altered Brazil's foreign exchange system (item 2, desp. 368, April 7, 1961). The round table discussions with the São Paulo Association of Economists provided no new information on 204. During the discussions, however, Bulhões said that the institution of the export and import bills (forced loans under 204) was an emergency measure that would be eliminated in 1962 if by then Congress approved the tax reform project. He also indicated that one of the proposed tax reforms was the transfer of the export tax authority from the state governments to the federal government, so as to recapture excess profits from exporters.

2. Federal Bill Threatens São Paulo Agrarian Reform

A bill in the Federal Congress, providing for a constitutional amendment that includes the transfer of the rural territorial tax from the states to the municipalities, threatens the successful implementation of the São Paulo Agrarian Reform (desp. 398, April 1961). One of the mainstays of the Agrarian Reform is the rural territorial tax on uncultivated land to prompt its sale to small farmers who will cultivate it. In a press interview in São Paulo

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0674

UNCLASSIFIED
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Page 2 of
Encl. No. 409
Desp. No. 409
From: Amcogen São Paulo

State Secretary of Agriculture expressed the hope that if the tax is transferred to the municipalities some provision would be made to maintain the tax differentials contained in the Agrarian Reform and to utilize the proceeds for colonization purposes.

3. Call for Tenders for Telephone Service

The city of São Paulo has published a call for tenders for the City Telephone Service (Item 2, Despatch 314, February 24, 1961) stating that acceptance of proposals will close at 16 hours, October 30, 1961. The law required that this announcement be published in New York, Paris, London, Rome, Tokyo, Bonn and other cities abroad.

4. Railway Line to Link Viracopos Airport to São Paulo

Companhia Paulista de Estradas de Ferro will build and operate a railway line linking Viracopos International Airport, near Campinas, with the city of São Paulo, according to the director-general of the Airport Directorate of the São Paulo Secretariat of Transport. The project foresees a railway terminal to be located below the airport's passenger terminal. An earlier project to link the airport with São Paulo by helicopter service has now been abandoned.

Comment: The distance between Viracopos Airport and São Paulo (an hour and a half by car) has been the subject of much unfavorable comment. The construction of a railway line between the two points appears to be a rational solution to the problem of transporting passengers and freight departing or arriving on international air flights.

5. Outboard Motors Manufactured in São Paulo

Motores Maritimas Motomar S. A. of São Paulo is now manufacturing small outboard motors of 4 HP and 12 HP under the trade-names "Archimedes" and "Penta" at the rate of 50 motors monthly. Later this year, the company plans to produce 2-cylinder outboard motors of 25 HP and 35 HP. This is the first time that outboard motors are manufactured commercially in Brazil.

6. Price Rises and Effects of SUMOC Instruction 204

Following other recent increases in the prices of commodities, goods, and services (see item 1, despatch 368 of April 7) electricity rates in the city of São Paulo were raised by 20 percent on May 1. This raise is attributed to the higher cost of imported fuel oil used by the Piratininga thermoelectric power plant, which supplies electricity to the city of São Paulo. Cost of fuel oil increased 75 percent after the recent alteration in the foreign exchange

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0675

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(Classification)

Page 3 of
Encl. No. 409
Desp. No. 409
From Amcogeh SSo Paulo

system by SUMOC Instruction 204 (see despatch 339 of March 15).

Instruction 204 will cost the SSo Paulo State Government 4 billion cruzeiros in 1961, according to the SSo Paulo Secretary of Finance. This is due to the higher cost of equipment and machinery imported by government-controlled public utility companies, through doubling the "cost of exchange" applicable to government imports.

7. Latin American Congress of Metallurgy

The inaugural session of the I Latin American Congress of Metallurgy, sponsored by the Latin-American Institute of Iron and Steel (ILAFI) took place in SSo Paulo on May 2. The Congress, which will last to May 10, is attended by 150 delegates from all Latin-American nations and by honorary members of ILAFI from the United States, France, Japan, Belgium, and Italy. The Congress is to discuss the integration of the iron and steel industry in Latin America, particularly in connection with the recently established Latin American Free Trade Zone. It will also look into the possibility of setting up manufacturing standards common to all Latin American nations producing iron and steel.

For the Minister Consul General:

Scott Lyon
Scott C. Lyon
American Consul

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

57

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 9, 1961

REF : CERP Requirements: Section C, Item 2

MAY 12 1961

ACTION	DEPT.
For Dep. Use Only	1 2 3 4 5 6 7 8
REC'D	1 2 3 4 5 6 7 8
5/20	1 2 3 4 5 6 7 8

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - April 1961

AGA-6 INT-7 DAG-6 OSD-5 Army-6

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

SUMMARY:

April rains proved beneficial to crops and pasture lands. The presidential decree establishing a minimum price for key agricultural products was well received by Rio Grande do Sul farmers. Arrivals of wheat shipments from the United States improved supply situation in Rio Grande do Sul. Record yield is expected from current soybean crop. More cattle expected to be killed during current slaughter season. An export quota of 30,000 metric tons of beef has been allotted to Rio Grande do Sul for 1961. Some improvement in sales, particularly retail, is reported by local trade. An increased delay is reported in collections of trade bills, especially in the interior. Iron curtain countries are interested in buying local rice and frozen beef. Local Japanese textile mills will receive additional equipment free of exchange cover. Railroad rates will be increased as of May 1, 1961. The dollar continued to strengthen during April. No appreciable change reported in the cruzeiro money market. Porto Alegre mayor is seeking financial assistance from the Quadros Administration. Management-labor relations were reported relatively quiet in April. CEEE announces rate adjustment due to higher cost of imported Diesel fuel. Dutch and Argentine ambassadors visited Rio Grande do Sul recently.

1. AGRICULTURAL DEVELOPMENTS:

Rice - The presidential decree fixing minimum prices for key

AJK Kirchhof/HBloom/zms

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Page 2 of
Encl. No.
Disp. No. 57
From PORTO ALEGRE

agricultural products, including rice, was generally well received here and is looked upon as providing excellent incentive for growers in Rio Grande do Sul. There are, however, conflicting opinions as to how this measure will affect the operations of commodity dealers and exporters. There is a discrepancy in milled rice prices due to higher minimum prices paid to producers. It is estimated that the current commercial rice crop will yield 17,000,000 fifty-kilo bags, which is slightly under the 1960 figures.

Wheat - The wheat supply situation in Rio Grande do Sul has been considerably improved due to arrivals in Porto Alegre late in April of the first PI-480 wheat shipments from the United States. A total of about 20,000 metric tons of such wheat shipments is expected here. Local trade sources stated that the wheat already received is of good quality. No port congestion has been reported to date due to these arrivals and unloading is progressing smoothly.

Soybeans - The soybean harvest, now under way, is expected by the trade to bring in a record yield (estimated at 200,000 metric tons). Although current high international quotations on soybeans will be an incentive for the exportation of this commodity, authorities are expected to take steps to avoid a shortage of supplies for domestic use.

Beef - According to statistics released by the local Meat Institute of Rio Grande do Sul, 30,982 more head of cattle were killed by the packing industry in the period Jan-April, 1961, than in last year's comparable period. The figures are as follows:

	1961	1960
For jerked beef	38,606	30,666
for frozen and canned beef	<u>38,985</u>	<u>15,923</u>
	77,591	46,589

It is estimated that about 200,000 head of cattle were killed during the same Jan-April period for fresh beef consumption in Rio Grande do Sul. Total slaughters in Rio Grande do Sul average 1,118,000 head per year. A beef export quota of 30,000 metric tons as been allocated to Rio Grande do Sul for 1961, as compared to the 1960 quota of 21,000 metric tons.

The State Government has started a technical program for the improvement of pasture lands by the planting of demonstration plots in the southwestern part of the State.

State's Hatching Capacity - Local poultry farmers and agricultural technicians estimate Rio Grande do Sul's current egg hatching capacity at 610,000 eggs for every 21 days, of which Porto Alegre area produces more than half, or 327,500 eggs.

UNCLASSIFIED

0678

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Desp. No. 57
From PORTO ALEGRE

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Local retailers report sales increases of up to 10 percent in volume and 50 percent in cruzeiro value over the same monthly period last year. On the other hand, wholesale turnover is reported slow, and increased delay has been noted in collections of trade bills, especially in the interior.

Comparative figures of total state sales for March 1961 (latest figure available) and February 1961, and March 1960, were as follows:

(In thousands of cruzeiros)

<u>March 1961</u>	<u>February 1961</u>	<u>March 1960</u>
25,030,528	23,328,340	20,817,636

Source: Budget Bureau, State Treasury

Protest of trade bills for March 1961 (latest figure available), amounted to \$11,406,832, as compared with \$11,530,554 for February 1961, and \$9,550,837 for March 1960.

3. FOREIGN TRADE:

Rice - Local press reports indicate that East Germany will purchase 10,000 metric tons of rice from Rio Grande do Sul as a trial shipment. The Consulate will report further on this when details become available.

Beef - Press reports indicate that there is a possibility of exporting Rio Grande do Sul beef to Russia. The local Meat Institute reports that at present there are about 23,000 metric tons of beef available for export. Hoof-and-mouth disease, which has not yet been eradicated in this area, is responsible for some reluctance of overseas importers to purchase frozen beef from Rio Grande do Sul. The Consulate will report further developments.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Textile Industry - (See Consulate's despatch 45, March 6, 1961). The local Japanese Kurashiki textile mill will now receive its additional equipment free of exchange cover, in accordance with instructions issued by President Quadros. This State produces 90% of the total wool production in Brazil, but only utilizes 16 percent of this total.

Oil Refinery - PETROBRAS technicians have come to this area to study the local situation in connection with the projected installation of an oil refinery and pipeline. The site for the

UNCLASSIFIED

0679

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. _____
Dep. No. 57
From PORTO ALEGRE

installation of this refinery will be chosen after technicians have concluded their investigations. The Consulate will report the developing situation.

5. TRANSPORTATION AND COMMUNICATIONS:

Railroad Rates: As of May 1, 1961, the federal railway system operating in Rio Grande do Sul increased passenger and freight rates from 4 to 150 percent. This increase was made to reduce the railroad's present deficit, estimated at about \$5 billion for 1961.

Secretary of Transportation Appointed - Engineer Rodolfo Dagnino has been appointed State Secretary of Transportation by Governor Brizola upon resignation of Deputy Daniel Ribeiro from this post. Mr. Ribeiro's primary reason for resigning his post was the present critical financial situation of the local DAER (State Highways Department).

6. FINANCE:

Secretary of the Treasury - To replace Siegfried Heuser, who had been Acting State Secretary of the Treasury, Governor Brizola appointed Gabriel Obino, former attorney general for Rio Grande do Sul in Rio de Janeiro. Mr. Obino has held key positions in the State administration.

Exchange - The free market cruzeiro continued to weaken during the month under review, averaging \$284.28 per U.S. dollar (check buying rate), against \$250.00 in March 1961.

Money Conditions - No fundamental change in the cruzeiro money market has been reported. Local commercial banks continued to handle most short-term discounts offered by regular clients, but demand from importers for financing has for the most part been unattended.

Porto Alegre Municipal Government - Pending before the Porto Alegre city council is a proposal by Mayor Loureiro da Silva to issue bonds up to a total of \$1 billion to cover the municipal debt as well as to provide for improvement of water supply, paving of roads, and other civic improvements. Because of serious financial difficulties in the local municipal government the Mayor went to see President Quadros in Brasilia to obtain financial help. The Mayor announced a deficit of \$503 million for fiscal year 1960.

7. LABOR:

Management-labor relations were relatively quiet during April, and no major strikes were reported. Increases in bus fares and electric power rates are expected soon. Increased cost of living has been the favorite theme at rallies held by Communist-influenced

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Page 5 of
Encl. No.
Desp. No. 57
From PORTO ALEGRE

labor groups.

8. MISCELLANEOUS:

State Electrification Program - Due to increased cost of imported Diesel fuel (Instruction 204), the State Power Commission (CEEE) announced that rates will have to be adjusted soon. A substantial increase is expected, probably between 60 and 80 percent over present rates. It is reported that if this adjustment is not made, CEEE will run into financial difficulties. Two CEEE technicians have been selected to take a three-month course, from May 1 to July 31, 1961, in the French school "Electricite de France" of Gucy-Le-Chatel, in accordance with an agreement to train local technicians.

Power Rationing - Power has not been rationed in April, but the water levels at the hydro-electric plants' reservoirs have not been satisfactory due to lack of heavy rains and more rationing is expected.

Important Visits - Dutch Ambassador Baron Leve van Aduard, and Argentine Ambassador Carlos Manuel Muniz in Brazil made short visits to Rio Grande do Sul in mid-April. Both ambassadors conferred with State authorities and commerce and industry leaders on economic matters. The Dutch ambassador stated that his country is interested in helping the projected development of Rio Grande do Sul's coastal area.

Uruguaiana Meeting - A significant event in Brazilian and Argentine relations was the meeting in the town of Uruguaiana in Rio Grande do Sul, on April 20 and 21, of President Janio Quadros with the Argentine President Arturo Frondizi. A friendship treaty was signed, and other discussions resulted in recommendations for increased cultural relations, tourism, etc. It has been decided that major trade discussions will be held in Rio de Janeiro beginning May 4, by representatives of both countries. Brazil has a trade deficit with Argentina amounting to US\$60 million, and an improvement in trade relations will be sought.

For the Principal Officer

Hyman Bloom
Hyman Bloom
American Consul

cc. Amembassy RIO

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AIR POUCH		UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE 832.00/5-1261
FOREIGN SERVICE DESPATCH		57	MAY 12 1961
FROM	AmConsulate, CURITIBA	DESP. NO.	DATE
TO	THE DEPARTMENT OF STATE, WASHINGTON.		

REF	CERP Section C-2	SCA-3 PPT-2
55 For Dept. Use Only	ACTION 5/24	DEPT. IN OTHER
SUBJECT: ECONOMIC SUMMARY FOR APRIL 1961		

5/24 CTA-10 PAR-2 TR-3 FRA-3 XMO-4 DUE-7
ENT-7 LAB-6 USA-10
OSD-5 Army-6 Navy-4 NSA-4 AGA-8
60C-4

I SUMMARY

To judge by the weight of printed material on the subject nothing was considered more important during the month than the activities of the Curitiba and Ponta Grossa electric companies. The big increases in rates put into effect April 1 by both companies were over-ruled by the Federal Government after a storm of protests and cries for expropriation.

Many of the protests could be traced more to resentment over the precipitate increase in the cost of living than to antagonism for the companies. Prices for bread, milk, interurban transportation and other items were upped. The natural results of all this, demands for higher wages, were heard from many quarters.

A 4.7 million dollar loan was granted by the Inter American Development Bank for the construction of a cellulose plant near Guarapuava, Parana, and Japanese engineers arrived to begin technical studies on the possibility of constructing a hydroelectric plant at Sete Quedas. Coffee and mate exports remained fairly stable.

II - AGRICULTURE

1. Coffee:

Exports from Parana declined somewhat to 250,000 bags. The other Parana - Santa Catarina ports (Sao Francisco do Sul, Foz do Iguaçu, and Antonina) recorded similar decreases although no figures are available.

There is continued insistence in coffee circles on the establishment of a "Parana type" coffee price, at least 10% lower than the present highest-priced Brazilian type. Other proposals, including federal government permission to barter coffee or agricultural implements have been made to help get rid of the huge stocks in Parana warehouses. Parana is expected to contribute about 18,000,000 bags to Brazil's 1961/62 coffee crop.

Sources: "Diário do Parana" 4.6; 4.7; 4.13; 4.14; 4.16.61
"Estado do Parana" 4.11.61
"Gazeta do Povo" 4.6; 4.7; 4.11; 4.13; 4.28.61

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

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UNCLASSIFIED
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Page 2 of 5
Encl. No. _____
Disp. No. 57
From AmConsulate, Curitiba

2. Cottons:

Heavy rains have caused considerable damage to Paraná's cotton crop. Predictions that this year's crop would greatly exceed last year's have now gone down the drain.

The rains are not the only blight for cotton growers. The banks are withholding credits for crop financing, the result being a 10% drop in prices. In Londrina, the Rural Association has asked the Minister of Finance and the Bank of Brazil to be more liberal in financing the harvest.

Sources: "Estado do Paraná" - April 11, 1961
"Ultima Hora" - April 17, 1961

3. Mate:

Mate exports have recently held stable at about 3 million kilos a month. Producers continue the search for new markets. Asked what he thought of the possibility of introducing mate to the Russian market Paraná's Commercial Association President Adolpho Machado replied that the product would have to be "propagandized". He did not explain how this is done in the Soviet Union. Communist-oriented "Ultima Hora" carried Machado's remarks under the entirely misleading headline: "Exchange of Mate for Russian machines". The Russians reportedly will exchange machinery for coffee.

Sources: "Estado do Paraná", April 20, 1961
"Ultima Hora" - April 7, 12, 1961.

III - LABOR:

1. Wage Increases:

Bread has been very much in the news lately. First because of the wheat shortage and more recently because of a threatened strike by bakery workers. After the usual proposals, counterproposals and strike threats a 30% increase was granted so that the lowliest baker now receives 10,000a month.

Telephone workers demanded a 55% increase and probably would have settled for half of that but to their delight the company (I.T.&T. subsidiary) agreed to the 55% on the condition that the city government be equally as generous in granting a tariff increase. The company's gesture has the advantage of uniting management and labor in putting the heat on the prefeitura.

2. Price Increases:

Bread prices increased to 56 cruzeiros per kilo as of April 1. Milk increased $33\frac{1}{3}\%$ to 24 cruzeiros per liter. Consumption reportedly dropped 50%.

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0683

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(Classification)

Page 3 of 6
Encl. No.
Desp. No. 57
From: Consulate, Curitiba

Taxi fares, which have always been higher here than in São Paulo or Rio, are due for a further increase. Drivers are demanding 60% and to emphasize their demands a hundred or more taxis drove up in front of the Governor's office. The Governor said he knew nothing about the whole affair but the drivers' claims are now being "taken into consideration". ... Interurban bus companies were allowed to increase their fares by 12.5% and are already demanding an additional 44% increase.

3. Cost of living:

Statistics furnished by the (Paraná) "State Department of Statistics" show that food prices increased 21% in Curitiba during the first four months of the year. With additional increases in pharmaceutical products, clothing, gas and transportation the financial situation for most Curitiba families is becoming tighter and tighter.

Sources: "Estado do Paraná", April 7,9,16,26,1961
"Diário do Paraná", April 7,13,26,27, 1961
"O Dia", April 9,11, 1961
"Tribuna do Paraná", April 8,13,1961
"Ultima Hora", April 8,17,28, 1961

IV TRANSPORTATION AND COMMUNICATIONS:

1. Furor Over Electricity:

On April 1, Companhia Força e Luz do Paraná (American and Foreign Power) increased its rates by 60%. On the same date a 57.5% increase was put into effect by the Brazilian-owned Companhia Prada de Electricidade in Ponta Grossa. Both companies gave as justification for the rise increased costs resulting from Instruction 204, higher salaries and the devaluation of the cruzeiro.

The cries of anguish were not long in coming. "Nationalist" state deputies José Hoffmann and Waldemar Deros, city official Edgar Tavora and a host of other demagogues demanded (with regard to Força e Luz) (1) that the increase be repealed, (2) that the company pay the city of Curitiba 23 million cruzeiros in taxes which Tavora just discovered the company has "owed" the city for the past 30 years and (3) that the company be confiscated. The students, the labor leaders, the housewives and just about everybody else were reported as favoring the same steps. The hysteria also took the form of an attack on the director of Força e Luz, Mr. Joseph Brown, who was accused by Deputy Deros of telling him (Deros) that the company could charge whatever it wanted, that it would not take orders from any two-bit Governor or deputy and that it did not intend to pay the electric bills for "shameless Brazilians". Mr. Brown publicly denied that he had ever made any such statements.

The Consulate has learned the following from the company: The company charges one of the lowest rates in Brazil (3 cruzeiros per kw). The increase in rates is needed to cover increased costs. The city of Curitiba owes the company 28 million cruzeiros, which represents unpaid electric bills, and the

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0684

UNCLASSIFIED
(Classification)

Page 4 of 6
Encl. No. 57
Desp. No. 57
From: AM-CONSULATE, Curitiba

23 million allegedly owed the city is nothing but a cover-up. Since both the state and the city are virtually penniless neither is in a position to expropriate Força e Luz with compensation (Estimated value: about three billion cruzeiros)

Quiet was temporarily restored when the Federal Minister of Mines and Energy ordered the companies (both Força e Luz and Prada) to cancel the increases until further notice. The order was hailed by the nationalists as a victory.

COMMENT: Regardless of how justified the increase may have been it was widely resented, primarily because of its size and the rapidity with which it took effect. The nationalists were able to monopolize on this resentment for their own ends which consist essentially in ridding the country of "foreign exploiters".

2. Sete Quedas Plant

Six Japanese engineers (from the Japan Overseas Power Development Institute) arrived in Paraná during April to start discussions with Paraná officials about construction of the Sete-Quedas hydroelectric plant. They will be making a survey of the site to determine the feasibility of constructing a 600,000 k.w. plant. Their Public Relations man emphasized that the mission was concerned only with technical studies. Discussions for financing of the project will be carried on later through official channels, possibly between the Brazilian government and the Export-Import Bank.

Sources: "Diário do Paraná", April 6, 7, 1961
"Estado do Paraná" - April 6, 7, 8, 29, 1961
"Gazeta do Povo" - April 8, 7, 1961
"Última Hora" - April 7, 1961

3. Telephone Company

The local telephone company (L.T.M. subsidiary) presented a plan to Curitiba officials calling for the installation of 10,000 new phones. The mayor described the plan as "unacceptable" because it proposed financing of the new lines with high priced debentures rather than shares. He believes that it would be more democratic to offer stock in the company to those who own telephones. To cries of "expropriation" the mayor could only reply, somewhat reluctantly, that nobody has one billion cruzeiros to pay off the company. The city government had made an increase in tariffs conditional upon the presentation of an "acceptable" plan. In Ponta Grossa, meanwhile, the city government expressed its interest in new dial telephones. The Polish Consul in Curitiba said his country would install modern automatic phones in that city in exchange for coffee. The transaction would reportedly be made under the terms of the present-Brazil-Poland trade agreement. The Federal Government is reportedly studying this proposal.

Sources: "Diário do Paraná" - April 6, 14, 16, 28, 1961
"Estado do Paraná" - April 6, 15, 1961
"O Dia" - April 6, 8, 14, 15, 16, 23, 30, 1961
"Última Hora" - April 3, 8, 12, 14, 15, 29, 1961

UNCLASSIFIED

0685

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Page 5 of 6
End. No. _____
Dep. No. 57
From AmConsulate, Curitiba

4. Notes:

A Dredge finally arrived in Paranaguá in mid-April, and is now deepening the entrance to the harbor. The dredging will permit the entry of larger vessels than were heretofore accommodated ... The "old road" between São Paulo and Curitiba was impassable during the latter part of April and early May as the result of heavy rains, deterioration, etc.). At one point nearly 2000 trucks were stopped or crawling along at tortoise-pace. Since the new road has not been finished transportation between the two cities was virtually halted.

COMMENT: The Federal Government has neglected the old road to concentrate on the new one. A trip on the old road, which was at best a traumatic experience became almost an impossibility. A friend informed the reporting officer that it took him three days to travel the 500 kilometers between the two cities in his own truck.

Sources: Personal observation and "Diário do Paraná" 4.14; 4.29.

V INDUSTRY:

1. Cellulose:

The Inter American Development Bank has granted Lutch Cellulose & Papel S/A a loan of \$ 4,700,000 to build a paper, woodpulp and cellulose mill at Candi, Guarapuava (state of Paraná). The mill, which should be completed within 18 months, will cost \$13,000,000. The loan is to be repaid within 10 years at 5.75% interest per year. Lutch, Brown of Louisiana, principal shareholder in Lutch Cellulose & Papel, runs a similar enterprise in Montevideo, Uruguay. Estimates of the Guarapuava plants' anticipated output run as high as 138,000 metric tons a year. At present Brazil's annual production is 467,000 tons.

Sources: "Diário do Paraná" 4.6.61
"Estado do Paraná" 4.4; 4.7.61
"O Dia" - 4.13.61
"Gazeta do Povo" - 4.6; 4.12.61

2. Industrial Productivity Seminars:

The Paraná Federation of Industries, in cooperation with Point Four, the National Confederation of Industries and the National Center of Industrial Productivity will sponsor an Industrial Productivity Seminar in Curitiba from May 22 to May 25. At least three Americans will deliver papers on such themes as administration, production and marketing. They include a former director of General Foods, a former Vice President of Whirlpool and the President of Williamson Co. Previous seminars in Salvador, Belo Horizonte, Porto Alegre and Rio de Janeiro were very successful.

Sources: "Diário do Paraná" 4.25; 4.30, 1961
"Estado do Paraná" 4.19; 4.25; 4.27, 1961
"Gazeta do Povo" 4.25. 4.27.61.

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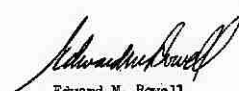
Page 6 of 6
Encl. No. 57
Desp. No. 57
From AmConsulate, Curitiba

VI TRAVEL TO THE U.S.A.

The collapse of the cruzeiro has had a noticeable effect on tourist travel to the United States. The number of visas issued by the Consulate during March, April and early May this year is quite a bit below the number issued during the corresponding period last year. At this time last year the dollar could be bought for about 185 cruzeiros. Today, the would-be traveler must pay 275.

COMMENT: The manager of the local VARIG office told the reporting officer that of 40 people signed-up for a July excursion to the United States 20 had dropped out, citing the price of the dollar as the reason. He added that VARIG has signed up 800 travellers (in all of Brazil) for a late summer excursion to the USA and Canada but that many could be expected to desist for the same reasons.

Sources: Conversations.


Edward M. Rowell
American Consul

cc: Counselor of Embassy for Consular Affairs
AmEmbassy, Rio de Janeiro (2)

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DEPARTMENT OF STATE
ASSISTANT SECRETARY
ARA

June 5, 1961

TO : The Secretary
THROUGH : S/S *gmm*
FROM : ARA - Mr. *diff* *of 5-1261*
SUBJECT : Suggested Reply to Letter from Mr. W. E. Knox

Discussion

You have received a letter from Mr. W. E. Knox, President of Westinghouse Electric International Company, enclosing a study of the social and economic problems in the new State of Guanabara, Brazil. (Tab B) The study, which was prepared by Dr. Ary F. Torres a prominent Brazilian, is being reviewed by appropriate officers in the Department. In the meantime a suggested interim reply has been prepared. (Tab A)

Recommendation

That you sign the attached letter to Mr. Knox. (Tab A)

Attachments:

1. Suggested reply (Tab A)
2. Letter from Mr. W. W. Knox,
May 12, 1961 (Tab B)

ARA:EST/B:REK:jok 5/29/61
awt

415989

CLEARANCES:

REA: Mr. Sinn
E: Mr. Rendell

EST/B 194

ARA

File RMR

EST/B:Jokelson-
June 11-22-61

5. M 832.00 / 5-1261

0688

EST/B - subject
Return to Rm 6256 ARA

SS#8194

JUN 6 1961

Dear Bill:

I have received your interesting and informative letter of May 12, enclosing an outline of a program whereby the United States Government could be of assistance to the new State of Guanabara, Brazil. It is obvious that Dr. Torres has given much thoughtful consideration to finding a solution to the social and economic problems facing the new State administration.

Dr. Torres' proposal is currently being reviewed by officials of the Department of State concerned with our social development and economic assistance programs, and, on the basis of their study and comments, I expect that a reply in more detail can be made within a few days.

With warm personal regards,

Sincerely,

/s/ Dean

Dean Rusk

S/S-RO

JUN 6 1961

A true copy of signed original

Mr. W. E. Knox,
President,

Westinghouse Electric International Company,
40 Wall Street,
New York 5, New York.

ARA:EST/B:RHC:crane:jck 5/29/61

Clearances: REA - Mr. Sinn (in substance)

X - Mr. Rendall (in substance)

S/S-RO Retyped 6/5/61

0689

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT SS#9169

*Def. letter to Mr. Knox prepared by
SS/S: J. H. Wilson - J. H. Wilson - J. H. Wilson
transmitted to Mr. Knox by teletype
from State Dept. June 14, 1961
ARA - Mr. Knox teletyped 6-14-61
by June 6-14-61*

ARA - Mr. Ortiz

Telegram to the Secretary from
William Knox

I refer to my conversation of this date with
ARA - Mr. Wilson. There is returned herewith
Mr. Coerr's memorandum of June 13 recommending an
acknowledgment of the subject telegram, in which
Mr. Knox expresses his appreciation for the
Secretary's acknowledgment of his letter and
suggests that Ambassador Stevenson discuss with
Governor Lacerda the Torres Plan for Guanabara,
Brazil. I believe it would be more appropriate
for the Secretary to forward a substantive reply
to Mr. Knox' original letter and at the same time
acknowledge Knox' telegram of June 8.

ARA, in consultation with such other offices
as may be necessary, is requested to expedite the
preparation of a substantive reply to Knox'
original letter. The recommended reply, under
cover of the usual memorandum to the Secretary,
should be received in S/S no later than noon,
June 26. If this deadline cannot be met, I would
appreciate being so advised by telephone.

Frank A. Mau
S/S-RO
Ext. 4154

Attachment:
As stated.

415990

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NOV 27 1961

*we now know
Lacerda &
Stevenson
not privately*

(2)

*RA 7237 - Mr. Knox
EST ARA
EST ID
10 action
VI-15*

H.W. 832.00/5-AR.61

0690

Edna Wilson
DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

June 8, 1961

Draft letter in reply prepared
by EST/B:JWWilson 6/12/61, sent **9169**
ARA - Mr. Ortiz forward by staff study
drafted same date. *June 8*

Telegram to the Secretary, dated June 8,
from William Knox re Possible
meeting between Amb. Stevenson and
Governor Lacerda re Aid to *State of*
Guatemala (G)

For appropriate handling. Any
instruction to Amb. Stevenson in Rio
should be cleared through S/S.

FMLWPT
F. A. Mau
S/S-RO
Ext. 4154

Attachment:

Telegram to Secretary from
William Knox dtd June 8.

0691

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

May 22, 1961

ARA - Mr. Ortiz

Letter to the Secretary, dated
May 12, from W.E. Knox of West-
inghouse Electric International
Co. re Torres Plan for Guanabara,
Brazil

ARA, in consultation with other
offices as may be necessary, is
requested to prepare a suggested
reply to the subject letter for the
signature of the Secretary. The
recommended reply, under cover of
the usual memorandum to the Secretary,
should be received in S/S no later
than Monday, May 29. If this deadline
cannot be met I would appreciate being
so advised by telephone.

Frank A. Mau
S/S-RO-1
Ext. 4154

cc: E - Mr. Griffith
B/FAC - Mr. Romano
ICA - Miss May

Attachment:
As stated.

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WESTINGHOUSE
ELECTRIC INTERNATIONAL COMPANY
30 WALL STREET, NEW YORK 5, N.Y., U.S.A.



You can be sure
... it's
Westinghouse



The Honorable Dean Rusk
Secretary of State
Department of State
2201 C Street N. W.
Washington, D. C.

0693

YOU CAN BE SURE... IF IT'S
Westinghouse

6690

SS#6194

JUN 6 1961

Dear Bill:

I have received your interesting and informative letter of May 12, enclosing an outline of a program whereby the United States Government could be of assistance to the new State of Guanabara, Brazil. It is obvious that Dr. Torres has given much thoughtful consideration to finding a solution to the social and economic problems facing the new State administration.

Dr. Torres' proposal is currently being reviewed by officials of the Department of State concerned with our social development and economic assistance programs, and, on the basis of their study and comments, I expect that a reply in more detail can be made within a few days.

With warm personal regards,

Sincerely,

/s/ Dean

Dean Rusk

S/S-RO

JUN 6 1961

A true copy of signed original

Mr. W. E. Rusk,
President,
Westinghouse Electric International Company,
40 Wall Street,
New York 5, New York.

ARA:EST/B:RHC:jam:jek 5/29/61
Clearances: RKA - Mr. Simm (in substance)
I - Mr. Randall (in substance)
S/S-RO Retyped 6/5/61

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8194

ARA

S/S

JUN 5 - 1961

TO : The Secretary
THROUGH : S/S
FROM : ARA - Mr. Coarr
SUBJECT : Suggested Reply to Letter from Mr. W. E. Knox

Discussion

You have received a letter from Mr. W. E. Knox, President of Westinghouse Electric International Company, enclosing a study of the social and economic problems in the new State of Guanabara, Brazil. (Tab B) The study, which was prepared by Dr. Ary F. Torres a prominent Brazilian, is being reviewed by appropriate officers in the Department. In the meantime a suggested interim reply has been prepared. (Tab A)

Recommendation

That you sign the attached letter to Mr. Knox.

Attachments

1. Suggested reply (Tab A)
2. Letter from Mr. W. E. Knox, May 12, 1961 (Tab B)

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JUN 5 1961

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Interim reply drafted
EST/B:RHEtrans: jck 5/29/61

Westinghouse
ELECTRIC INTERNATIONAL COMPANY
A DIVISION OF WESTINGHOUSE ELECTRIC CORPORATION



CABLE: WEMCOEXPO
PHONE: WHITEHALL 3-4821

40 WALL STREET
NEW YORK 6, N.Y., U.S.A.

May 12, 1961

The Honorable Dean Rusk
Secretary of State
Department of State
2201 C Street N.W.
Washington, D. C.

Dear Dean:

As you know, I am very well acquainted with the conditions and problems in Brazil. I have visited that country on many, many occasions and I have a host of Brazilian friends.

I am very pleased with the helping hand being extended to Brazil by the Kennedy Administration. I am looking forward, in the near future, to reading all about what we have agreed to do to help Brazil put her house in order. I am sure that this will cover not only the refinancing of current international obligations, but also will make possible the carrying out of urgently needed social and economic undertakings.

One of my oldest Brazilian friends is Dr. Ary F. Torres, a man whom I hold in very high regard and who is not only an outstanding businessman, but a great friend of the United States and a man who is greatly interested in social undertakings to make this a better world in which to live. Dr. Torres was President of the first Board of the Brazilian Development Bank (Banco Nacional de Desenvolvimento Economico) about ten years ago. He was also President, at that time, of the Brazilian Section of the Brazil-United States Joint Commission for Economic Development. Dr. Torres is currently in New York on more or less of a vacation. He leaves next week for Paris and will probably return to Brazil either directly or back through New York during the early part of June.

I am very impressed with a memorandum which Dr. Torres has given me on The Urgent Social Economic and Political Problems of the State of Guanabara, Brazil. I am attaching a copy for restricted circulation. I

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YOU CAN BE **SURE**... IF IT'S Westinghouse

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William E. Knopf

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The Honorable Dean Rusk

- 2 -

May 12, 1961

commend it to your reading with the hope that our Government may find some manner in which to give this new City-State immediate help which, in my opinion, must be based on political rather than economic considerations.

In discussing this matter with Dr. Torres, he developed a thought that the three and a half million inhabitants of the new State of Guanabara should be given hope by political impact activity on the part of the United States. He hopes that either within or without the framework of Latin American Aid, generally, and aid to Brazil, specifically, a way can be found to take immediate action on the special conditions existing in the State of Guanabara. Dr. Torres recommends that considerations be given to the establishment of a \$5 to \$10 million fund which would be at the disposition of a six-man mission, three of whom would be appointed by the United States Government and three by Governor Lacerda. To head up the American group, Dr. Torres suggests someone like Merwin Bohan, who, with the rank of Ambassador, was President of the American Section of the Brazil-United States Joint Commission for Economic Development.

Dr. Torres' view is that this six-man mission would immediately commit part of their funds to improve the local water system by supplying urgently needed new pumps. However, the majority of their funds would be spent in developing, with the assistance of the best experts procurable, plans for providing the city of Rio de Janeiro with adequate electric power, water and transportation, plus a program on public health and low-cost housing, plus a study of economic considerations to determine what new industries should be established in the State of Guanabara to provide a reasonable level of employment.

I hope that you will find the foregoing and Dr. Torres' attached memorandum not only of interest but, in spite of your multitude of problems, will be able to develop a plan which will ease the political tensions in Rio de Janeiro which are becoming critical.

Best regards and many thanks for your assistance.

Sincerely,

Bill

W. E. Knox
President

0698

MEMORANDUM

THE URGENT SOCIAL, ECONOMIC AND POLITICAL
PROBLEMS OF THE STATE OF GUANABARA, BRAZIL

With the move of the capital of Brazil to Brasilia, the previous Federal District of Brazil - Rio de Janeiro - has been made the State of Guanabara. In October 1960, its first Governor, Mr. Carlos Lacerda, was elected and took office in December.

In transferring the Brazilian Federal Government to Brasilia, the State of Guanabara has lost the enormous financial assistance rendered by the Government, the vast funds previously spent by legislators, and tens of thousands of individuals previously employed, either directly or indirectly, by the Government are now without jobs. This has greatly aggravated the already distressing local social and economic problems. It is an explosive political situation that requires immediate study and assistance quite apart from the pressing requirements of Brazil as a whole.

The State of Guanabara, with tax exemptions and other inducements, is doing everything it can to attract local and foreign private capital for industrial developments. At the same time, the State is operating with deficit financing with no visible means of being able to carry out urgently needed basic services of electric power, water, transportation, public health and low-cost housing, even though everyone agrees that these must be provided adequately before

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large scale industrial developments can be undertaken successfully.

The State of Guanabara unfortunately needs help at a time when the Federal Government is wrestling with rampant inflation, deficit financing and a most exasperating and difficult balance-of-payment problem. Accordingly, this new State can expect little help from the Federal Government which is putting its house in order including a radical reduction in Federal undertakings and Federal expenditures.

The State of Guanabara, because of its unusual organization of a City-State, with 3-1/2 million inhabitants concentrated in a small area, is a fertile field for the growth and development of extremist ideas. This is demonstrated by the fact that Mr. Carlos Lacerda, although an outstanding leader, received only 40% of the total votes cast in the October 1960 election with second place going to a recognized Leftist. With Rio de Janeiro as the recognized cultural center of Brazil, it has received and is receiving the best attention of the Communists. If Mr. Lacerda is not helped promptly to resolve, or at least lessen politically, the basic local services problems, the Leftist parties will take control of Guanabara in the relatively near future.

As a general procedure, the U. S. Government has followed a policy of multilateral aid with the hope, if not expectation, that in the long run, by showing its good intentions, the aid would result in benefits in the national interest of the United States. This memorandum is an appeal to help a demonstrated friend of the United States, to keep him on the job to the end that his power and influence will be extended in Brazil which will definitely be in the long-term

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interest of the people of both Brazil and the United States. Governor Lacerda is not only a popular leader and a Democrat but a demonstrated friend of the United States. For example, Governor Lacerda was the only Brazilian Governor who has publicly and consistently opposed Moscow-controlled Castro both before and after the abortive landing in Cuba on April 17th by anti-Castro forces. Unfortunately, in seeking aid from Brasilia, his publicly-expressed views, on Cuba, for example, are contrary to the "Independent" or "neutralist" policy followed by Brazilian President Janio Quadros.

The Act of Bogota, with its conclusion on "the need for providing instruments and mechanisms for the implementation of the program of inter-American economic and social cooperation", was fully supported by President Kennedy's Special Message to Congress recommending action to implement the Act on a long-term program of cooperation. All of this means that hopefully, in due course of time, the U. S. Government agencies of the Export-Import Bank, the Development Loan Fund, PL-480 et cetera, in cooperation with UN special agencies such as the International Bank for Reconstruction and Development and the UN Economic Commission for Latin America, and the inter-American organizations of the Inter-American Economic and Social Council of the Organization of American States and the Inter-American Development Bank will hopefully help Latin America to help itself. All of these organizations encompass encouraging and desirable long-term objectives, but neither the State of Guanabara and particularly Governor Lacerda and the people of the

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City-State of Rio de Janeiro can wait. Accordingly, it is recommended that the concerned officials of the United States Government consider direct and immediate social and economic assistance to the demonstrated friendly, able and intelligent Governor Carlos Lacerda of the State of Guanabara, Brazil.

A. F. T.
New York, N.Y.
12/5/61

0702

ARA
RMR

July 24, 1961

Dear Mr. Board:

Secretary Back has asked me to write to you with regard to your letter of May 18, 1961 and his letter to you of June 8, 1961. Officials of the Department of State have considered the program outlined by Mr. Roy P. Torres for assistance in solving the many problems facing the San State of Honduras, Central. The Department is aware of the problems and recognizes and appreciates the importance of solving Honduras's economic situation. Under the United States, the Department's financial assistance has been provided through various means of private loans and other measures and the United States will be considered under the Act of March 1946 and the 1948 Act. In addition, the International Development Bank has recently approved loans to both public and private interests in Honduras to be provided to provide assistance to the State of Honduras as well as to other areas of Honduras to the extent feasible within availability of funds.

We will appreciate that our assistance will ultimately be directed toward the overall problem of Honduras and that the assistance must be given to the Federal Government of Honduras as provided by the Federal Government of Honduras. Honduras has recently indicated that the situation of Honduras will require further assistance in an effort to solve the problems of this country's economic state. I am sure, however, that the various United States and international lending agencies will be prepared to assist the Honduran economy and social development projects proposed and presented by Secretary Torres.

We have under active consideration a plan to send a survey team to Honduras to study the possibility of establishing a Honduran institution to provide economic assistance. This proposal includes providing from a portion of the Government Loan Fund from Honduras through and through the Survey will be maintained it is anticipated that the State of Honduras will be given a high priority in the future.

Very truly yours,
WILLIAM E. BORG, President
Honduran American Chamber of Commerce
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EST, DLP

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On behalf of the Secretary, I should like to thank you for
your letter of June 5, 1941, the contents of which were conveyed
to our Embassy at Rio de Janeiro for the attention of Ambassador
Boardman.

Sincerely yours,

Robert F. Woodard
Assistant Secretary
for Inter-American Affairs

B/S CR

JUL 23 1941 PM

afternoon

RECORDED - FOR STATION FILE
CLASSIFIED - FOR STATION FILE

RECEIVED BY THE SECRETARY OF STATE JUL 23 1941

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DEPARTMENT OF STATE
SPECIAL ASSISTANT TO THE SECRETARY

June 28, 1961

ARA - Mr. Coerr:

Through S/S *not done*

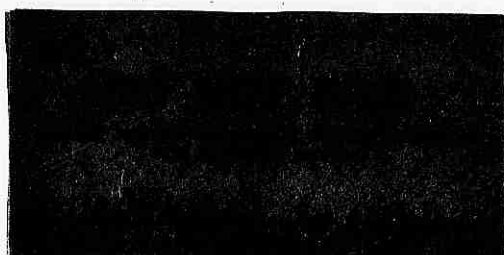
It would be appreciated if you will have the proposed letter at Tab A of the attached study recast for your signature, with an appropriate indication to Mr. Knox that you are replying on the Secretary's behalf at his request and that the letter constitutes a further response to his letter to the Secretary of May 12. As a matter of presentation we would suggest that reference to Mr. Knox's telegram of June 8 be made the final rather than the first paragraph inasmuch as we are not planning to give Mr. Knox much information on Ambassador Stevenson's visit.

Attachment
Staff Study #10172

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Thank you for your telegram of June 8 the contents of which were conveyed to our Embassy at Rio de Janeiro for the attention of Ambassador Stevenson.

You will appreciate that our assistance will necessarily be directed toward the over-all problems of Brazil and that due consideration must be given to the relative importance of needs as established by the Federal Government of Brazil. President Quadros has recently indicated that the Northeast of Brazil will receive priority attention in an effort to solve the problems of this chronically depressed area. I am sure, however, that the various United States and international lending agencies would be prepared to consider specific economic and social development projects proposed and presented by Governor Lacerda.

With warm personal regards,

ARA - Mr. ^{Benjamin} Barrall

E - Mr. Kerpel

Clearances: REA-Mr. Sinn (draft) *WLB*
EST - Mr. Wellman (draft) *WLB*
ED - Mr. Randall (draft) *WLB*
B/FAC - Mr. Kyle (draft) *WLB*
DIF - Mr. Dyche (substance) *WLB*
ICA - Mr. Hannum (draft) *WLB*

ARA:EST/B:JRM/1son/RHC/maej: jck 6/26/61

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SENT TO: Ambassador RIO DE JANEIRO 109 PRIORITY

VERBATIM TEXT

STEVENSON TRIP

Following telegram received by Secretary June 8 from William E. Knox

President Westinghouse Electric International.

QUOTE Thank you for your letter of June 6 reference my letter of May 12

regarding the urgent problems of the new State of Guanabara in Brazil.

If Governor Stevenson's program in Rio June 10 to June 12 could include

a meeting with Governor Lacerda I believe it would be desirable and possibly

helpful. Regards and thanks. UNQUOTE

Secretary's letter acknowledged letter from Knox enclosing a paper drawn up by Dr. Ary F. Torres which outlined urgent economic and political problems State of Guanabara and described need for \$5 to \$10 million fund to develop plans for providing Rio with adequate water system, electric power transportation, public health facilities, and low cost housing and study of new industry possibilities.

Leave to discretion Embassy and Ambassador Stevenson's desirability and feasibility appointment with Lacerda.

RUSK

Drafted by:

ARA:EST/BJW:lsom:jek 6/9/61

Telegrams transmitted and

classification approved by:

EST - Mr. Hemba

Classified:

RPA - Mr. Monahan (in substance)

ICA - Miss May

S/S - Mr. WALKER Valletos

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Form 51-322
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AIR FOUCH

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(Security Classification)

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FOREIGN SERVICE DESPATCH

822.00/5-1661

FROM : Amconsul SALVADOR, BAHIA, BRAZIL 50

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 16, 1961

REF : CERP-002

25	ACTION	DEPT.
Use Only	5-23	1 IN 10 OTHER

SUBJECT: Economic Summary for April, 1961.

TR-3 FRB-3 XMB-4 DLF-7 Army-6 Navy-4

INDEX

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 Bahia money market, in general, appears to be tightening, though some local banks are having no trouble satisfying the requirements of their clients. Exports continue at a good pace with the majority of cover being funneled to the South. Cocoa exports have been returned to the private exporters with a new official "cocoa dollar" of Cr\$210.00 and cocoa prices, both internationally and in the cocoa zone, are up. Although sales remain fairly good, collections have deteriorated both locally and in the interior since last March and are considered poor at present. Much of the blame for this is laid on Petrobras' recent bad payment record. However, there is also an optimistic view prevailing that business conditions will shortly improve. Petrobras now has money to pay its bills, a Northeast loan from the Interamerican Development Bank has been approved and cocoa movement is on the increase. Interest which has been shown in this section of the country by the new administration is also a reassuring sign. A high dollar exchange rate continues to provide a strong impetus to exports and exchange cover is relatively plentiful. Local imports remain almost paralyzed pending further clarification of the new regulations. Therefore, the largest part of the cover is still going to the South.

1961 MAY 22 AM 15

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OFFICE SYMBOL		ACTION	TO RM/R

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(Classification)

Page 2 of
Encl. No. 50
Desp. No. 50
From Salvador, Bahia

2. Industry and Investments:

(a) The Banco do Nordeste do Brazil has approved a loan to the Companhia Eletroquímica da Bahia in the amount of 150 million cruzeiros for the installation of a factory which will manufacture caustic soda, liquidified chlorine, sodium hypochlorite, hydrochloric acid, CHG and carbonic gas. (See Economic Summaries for April 1960 and March 1961).

(b) On April 17, 1961 the "Matadouros e Frigoríficos S.A. (MAFRISA)", inaugurated their slaughterhouse and cold storage plant, which has been built in the town of Feira de Santana about one hundred kilometers from Salvador, capital of the State of Bahia. The capital of this company consists of 56 million cruzeiros divided in 56,000 ordinary shares, with the nominal value of Cr\$1,000 per share. The investment organizers of this company are Fundo de Desenvolvimento Agro Industrial (FUNDAGRO) and Instituto de Pecuária da Bahia, which are the largest shareholders. The plant is equipped with modern machinery, all of which has been supplied by Brazilian manufacturers with the exception of the compressors which were imported from Denmark. The plant has a slaughterhouse capacity of 300 oxen, 100 hogs and 100 goats (six hours per day). See Consulate's despatch no. 49 dated May 16, 1961.

(c) Petrobras recently signed a contract with the Hudson Engineering Corporation, of Houston, Texas to plan and supervise the installation of a factory for manufacture of natural gasoline at Catú, Bahia. It is estimated \$8 billion and a half cruzeiros will be invested in this enterprise and 70% of the equipment will be of Brazilian manufacture. Catú is about 40 kilometers north west of Salvador on a well paved road.

3. Agricultural Development and Policy:

(a) Cocoa. On April 7, the new "cocoa dollar" of Cr\$210.00 was announced. This rate applies to the exports of beans, as well as cocoa butter, paste and cake, although exporters of the latter three products will receive an additional bonus of 20%. Exports of finished consumer products such as cocoa powder and chocolate, are on the free market. No minimum price for bean exports has been established, although the Bahia Cocoa Trade Commission must approve, at daily meetings, all sales made the previous day. Sales at prices deemed to be too low will not be registered. Prices in the world market have recently taken a jump of about 2 cents per pound and continue firm. These favorable prices and the rate of Cr\$210.00 are permitting the exporters to pay the growers considerably more than the minimum support price of Cr\$820.00 per arroba. The latest prices in the interior are reported to be Cr\$1,000.00. The local cocoa trade, needless to say, is jubilant with the return of exports to private hands after almost two years of government intervention in the market. Estimates for the mid-crop are still running from 900,000 to 1,200,000 bags at 60 kilograms each.

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Page 3 of

Encl. No.

Disp. No. 50

From Salvador, Bahia

(b) Castorseed and Castor Oil. Prices in the interior seem to have caught up with the rise in the exchange rate. Castor beans now sell for Cr\$21.00 per kilogram at the factory in Salvador, about 50% more than a month ago. The mid crop should start arriving late in May and is expected to be small due to insufficient rain. Preliminary estimates for the total crop are 80,000/90,000 metric tons, down from the record of nearly 110,000 tons in 1960. Although the export of castor beans is now technically on the free market, the government has reached a gentleman's agreement with the oil processors that no export licenses will be granted for beans so long as the processors take the entire crop at prices equal to those for the direct export of the beans. Castor oil prices in the world market remain steady.

(c) Tobacco Leaf. The prime quality Mata Fina tobaccos are just starting to move into the hands of the exporters, although the crop in the other zones is already about 75% purchased. Prices in the Mata Fina remain amazingly low both in relation to last year and to the prices being paid in the other zones. This is true, despite the much higher dollar rate, due to unsold Mata Fina stocks from last year and a shortage of funds on the part of both the exporter and the farmer. Buying interest from Europe is quickening, but at prices somewhat lower than last year. It is felt that at these prices the entire crop should be sold without much difficulty.

4. Petroleum:

The announcement by the Federal Government that Petrobras will pay the State of Bahia and various municipalities royalties dating back to 1957, on oil extracted from off-shore wells, was greeted with great satisfaction here.

It has been reported that during the year 1960, Petrobras has paid royalties to the State of Bahia in the amount of Cr\$71,381,026.00 and to the various municipalities Cr\$265,524,103.30, on oil extracted from off-shore wells.

5. Transportation and Communication:

(a) The Banco Nacional de Desenvolvimento is going to loan 15 million cruzeiros to the Estrada de Ferro de Nazaré S/A railroad. This money, it is reported, will be used to pay for the 30 kilometers of rails ordered from the Companhia Vale do São Francisco. (See Economic Summary for July, September and November, 1959).

(b) The Civil Aeronautic Department has published statistics on Brazilian airport movement during 1960. Figures show that the Salvador airport was in the seventh place with 12,222 airplanes calling at this airport transporting 387,956 passengers. Of this total, 134,195 passengers embarked, 129,602 disembarked and the balance were in transit.

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Page 4 of
Encl. No.
Desp. No. 50
From Salvador, Bahia

(c) The Companhia Navegação Bahiana, a mixed government-private steamship company, will soon receive two Polish ships, 3,500 tons each, which were bought by the Brazilian Federal Government in exchange for coffee. Payment will be on a long term basis with installments on the basis of 20% of the net value of each shipment.

(d) According to the local reports Petrobras has expended, up to March 30, 1961, through agreements with the Bahia State Government, the sum of Cr\$618,247.423.00 in the construction of the following highways: BR-Mataripe C. \$37,169,027.80; BR-28-Catá, C. \$16,641,047.90; BR-Ba-6-Pajuca-Entre Rios, C. \$117,954,948.40; BR-Candeias-São Francisco do Conde, C. \$68,381,505.80; BR-12-Catá-Alagoinhas, C. \$49,611,964.80; BR-Sítio Novo-Buracica, Cr\$2,604,875.80; Estações Recife-Pau Lavrado, Cr\$128,884,652.60.

6. Labor:

Sr. Castro Neves, Minister of Labor, visited the city of Salvador during the month of April for a few days. The purpose of his visit was to defend the economic policy of the federal government, mainly concerning Instruction 204 and its influence in the cost of living. A meeting was held at the office of the Sindicato dos Comerciantes da Bahia, where he met for six hours with leaders of various Unions.

7. Finance:

According to the State Internal Revenue Department Cr\$591,617,991 cruzeiros were collected during the first four months of 1961 which constitutes an increase of Cr\$115,306,623 over the same period in 1960.

It is reported that the Bahia State Government plans to borrow 400 million cruzeiros from the Banco do Brazil, with State revenues as collateral. This loan will be for a short period and will be paid with this years revenue collection. One of the main purposes of the loan will be to pay the salaries of State employees.

8. East-West Trade:

Exports to Soviet Bloc countries during the month of April 1961 were as follows: Yugoslavia, 350 metric tons of sisal fiber; Latvia, 580 tons of castor oil; Czechoslovakia, 1,000 tons of cocoa beans; Poland, 506 tons of cocoa beans and 301 tons of sisal fiber.

FOR THE CONSUL

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro

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AIR POUCH
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(Security Classification)
FOREIGN SERVICE DESPATCH

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FROM : Amcongen São Paulo 435
TO : THE DEPARTMENT OF STATE, WASHINGTON. May 18, 1961
REF : CERP C - General Interest

55 For Dept. Use Only	ACTION REC'D	DEPT. IN OTHER	AMR-2 RSP-1 ENR-10 E-6 ICA-11 EE-4
5/23	USEA-10 OSD-2 DM-35 TMM-30 CIA-16		

SUBJECT: Biweekly Economic Review, May 5 - 18, 1961

INDEX

- Shipping Companies Ease Freight Tariff Surcharges A. D. Ventura
- Bank of the State of São Paulo Doubles Capital and Establishes Economic Expansion Department R. E. Cahn
- São Paulo Reaction to New Coffee Shipping and Financing Regulations R. E. Cahn
- Strike on the Paulista Railroad Averted A. D. Ventura/R. E. Cahn
- Trade Mission from Communist China in São Paulo A. D. Ventura
- Local Company Manufactures Road-Roller Patent Agreement with U. S. Company A. D. Ventura
- Refinações de Milho, Brazil, Lays Cornerstone to Corn Processing Mill A. D. Ventura

1. Shipping Companies Ease Freight Tariff Surcharges

Since the congestion at the port of Santos showed signs of definite improvement (see item 4 desp. 390 April 20), the shipping conferences eased the freight tariff surcharges that had been established in March (item 2 desp. 331 March 10 and item 2 desp. 349 March 24). The 25 percent freight tariff surcharge on cargo shipped out of Santos to the United States and Europe was cancelled. The 25 percent surcharge on cargo shipped from European ports to Santos remains in effect, while the surcharge on cargo from the United States was reduced provisionally from 25 percent to 15 percent for the period May 15 to June 18. All surcharges are to be re-imposed if the port again becomes congested.

2. Bank of the State of São Paulo Doubles Capital and Establishes Economic Expansion Department

At a shareholders' meeting held on May 12 the Bank of the State of São Paulo, controlled by the state government, decided to increase its capital from one to two billion cruzeiros. The by-laws of the bank were also altered to permit the establishment

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(See insert for contributors)

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Page 2 of
Encl. No. 435
Desp. No. 435
From Amcongen São Paulo

of an Economic Expansion Department, which is to handle the Agricultural Expansion Fund called for by the São Paulo Plan of Action and by the Agrarian Reform Law (see item 3 desp. 368 April 7, 1961).

Comment: The Agricultural Expansion Fund has not yet been established, but should be established in the near future.

3. São Paulo Reaction to New Coffee Shipping and Financing Regulations

The new coffee shipping and financing regulations, which immediately followed the SUMOC announcement altering the foreign exchange treatment accorded coffee, received a mixed reaction in São Paulo. The initial reaction was mostly favorable, since it was felt the regulations would encourage the production and export of the better quality coffees that were given shipping preference. A second look, however, left the situation somewhat confused. Several export shipments were even held up at Santos pending clarification of the new regulations. The main reservations appeared to be that too much red tape was involved, particularly in establishing grades and cup quality, which could slow up exports. Some critics also were dissatisfied with the commitment of the government to start buying up crop surpluses only in March 1962. These feel that the domestic price will drop if the government does not start buying surplus coffee earlier.

4. Strike on the Paulista Railroad Averted

A recent Regional Labor Court ruling upheld claims of the workers of the Paulista Railroad for a 30 percent wage increase and higher fringe benefits. The Paulista Railroad management, however, claimed that it could not meet increased wages on its present revenue. Negotiations were broken off and the workers threatened to go on strike on May 16. On May 15 the strike was averted when the São Paulo State Government promised to subsidize the railroad in the amount of Cr\$220 million (approximately half of the sum required to meet increased payrolls) and to request the Federal Government to grant the railway an additional subsidy of Cr\$210 million.

Comment: Since the railway cannot increase rates arbitrarily, but must obtain specific authorization to do so, it has always been placed in a delicate position in wage negotiations and on each occasion labor has suggested that the State Government expropriate the railway. In the past rate adjustments were authorized and this is the first time that a subsidy was considered.

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0714

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(Classification)

Page 3 of
Encl. No. 435
Disp. No. 435
From Amongen São Paulo

5. Trade Mission from Communist China in São Paulo

A five-man trade mission from Communist China arrived in São Paulo on May 17, having already been in Brasília, Rio de Janeiro, and the State of Rio Grande do Sul. The mission is headed by Mr. Nan Han-Chen, member of the Chinese National Permanent Popular Assembly, president of the Chinese Council for the Development of International Trade, and member of the board of directors of the Bank of China. The mission will look into the possibility of developing trade between Brazil and Communist China. Conversations will be held with the Federation and Center of Industries of the State of São Paulo (FIESP-CIESP) which will arrange for meetings with local businessmen and visits to factories. Among the Chinese products reportedly available for export are agricultural machinery, mining equipment, textile machinery, coal, steel laminates, chemical products and cotton and silk fabrics. The mission will remain in São Paulo until May 21 when it will depart for Argentina.

6. Local Company Manufactures Road-Rollers Under Patent Agreement With U. S. Company

Fabrica Nacional de Vagões - FNV S. A., an important manufacturer of forged and cast-iron wheels, will produce Buffalo-Springfield road-rollers under licensing agreement with the Koehring Overseas Corporation of Milwaukee, Wisconsin. Production of the three-wheel, tandem type, rollers, at the rate of 100 units annually, will start before the end of May at FNV's plant outside Cruzeiro, a town located some 175 miles from São Paulo, close to the São Paulo-Rio de Janeiro state line. The Koehring Company will provide technical assistance. Only local parts will be used for the manufacture of the rollers. The only other manufacturer of road-rollers in Brazil is Huber-Warco do Brasil S. A. of São Paulo.

7. Refinações de Milho, Brazil, Lays Cornerstone to Corn Processing Mill.

Refinações de Milho, Brazil--a subsidiary of American Corn Products Inc.--laid the cornerstone to a new corn processing plant at Mogi Guaçu, S. P., on May 17. The new plant will have a total area of 500,000 square meters, of which 30,000 square meters will be covered. Total investment will be between Cr\$2 and 3 billion. Approximately 80 percent of the machinery and equipment will be locally manufactured, while the balance, mainly special processing equipment, will be imported from the United States. Processing capacity of the new mills, which will employ 500 workers, is calculated at 400 metric tons of corn daily. Water pumped from the nearby Mogi-Guaçu river will be consumed at the rate of 2 million liters daily. Annual power consumption will total over 22 million KWH annually.

UNCLASSIFIED

0715

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 135
Desp. No. 135
From Amcogen São Paulo

Refinações de Milho, Brazil, already operates a corn processing plant in São Paulo and the two plants, when the Mogi Guaçu one is finished, will constitute the largest corn processing organization in the world outside the United States.

William P. Cochran, Jr.

William P. Cochran, Jr.
Minister Consul General

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0716

FOREIGN SERVICE DESPATCH

FROM : LACONTE, SAO PAULO

60

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 10, 1961

REF :

19 For Dept. Use Only	ACTION # ACB-4	DEPT. STATE	1 REF-LR/R-2	2 LK-1	3 FNA-7	4 E-7	5 ICA-11	6 B/FAC-5
8-31	8-31	8-31	8-31	8-31	8-31	8-31	8-31	8-31

SUBJECT: Mato Grosso Governor Corrêa da Costa's Press Interview

Attached herewith is an account of a press interview, which may be of possible interest to the Department, that Mato Grosso governor Fernando Corrêa da Costa (UDN) granted to the leading daily O Estado de S. Paulo on August 10, 1961. The visiting governor came to Sao Paulo to assist in the opening of the National Unity Week sponsored by the Students "Union of the 22nd of August" of the Faculty of Law of the Catholic University of São Paulo.

Fernando Corrêa da Costa praised the governments of São Paulo's governor Carvalho Pinto and President Janio Quadros. Corrêa da Costa said that by promoting the economic integration of the country Carvalho Pinto and Janio had contributed to national unity. The Mato Grosso governor expressed his support of agricultural reform which should be extended on a regional basis. Corrêa da Costa declared that President Janio Quadros was contributing greatly to the economic development of Mato Grosso; that Mato Grosso expected to receive about 50 billion cruzeiros from the federal government during Janio's tenure; that the President had authorized the paving of the Cuiabá-Campo Grande-Porto XV road, totalling 1,190 kilometers which, when completed, will cost about 9 billion cruzeiros. The Mato Grosso governor said that both Janio Quadros and Carvalho Pinto had assisted in the development of electric energy in Mato Grosso. Corrêa da Costa added that the economic development of the northeast will do much to allay the "anti-southern" prejudice which many people in the under-developed states feel toward the richer and more industrialized southern areas. The governor of Mato Grosso also expressed his support of Janio Quadros' foreign policy.

William P. Cochran, Jr.
Minister Consul General

Enclosures: 10
As stated

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0717

O ESTADO DE S. PAULO
AUGUST 17, 1961

"Ação presidencial concorre para a Unidade do País"

O governador de Mato Grosso, sr. Fernando Corrêa da Costa, declarou ontem, à noite, em entrevista exclusiva concedida a um repórter desta folha, que os governos dos srs. Janio Quadros e Carvalho Pinto, respectivamente, na República e no Estado de São Paulo, promovem economicamente a integração de diversas regiões do País colaborando dessa forma para maior unidade nacional. Pronunciou-se favoravelmente à Reforma Agrária, por região, e a uma política nova no setor de habitações.

Acompanhado de seu filho, o engenheiro-agronomo Fernando Augusto Corrêa da Costa e do engenheiro Demosthenes Martins, representante de Mato Grosso na OLSA, o chefe do Executivo mato-grossense chegou ontem às 11 e 30 a esta Capital, procedente de Cuiabá. O ilustre visitante veio a São Paulo a fim de assistir hoje à solenidade de abertura da "Semana da Unidade Nacional" e de pronunciar amanhã, dentro do programa do certame, uma conferência sobre "Mato Grosso e a Unidade Nacional". A palestra do sr. Fernando Corrêa da Costa será proferida no salão do Centro Acadêmico "Sedes Sapientiarum" logo após conferência do sr. José Bonifácio, secretário da Agricultura de São Paulo, que decorrerá sobre o tema "Reforma Agrária e Unidade Nacional". A "Semana" é promovida pelo Centro Acadêmico "22 de Agosto" da Faculdade Paulista de Direito.

O governador do vizinho Estado voltará para Cuiabá no próximo sábado, para presidir naquela data a sessão de instalação da Convenção Regional de seu Partido, a União Democrática Nacional.

REFORMAS DE BASE

Após exaltar o apoio que o presidente da República empresta ao

Estado natal para o desenvolvimento econômico, ressaltou o sr. Corrêa da Costa que na gestão Janio Quadros, Mato Grosso receberá cerca de 60 bilhões de cruzados do governo federal. Durante a II Conferência dos Governadores, realizada em Cuiabá, o presidente autorizou a pavimentação desses cinco anos das rodovias Cuiabá-Campo Grande-Porto XV, num total de 1.150 quilômetros e cujo custo aproximado é de nove bilhões de cruzados — prosseguiu o governador. Considerou a seguir que toda a região atravessada pelo eixo da rodovia que vai de Cuiabá, centro geodésico da América do Sul, até as barrancas do rio Paraná, em Porto XV, transite ao Estado de São Paulo, passando por Campo Grande, desempenha importante papel na economia estadual face ao desenvolvimento da produção agropecuária. Esta se escoará através da rodovia pavimentada, para o mercado da zona consumidora da Alta Sorocchana, e para as maiores centros urbanos do País, São Paulo e Rio.

Resaltando que os principais problemas de seu Estado serão resolvidos com estradas e com energia elétrica, o sr. Corrêa da Costa enumerou os benefícios que advirão para a pecuária, para as zonas de cultura rizícola, de café, de milho e de outros cereais, com a pavimentação e construção de novas estradas pelo Governo da União. Mato Grosso, que foi periferizado pelas bandeiras paulistas que atingiram o Cuiabá e o Campo-Martin, crescerá economicamente, politicamente. Outra rodovia, a BR-23 — Cuiabá-Acre — ligará o Brasil ao Peru, aduziu.

ENERGIA

Com relação à energia elétrica informou que tanto o sr. Janio Quadros quanto o sr. Carvalho Pinto auxiliaram Mato Grosso nesse setor. O presidente, entre outras concessões, autorizou a entrega de mais duas turbinas para a usina de Mineiros, no valor de um bilhão e 200 milhões de cruzados. Quanto à Urubupungá, revelou o governador que, em 1951, em discurso pronunciado nesta Capital, na reunião dos governadores, apresentou como primeira reivindicação de seu Estado a construção da usina de Urubupungá. "Estou muito satisfeito com o ritmo dos trabalhos" — disse — depois de exaltar o esforço de São Paulo para a realização do grande empreendimento.

Mas em Cuiabá — assegurou — há um motor que o povo chama de "Carvalho Pinto". O motor fornece 1.300 kva há dois ou três meses e nos foi cedido pelo grande homem que dirige São Paulo. Além do setor da energia elétrica posso informar que hoje estou em empresa produtora de transformadores a fim de verificar o estado de três deles que adquirimos para entregá-los a Campo Grande no próximo dia 25, data de mais uma aniversário de fundação da cidade.

SENTIMENTO ANTISULISTA

A respeito do sentimento antissulista que cresceu em regiões menos favorecidas do País, devido à desigualdade econômica, disse o sr. Corrêa da Costa que no momento em que se promove o desenvolvimento econômico dessas regiões acabará essa prevenção. Até há pouco tempo esse sentimento vigorava em Mato Grosso. Hoje, com a política do sr. Janio Quadros, há maior distribuição da riqueza, e por isso em meu Estado isso acabou, aduziu.

OUTROS ASSUNTOS

O governador de Mato Grosso encerrou sua entrevista dizendo que o "presidente Janio Quadros vive o momento internacional com grande capacidade e a sua política também está certa nesse setor".

Hoje, ainda, o governador de Mato Grosso deverá avistar-se com o chefe do Executivo estadual paulista, nos Campos Eliseos.



Entrevista

O governador de Mato Grosso, sr. Fernando Corrêa da Costa, ao conceder, ontem, à noite, no Hotel Jaraguá, entrevista exclusiva ao "Estado".

0718

AIR POUCH
PRIORITY

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SECURITY CLASSIFICATION

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832-0952561

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

1060
DESP. NO.

MAY 30 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 25, 1961
DATE

REF : CERP C-1

EUR-586EAI

65 For Dept. Use Only	ACTION REC'D	DEPT. IN F O OTHER
	AAA-5	AMIA-2 REP-1 INA-10 E-6 ICAN RE-4
	5/31	USA-10 OSD-2 ARMY-35 NAVY-20 NSA-4

SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period Covered April 22-May 5, 1961)

CIA-16 COM-12 TAR-2 TR-3 IAB-3

I N D E X

XMB-4 DAF-7 AGA-8 INT-7 UAB-6

1. Coffee Statistics
2. Quadros Signs Law Creating Eletrobrás
3. Contract Signed for Construction of Natural Gasoline and Liquefied Gas Plant at Bahia
4. USIMINAS (Usina Siderurgica de Minas Gerais) Signs New Contracts
5. Minas Gerais Bishops Advocate Rural Reform
6. New Directors and Counselors of the ENDE Take Office
7. The Federal Supply and Price Commission (COFAP) Extended for Three Months
8. Right to Strike
9. Wage Agreements
10. New Exemption Limits for Income Tax
11. Exemption from Sales and Consignment Tax for Guanabara State
12. "Draw-Back" Decree Signed
13. Communist China Trade Mission Visits Rio
14. Dentas Mission Reaches Trade Agreements with Bulgaria and Yugoslavia

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1. Coffee Statistics

Coffee exports during the month of April 1961 were 1,322,459 bags, compared to 1,305,606 bags exported during the month of April 1960.

Total coffee exports for the current marketing year, July 1, 1960 to April 30, 1961 were 13,958,999 bags, compared to 15,092,776 bags exported during the same period last year.

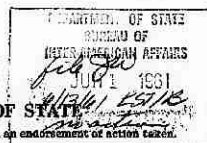
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0719

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Page 2 of
Encl. No. _____
Disp. No. 1060
From RIO DE JANEIRO

2. Quadros Signs Law Creating Eletrobrás

The Eletrobrás bill, creating a Federal electric power monopoly, was signed by the Chief Executive on April 25, 1961 (with several sections having been vetoed), and was published in the Diário Oficial of April 29 as Law 3890-A. Because of the vetoes, the new law will be considered on May 30 and 31 by a joint session of Congress, at which time it shall be determined by a two-thirds majority of those present whether the Presidential vetoes are to be sustained or overruled.

Several of the vetoes were of a significantly substantive nature, particularly those which eliminate the following provisions: "Eletrobrás has as one of its purposes the manufacturing of electrical equipment"; "The fundamental purpose of Eletrobrás shall be that of carrying out Federal undertakings as specified in the National Electrification Plan"; "Eletrobrás may make investments in the electrical equipment industry"; "Eletrobrás shall be authorized to become a minority stockholder in companies which manufacture electrical equipment or produce raw materials used by the electrical equipment industry, upon consultation with the National Council of Waters and Electrical Energy and subject to the approval of the President of the Republic".

The new law creates Eletrobrás for the purpose of planning, constructing and operating generating plants and power transmission and distribution lines, either directly and/or through subsidiary or affiliated companies, and always in close cooperation with the Government agencies or authorities which formulate and implement official electric power policies.

With regard to the relationship between Eletrobrás and any power generating or distributing companies which are not under the control of the Federal Government, the States, the Federal District or Municipalities, Eletrobrás may, with the approval of the President and upon consultation with the National Council on Waters and Electrical Energy, acquire shares of such companies.

(UNCLASSIFIED)

Comment: So far there have been no comments in the Rio press, with only two dailies (O Globo and Jornal do Comercio) printing the text of the law under the headline "Law Creating Eletrobrás Enacted With Some Vetoes". In São Paulo, O Estado de São Paulo ran, on May 3, an editorial headed "The Vetoes of 'Eletrobrás'", in which, at the same time that satisfaction was expressed over the "common sense" shown in the Presidential vetoes, there was also voiced concern over the possible nationalization of the production of electrical energy. The editorial goes on to say that the need for a centralizing agency such as Eletrobrás is very much open to question, since there already are a sufficient number of centralizing agencies, the existing Federal electric power companies are being efficiently run, and, moreover, there is a definite trend in the new Administration toward decentralization (as in the case of Petrobrás) consistent with the policy of strict economy in Government operations. The editorial ends on the pessimistic note that Eletrobrás, which appears at the outset to be "useless and expensive", is doomed to failure equal in magnitude to that of Loide Brasileiro and the Federal Railways.

UNCLASSIFIED

0720

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 1060
From RIO DE JANEIRO

It should be noted that the sections of the bill that were vetoed by the President are among those that were most opposed by the São Paulo industrial groups (see São Paulo Despatches 236 of December 15, 1960 and 241 of December 29, 1960).
(UNCLASSIFIED)

3. Contract Signed for Construction of Natural Gasoline and Liquefied Gas Plant at Bahia

It has been announced by Petrobrás that a contract was recently signed with the Hudson Engineering Corporation for the construction of a natural gasoline and liquefied gas plant in the vicinity of Salvador. This plant, which is one of the many undertakings planned by Petrobrás for 1961, will process 1,400,000 cubic meters (49,434,000 cubic feet) of natural gas per day for a daily production of 1,510 bbls. of propane, 984 bbls. of butane and 516 bbls. of natural gasoline.

Residual gases will be used to maintain operating pressure in the area oil fields.

It is anticipated that after the plant begins production, possibly by June of 1962, there will be a savings in foreign currency of about US\$600,000.00 per month. According to Petrobrás, early completion of the plant is to be assured through the use of the funds made available to Petrobrás as a result of SUMOC Instruction 204 and subsequent decrees.
(UNCLASSIFIED)

4. USIMINAS (Usina Siderurgica de Minas Gerais) Signs New Contracts

During a ceremony on May 8, presided over by the Governor of the State of Minas Gerais, Sr. Magalhães Pinto, six contracts with a value of one billion and 500 million cruzeiros were signed with ~~savvaxk~~ important Brazilian engineering companies. These contracts include the construction and assembly of 60 percent of USIMINAS' steel mill installations that are being constructed in Ipatinga, Minas Gerais, which will start production of 600,000 tons of steel during the first half of 1962.

In a speech by USIMINAS President Lanari Junior, he mentioned that USIMINAS, which started the construction of its steel mill in August 1958, is now in the most intensive and difficult phase of its program. The signing of the contracts, however, guarantees conclusion within a specific period (about one year) of its coke plant, steel plant, sintering, steel sheet and plate rolling mill, as well as the construction of the oxygen generating facilities of the "Intendente Câmara" plant.
(UNCLASSIFIED)

5. Minas Gerais Bishops Advocate Rural Reform

The Archbishop of Belo Horizonte, jointly with all the Catholic Bishops of the State of Minas Gerais, recently prepared a circular instruction for all parish priests of that State regarding agrarian reform. Its text was released to the

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0721

UNCLASSIFIED
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(Classification)

Page 4 of
Encl. No.
Disp. No. 1060
From RIO DE JANEIRO

press on May 3. After expressing the conviction that agrarian reform is essential, the instruction called upon priests to stimulate public discussion and interest in rural reform, which should include inter alia higher wages, social security coverage, more schools and credit facilities, instruction in scientific agriculture through extension services, and distribution of uncultivated land among landless farm laborers. The instruction is in many respects similar to the one circulated last December among all parish priests of the State of São Paulo, except that the São Paulo priests were instructed to seek out, one by one, the land owners of their parishes and try to convince them that rural reform is inevitable, the only alternatives being whether it be peaceful and democratic or revolutionary and communistic. (UNCLASSIFIED)

6. New Directors and Counselors of the BNDE Take Office

On May 2 the new Board of Directors and Administrative Counselors of the National Bank for Economic Development took office. The new Directors of the Bank are João Baptista Pinheiro, Ernesto Sabola and Nilo Neme. (UNCLASSIFIED)

Comment: João Baptista Pinheiro, a career diplomat, was also a Director of the BNDE under the previous Administration. The backgrounds of the other two Directors are not known. (UNCLASSIFIED)

7. The Federal Supply and Price Commission (COFAP) Extended for Three Months

The Government announced that COFAP, the Government Price Control Agency, which was due to go out of existence on April 30, has been extended for a period of 90 days. Shortly after this announcement, the President issued a Decree (No. 50,535 dated May 4, 1961) setting forth the plan under which the Agency will eventually be liquidated. (UNCLASSIFIED)

8. Right to Strike

In a memorandum of May 14 to the Minister of Labor, President Quadros stated that his Administration recognizes the right to strike if all procedures to conciliate and resolve labor disputes have been used without any agreement having been reached. However, strikes by civil servants and employees of Government-owned corporations will not be tolerated, Quadros said, and the Administration will not be pressured into considering labor's claims solely on the basis of a threat to strike should such consideration not be granted.

Regulation of the right to strike, which has intermittently occupied Congressional attention for at least a decade, is again under active consideration by the legislators, after a period of about one year during which the subject was largely dormant. Brazil's constitution of 1946 granted workers the right to strike "subject to regulation", but no such regulations have ever been enacted.

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0722

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Page 5 of
Encl. No.
Desp. No. 1060
From RIO DE JANEIRO

The problem has been pending for so many years that final Congressional action at any early date seems unlikely. Meanwhile, this Administration, like its predecessors, will formulate its own non-statutory regulations regarding strikes.

(UNCLASSIFIED)

9. Wage Agreements

On April 28 workers in Rio's paint and varnish industry obtained a 29% wage increase over last year's agreement, with a maximum increase of Cr\$5,000 per month (apparently no minimum was specified). On April 21 workers in Rio's meat, dairy and cold storage industry obtained an increase of 30% over last year's wage agreement, with a minimum increase of Cr\$2,430 per month and a maximum of Cr\$4,500.

(UNCLASSIFIED)

10. New Exemption Limits for Income Tax

The Chamber of Deputies approved a substitute bill proposed by the Chamber's Economic Committee fixing the minimum limit of income tax exemption at a sum equal to 24 times the value of the highest monthly minimum salary rate in effect in the previous year. Family deductions are fixed at the rate of half the minimum exemption limit for the other spouse and three-fourths of the limit of the other spouse for each dependent. The substitute bill fixes the maximum limit of exemption at Cr\$240,000 and extends the time limit for presentation of income tax returns for 1960 to May 20. The bill has yet to be considered by the Senate.

(UNCLASSIFIED)

Comment: The minimum limit of income tax exemption of Cr\$240,000 approved by the Chamber represents an estimated cut of around Cr\$10.5 billion in the anticipated income tax revenue, a loss that the Government in the present juncture can hardly afford. In order to offset to some extent the loss of revenue originating in the new tax exemption level, a complementary tax schedule with higher rates is now under study to be submitted to the Senate as an amendment to the bill approved by the Chamber. The study is being made under the supervision of the Director of the Income Tax Bureau.

(UNCLASSIFIED)

11. Exemption from Sales and Consignment Tax for Guanabara State

Governor Carlos Lacerda of Guanabara State has submitted a draft law to the Legislative Assembly proposing that exports of merchandise manufactured in the State and sales of raw coffee when shipped from the Port of Rio de Janeiro should be exempt from the sales and consignment tax. The sales and consignment tax is a tax levied by the State.

(UNCLASSIFIED)

Comment: The Governor's proposal is designed to encourage manufacturing in the State of Guanabara and to give a boost to the Port of Rio de Janeiro which has been losing export business to other ports.

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0723

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Page 6 of
Encl. No. _____
Disp. No. 1060
From RIO DE JANEIRO

12. "Draw-Back" Decree Signed

On April 27 President Quadros signed a decree allowing for the total or partial return of the import duties on goods used in the manufacture of products for export. The Presidential decree regulates Article 37 of the Tariff Law (Law 3,244). Rebates will be applied to the following goods: raw material and semi-manufactured products used directly in the manufacture of merchandise intended for export; complementary parts, equipment and machines to be used in the manufacture of vehicles, machines or equipment intended for export; goods destined for the packing, conditioning or presentation of products to be exported. The tax rebate may also be granted to parts, equipment and machines to be used for the repairing, reconditioning or reconstruction of machines, equipment, small vessels and aircraft admitted into the country, temporarily, and consigned to shipyards or repair and maintenance workshops. Twenty-two Articles regulate the partial or total refund of tax, which will be granted by a decision of the Customs Policy Council.

(UNCLASSIFIED)

Comment: The action now taken by the Administration has long been urged by industrialists and exporters, and should help Brazilian exporters achieve a competitive position for a limited number of products.

(UNCLASSIFIED)

13. Communist China Trade Mission Visits Rio

A Communist China trade mission arrived in Brazil on May 1 for the purpose of promoting commercial exchange between the two countries. The six-man mission, which had previously visited Cuba, is headed by Nan Han-Chen. The group, in Brazil at the invitation of President Quadros, has had meetings with officials of the Economic Division of the Foreign Ministry and also the Ministry of Industry and Commerce. According to press reports, Nan Han-Chen is optimistic about possibilities for trade, indicating that the mission had catalogued hundreds of items, including raw materials, textiles, and products of light and heavy industry, for possible sale to Brazil. Communist China, on the other hand, is interested in Brazilian coffee, tea, cacao, rice, cotton, hardwoods and vegetable oils. From Rio the mission plans to visit Brasilia, Sao Paulo, and Rio Grande do Sul; the group has also expressed a special interest in visiting the Northeast. The study of Brazil-Communist China trade relations will be further pursued, it was announced, in late June or early July, at which time Vice President Joao Goulart expects to visit the Chinese People's Republic.

(UNCLASSIFIED)

Comment: The predictions of increased levels of trade made by the Chinese trade mission and the Brazilian trade mission that visited Communist China earlier in the month have met with considerable skepticism in the press, since no real market is felt to exist in Asia for Brazil's traditional products. (According to official statistics, the total value of Brazil's trade with Communist China for 1960 was \$514,921; of this total, imports accounted for \$29,604 and exports to Communist China accounted for \$485,317.)

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0724

UNCLASSIFIED
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Page 7 of
Encl. No.
Disp. No. 1060
From RIO DE JANEIRO

14. Dantas Mission Reaches Trade Agreements with Bulgaria and Yugoslavia

Announcements of successful negotiations by the Dantas Mission (BWER Embassy Despatch 930 of April 17, 1961) and host countries have come from Bulgaria and Yugoslavia during the period under review:

Bulgaria - Subject to ratification by the two governments, Brazil and Bulgaria reached a trade and payments agreement, as well as a technical cooperation and cultural accord. Press reports indicate that the agreement calls for a commercial exchange during the next three years in the amount of US\$70 million, in addition to US\$30 million for technical and scientific cooperation.

Bulgaria will export chemicals, farm machinery, ferrous and non-ferrous metals, newsprint, industrial and textile machinery, zinc, lead and coke. As a result of the agreement, it is expected that Brazil will become Bulgaria's main market among the countries of the West. Brazilian products involved in the exchange are cacao and cocoa butter, cotton, coffee, rice, sugar, cast-iron, synthetic fibers, vegetable oils, wax, and other products.

The Bulgarian government has also accepted, initially, the Brazilian proposal for the creation of a free zone for Brazil at one of the Black Sea ports.

Yugoslavia - A protocol signed by Brazil and Yugoslavia, supplementing a trade and payments agreement of 1958, anticipates an increase of trade during the period of 1962 to 1966 in the amount of US\$130 million. The protocol also provides for the granting of a US\$100 million credit to Brazil for economic aid, payable in a period of three to nine years with six percent interest.

(UNCLASSIFIED)

Approved:

For the Chargé d'Affaires a.i.:

William A. Fowler
William A. Fowler
Counselor of Embassy
for Economic Affairs

Edward J. Besh
Edward J. Besh
Commercial Attaché

Contributions:

Item 1 - Lyallouz
Items 2, 3 - JDeSeabra
Item 4 - JWiegerinck
Items 5, 8, 9 - DPMann

Items 6, 7, 10, 11 - JKrizay
Item 12 - WBlomeyer
Items 13, 14 - BGoldstein

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0725

PRIORITY

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FOREIGN SERVICE DESPATCH

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832.00/5-2661

FROM : Amembassy RIO DE JANEIRO

1066

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 26, 1961

REF : CERP C-2

[illegible]

Summary

Foreign exchange reform again in April held primary attention of Brazilian Government authorities and the business community. SUMOC Instruction 204, issued in March, was being implemented in an atmosphere of general support in industrial and commercial circles. Serious problems, however, faced both government and business as the higher costs of exchange directly affected producers, labor and consumer groups. Factors causing concern included lowering of inventories and supply pipelines of some imported industrial requirements, increased inventory replacement costs, tight credit conditions, higher production costs and demands by labor for wage increases to cover rising living costs. While government attention at home and abroad was directed towards solution of the serious economic situation emphasized by President Quadros, business leaders in April maintained a generally confident outlook. Speculation continued, however, as to the effect of further measures that might be taken through initiative of the executive and legislative branches.

Finance:

During April, paper money issued increased by Cr\$6.0 billion, or 2.7% over the level of outstanding currency in circulation as of the end of the previous month. For the comparable period of 1960 the corresponding figures were Cr\$3.5 billion and 2.1%.

The cost of living index, as reported by the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro), indicated an increase of 4.3% for April, 1961. This compares with 1.8% in

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0726

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 066
From Rio de Janeiro

On April 5, President Quadros sent to the Chamber of Deputies a draft bill designed to "end abuses of economic power" defined as "effecting or promoting agreements or combinations of persons or firms for the purpose of dominating markets, unjustly eliminating competition or arbitrarily increasing prices or profits". The law would be administered by an Administrative Committee for Economic Defense (CADEC) which would report directly to the Minister of Justice. A substitute draft bill was submitted by the opposition and approved by the Chamber of Deputies' Committee on Justice and Constitution. In addition there are reportedly some 100 amendments to the administration bill to be voted upon.

Labor:

Elections in two important labor organizations, the São Paulo State Federation of Foodworkers and the National Federations of Maritime Workers, attracted widespread attention during April. Many anti-Communist labor leaders were disturbed over the results of the Foodworkers election, and publicly asserted that the winner is a Communist. On the other hand, they were generally pleased with the results of the Maritime Workers election, which they publicly described as ending domination of that federation by Communists. The São Paulo Foodworkers Federation consists of some 26 local unions of workers in the sugar, tobacco, dairy, meat packing, brewery and flour milling industries, and the Maritime Federation is made up of 33 unions of various categories of workers aboard ships as well as at various shipyards.

In speeches to labor audiences in several cities, the Minister of Labor, Francisco Castro Neves, promised that the administration would soon submit to Congress a bill which would tie wages to living costs by providing for automatic increases every six months, in direct proportion to any increase in the cost of living. Castro Neves stated, however, that the new system could not go into effect until sometime in 1962 after anti-inflation measures have taken effect. As far as could be determined, the Minister was referring only to legal minimum wages rather than to wage contracts between employer associations and unions. Such contracts cover wages at all levels, although the wages of most unskilled workers are generally at or near the legal minima.

Not many new wage agreements were negotiated during April, but increases of about one-third over last year's agreements were typical of the few which were reported.

UNCLASSIFIED

0727

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. _____
Disp. No. 1066
From Rio de Janeiro

Trade and Industry:

April merchandising and industrial production levels generally were similar to March, and moderately above April 1960. The increase over the same month of the preceding year, however, was below the normal growth rate in some important lines, particularly including petroleum and industrial products dependent upon imported raw materials and components. The effective suspension of most foreign exchange auctions in late January and the issuance of SUMOC Instruction 204 in March, according to local business sources, were principally responsible.

The implementation of exchange reform measures, while generally expected and supported in business circles, had a noticeable impact on the economy in April. Price increases largely resulting from the increased cost of foreign exchange caused a sharp rise in cost of living and encouraged labor demands for wage adjustments. Several industrial plants dependent upon raw materials and components, while still generally able to depend upon inventories and import supply pipelines established in late 1960 and January 1961, began to adjust downward production and sales schedules. Commercial credit tightened as financing needs grew for inventory replacement and other requirements. While of significance, these developments were of moderate proportions, which business sources generally viewed as of current but not lasting importance.

Merchandising outlets reported a generally good marketing month, despite the need for price increases. Inventory replenishment and tightening credit were the major problems cited. Demand for heavy machinery and equipment was especially high, followed by durable consumer goods which could be purchased with credit arrangements.

Numerous industrial projects and plans received attention. Perhaps most interest was centered on steel, including proposed plants in the states of Guanabara, Pernambuco and Amazonas,

The Guanabara steel plant would be located at Santa Cruz, a proposed new government-sponsored port and industrial city area outside the city of Rio de Janeiro. The Government of the State of Guanabara contemplates establishment of a mixed-economy corporation, should it be decided to proceed with efforts to construct the 500,000 metric tons capacity plant. A government-sponsored plant likewise is under discussion for the Recife area, while a private enterprise proposes to raise capital by sales of shares to the public for a plant at Manaus, state of Amazonas.

UNCLASSIFIED

0728

UNCLASSIFIED
(Classification)

Page 5 of
End. No. _____
Disp. No. 1066
From Rio de Janeiro

The Government monopoly of rubber imports was restored by Presidential Decree No. 50,422 of April 7, which was followed by Regulation No. 166-61 of April 27, 1961 of the Rubber Defense Executive Commission. In accordance with the provisions of the aforementioned legislation, importers are required to pay to the Amazon Credit Bank an amount equivalent to 10% of the C.I.F. value of the imported rubber, this money to constitute a "Fund for the Development of Rubber Production" which will be applied exclusively in the Amazon region.

With a view to increasing natural rubber production, there was issued, on April 13, Decree No. 50,541 creating a working group that will plan the organization of a mixed economy corporation for the development of plantation rubber on a nation-wide scale. This working group is to submit a report by May 23.

With regard to synthetic rubber, the Petrobrás synthetic rubber plant adjacent to the Duque de Caxias refinery passed the 50% completion mark during April and may begin to operate by October. A decision will be made in the near future regarding the process to be used at the synthetic rubber plant which CCPERBO (Companhia Pernambucana de Borracha) is planning to build in the Recife area. This plant will use alcohol as a raw material.

A significant event as regards the oil industry in general and Petrobras in particular was the widely publicized statement by former Petrobras President Sardenberg, taking issue to charges by President Quadros to the effect that Petrobrás was in a critical financial and economic situation. Once the immediate political controversy had subsided, it became apparent that there would be a full investigation of Petrobrás operations and plans. The investigating commission has announced its intention to hear testimony from, among others, present and past presidents of both Petrobrás and the National Petroleum Council.

Late in the month, the recently named new Petrobrás president, Geonísio Barroso, stated that he was confident that with the additional revenue derived from the capture of the price increase in petroleum products, Petrobrás would be in a position to complete current projects as well as to undertake new ones. An example of the latter was given by Sr. Barroso as he announced the signing of the contract with the Hudson Engineering Corporation for the construction of a plant which will process natural gas from the Bahia oil fields into natural gasoline and liquefied gas.

At the end of the month the National Petroleum Council announced that the total amount that would be paid to the Bank

UNCLASSIFIED

0729

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No.
Desp. No. 1066
From Rio de Janeiro

of Brazil by the oil companies and distributors in compliance with Decree 50,354 of March 17 was estimated at seven billion cruzeiros.

Agriculture:

Coffee exports during the month of April 1961 were 1,322,459 bags, compared to 1,305,606 bags exported during the month of April 1960. Total coffee exports during the current marketing year (July 1, 1960 - April 30, 1961) were 13,958,999 bags, compared to 15,082,776 bags exported during the same period last year.

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

AM
Enclosure: all m. m.
Economic Indicators

UNCLASSIFIED

0730

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Disp. No. 1066
From Rio, Brazil

ECONOMIC INDICATORS

Cost of Living in Rio de Janeiro
(1948=100)

	<u>Food</u>	<u>Cloth- ing</u>	<u>Rent</u>	<u>Furni- ture</u>	<u>Hygi- ene</u>	<u>Pers. Serv.</u>	<u>Pub. Serv.</u>	<u>Index</u>	<u>% Change</u>
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	621	534	660	700	824	725	2.8
1961									
Jan.	976	654	705	642	846	905	997	866	2.1
Feb.	987	655	712	647	856	936	997	875	1.
Mar.	999	682	721	663	871	974	997	891	1.8
Apr.	1047	759	732	682	871	1014	1030	930	4.4

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (US\$1,000,000)

<u>Imports</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Jan-Feb.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Jan-Feb.</u>
Total	127.7	n.a.	n.a.	100%	100%	100%
USA	32.1	"	"	25.1	n.a.	n.a.
Western						
Europe	42.7	"	"	33.4	"	"
Middle						
East	8.4	"	"	6.6	"	"
C.B. x)	11.6	"	"	9.1	"	"
<u>Exports</u>						
Total	82.1	98.7	180.8	100%	100%	100%
USA	32.2	41.6	73.8	39.2	42.1	40.8
Western						
Europe	25.9	38.	63.9	31.5	38.5	35.3
Middle						
East	.8	.7	1.5	1.	.7	.8
C.B. x)	5.3	3.9	9.2	6.5	4.	5.1

x) 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.

UNCLASSIFIED

0731

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. _____
Disp. No. 1066
From Rio de Janeiro

the preceding month.

The average check buying rate in the free market for April was Cr\$276.65, which compares with Cr\$244.50 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$189.89 and Cr\$187.80.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$278.98 to the \$1.00 and then fluctuated between a high of Cr\$289.64 and a low of Cr\$280.97, which was the closing rate on April 29. The average for the month was Cr\$283.66.

The export and import letters of the Bank of Brazil created by SUMOC Instruction 192 and 204 have been traded in large quantities in the stock markets and apparently have aroused the interest of investors who normally placed their money in mortgages or real estate. (When making forward purchases, importers, in addition to paying for the foreign exchange, are required to deposit the cruzeiro equivalent at the Bank of Brazil against issuance of Import Letters. Exporters are required to accept Cr\$100 per \$1.00 in Export Letters. Export letters mature at 120 days and import letters at 150 days, both securities bearing an interest of 6% per annum). The average 30% discount at which they are selling gives the buyer an effective yield of around 3% per month. The marketing of export and import letters may perhaps help in the development of a money market.

The Superintendency of Money and Credit (SUMOC) issued a Resolution increasing the cocoa-dollar (dollar rate for cocoa exports) from Cr\$90.00 to Cr\$210.00 or the equivalent in other currencies. This rate of exchange covers exports of cocoa, seeds, paste, butter and cake. The above resolution also stated that operations of foreign exchange resulting from exports of cocoa derivatives other than those mentioned above, processed and ready for consumption, shall be made on the free exchange market. Under the previous procedure, CACEX had been buying the entire crop at a price in cruzeiro terms higher than the official cocoa dollar rate of Cr\$90.00 to \$1.00. CACEX was then reimbursed for the difference between its payments to producers and its earnings from exports (converted at Cr\$90.00 to \$100) from the agio account. Under the new system, CACEX will simply pay the producer at the rate of Cr\$210.00 to \$1.00, thus eliminating the extra transaction from agio account to CACEX. The new procedure is of little economic significance since payments to producers will be roughly the same. The conversion of sales of processed products in the free market may encourage the development of more processing plants in Brazil.

UNCLASSIFIED

0732

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FOREIGN SERVICE DESPATCH					
FROM : Amconsulate PORTO ALEGRE		60 DESP. NO.		May 26, 1961 DATE	
TO : THE DEPARTMENT OF STATE, WASHINGTON.		7-16. no action EST/13: J. W. Wilson. lms 6-20-61			
REF :		30			
20 For Dept. Use Only	ACTION REC'D 6-10-61	DEPT. PM/R-2 CIA-10 6-10-61	REPI 11NR-7 TR-3 FAB-3 1MA-4 DUF-7 HAB-6	E-3 1CA-11 B/FAC-3	AGR-2 451A-10 ARMY-4 NAVY-4
SUBJECT: Economic Forum Held in Rio Grande do Sul, May 17 - 19.					

The stagnating economic condition of the state of Rio Grande do Sul has, upon many occasions, been brought to the attention of the Federal Administration by Governor Brizola. He holds that the Kubitschek administration by its failure to grant adequate federal assistance is primarily to blame for his state's present poor economic situation. At the March conference held at Florianopolis with the new President, Jânio Quadros, Governor Brizola appeared to have made a good case for Rio Grande do Sul and the state has been granted generous financial assistance for accelerating the State's electrification program, an oil refinery project approved and a tractor manufacturing industry promised.

The recently published book "Rio Grande do Sul - Um Novo Nordeste" also helped spotlight the plight of the State. The book's author, Franklin de Oliveira, is a former reporter for the Correio da Manhã of Rio de Janeiro. This newspaper, together with the Chamber of Commerce of Porto Alegre, sponsored an Economic Forum, held here during the three day period May 17-19, to discuss and pinpoint the various problems besetting the economic well-being of the State of Rio Grande do Sul.

The Forum was conducted on the premises of the local Chamber of Commerce. Opening speeches were made by State Governor Brizola, Alinio de Sales, manager of Correio da Manhã, and the Minister of Transportation and Public Works, Clóvis Pestana. Other personalities attending the Forum included Mr. Magalhães Pinto, State Governor of Minas Gerais; Mr. Celso Ramos, State Governor of Santa Catarina; Mr. Alcides Flores Soares, director of Bank of Brazil Credit Department; Mr. Arnaldo Taveira, director of CACEX (Bank of Brazil Foreign Trade Department); Senador Mem de Sá; Sr. João Batista Leopoldo Figueiredo, President of Bank of Brazil; Mr. Inaldo Ferreira Neves, director of Federal Railroad Department; as well as commerce and industry leaders.

The agenda included the following subjects for discussion:

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0733

UNCLASSIFIED

(Classification)

Page 2 of

Encl. No.

Disp. No. 60

From PORTO ALEGRE

- 1 - Problems of electric power, transportation and communications, storage and refrigerated warehouses, ports, and harbors.
- 2 - Agricultural productivity, investment in agriculture, introduction of new farm techniques, creation and keeping of markets, home and foreign marketing methods, processing of local farm products, encouragement to better farming practices.
- 3 - Credit and investment policy, regional credit problems, investment in small and medium industries, tax policy to encourage economical development, economy in government expenditure and reasonable reduction in number of civil servants.

The May 17th discussions and recommendations included Rio Grande do Sul's electric power and rationing problem. It was pointed out that the power now generated is mostly hydroelectric, leaving the State dependent on rains to a great extent. It was stated, for comparison, that in the United States 70 percent of the power is derived from thermo-electric sources against 30 percent from hydro-electric sources. If this imbalance continues, it was emphasized that in the near future the State will face even more serious power shortages.

A major recommendation made was that the waterways, railroad and highway system of Rio Grande do Sul be improved to facilitate the transportation of agricultural products, as most of these are now moved by the more dependable trucks in spite of higher freight rates.

A spokesman for the cattlemen of Rio Grande do Sul stated due to the fact that adequate transportation facilities are of vital importance to their industry that more storage facilities should be made available in the producing areas and also recommended the erection of refrigerated warehouses in consuming centers and embarkation ports.

A representative of the local fishing industry spoke on the importance of expanding refrigerated warehouse facilities so that the industry could handle larger catches. In 1960 the fishing industry in Rio Grande do Sul produced about 25,700,000 metric tons, worth \$870 million and it was pointed out that with adequate facilities, the State's exports of fish and fish products would soon increase as local waters are known to be rich in fish and shrimp.

The local port and shipping facilities came in for criticism because of high loading charges and frequent delays in port. It was noted that ships carried an excess of personnel as compared with

UNCLASSIFIED

0734

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 60
From PORTO ALEGRE

other countries. A significant part of Rio Grande do Sul exports were said to be sent through the port of Montevideo, Uruguay, because of better facilities available there. It was also pointed out that a Brazilian freighter took as much as seventy days to reach Belém, Pará, from Porto Alegre. Presently, price controls, unimproved waterways, coastwise transportation, and labor laws here have hindered the movement to market of Rio Grande do Sul's agricultural production.

On the second day of the conference, the Governor of Minas Gerais, Mr. Magalhães Pinto, delivered one of the more interesting speeches, the text of which has been translated and is attached.

A local university professor, referring to agricultural problems, noted that the United States Government through its USOM technicians in Rio Grande do Sul was already making a contribution to the State's betterment by helping improve the quality of cattle herds and the use of more efficient farming methods.

A representative of the Ministry of Agriculture stated that the cattle herds in Rio Grande do Sul need improving, better feeding methods used, and improved pastures planted. It was recommended that less cows be slaughtered for beef. It was also stated that more milk pasteurizing plants are required.

An agrarian reform policy is not necessary for Brazil, declared an official of the local Rural Association, but there is definite need for reform in farming methods. An agrarian law is needed to take care of the economic peculiarities of each region, he added. It would be absurd to divide up the land amongst small holders, he continued, and it is necessary to provide more financial and technical assistance to rural areas. Additional agricultural schools, storage, transportation, financing, insurance, guaranteed minimum prices, rural police, and electrification facilities were recommended.

It was noted that the small farmers in the older farming areas require governmental help in the form of fertilizers, machinery, power and technical assistance in order to avoid the continued exodus of farmers, especially young people, to manufacturing centers.

A large part of Rio Grande do Sul industry does not use its full production capacity, according to a recent survey. In the foodstuffs industry 84 percent of the factories do not work at full capacity; nor do 50 percent of the tobacco factories. The reason for this was stated to be lack of adequate financing facilities. It was further stated that 70 percent of the leather industry, 45 percent of the textile industry, 60 percent of the foodstuffs industry and 100 percent of the tobacco industry have made plans for expansion. However, these plans have not materialized because of financing problems. It was recommended that credit facilities should be made available for the expansion of the existing industries, which would

UNCLASSIFIED

0735

UNCLASSIFIED
(Classification)

Page 41 of
Encl. No. 60
Disp. No. 60
From PORTO ALEGRE

provide new jobs and reduce the cost of production.

Recommendations were also made regarding the need for government financing and technical assistance to improve the State's grape and vine industry, powder milk industry and olive production.

At the final session, the president of the Bank of Brazil announced that the state of Rio Grande do Sul had been included in a Federal Government program to improve the country's overall economy.

The Correio da Manhã has announced that the forum discussions and findings will be published in a series of newspaper articles which will have country-wide coverage. A spokesman declared that the newspaper sponsored the forum as a public service to help this southernmost part of Brazil solve its economic problems.

Comment: For the past year, studies analyzing an alleged economic crisis in Rio Grande do Sul have been made, among others, by Governor Brizola (still classified), the CNE (Conselho Nacional de Economia), and one Franklin de Oliveira, a Correio da Manhã journalist who published a book entitled "Rio Grande do Sul a New Northeast" and who subsequently was appointed gratefully as a RGS state economic adviser by Brizola. There is reason to suppose that this recent Oliveira appointment and the sponsorship of this Forum by the Correio da Manhã are not entirely unconnected. These "economic studies" were duly exploited during and after the recent Presidential campaign and have been criticized by competent economists as limited distorted or even as diversions intended to distract attention from political mismanagement of the RGS economy in such fields as taxation, transportation, and power.

The presence of the Governors from Minas Gerais and Santa Catarina follows closely the visit of Governor Brizola himself to the devastated Northeast of Brazil where he offered his services and what little economic assistance that he could to the State of Pernambuco. The trend, for the moment, seems to be that of regional cooperation. At this writing Governor Brizola is host to a representative group from Santa Catarina and Parana which, together with Rio Grande do Sul is considering ways and means of advancing their economies under the Conselho Regional de Desenvolvimento Extremo Sul (Council for Southern Regional Development) the organ set up at the Florianopolis meeting with President Quadros. It appears highly possible that in cooperation with her two sister southern states and the good will being expressed by all concerned that Rio Grande do Sul might fare better as a member of such an organization. It should be noted that probably the strongest and most influential individual in the group being Governor Brizola.

Against this controversial background, the Forum did not appear so impressive as it might have otherwise. Nevertheless it did serve a purpose in providing a résumé for various attitude toward current

UNCLASSIFIED

0736

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Desp. No. 60
From PORTO ALEGRE

problems in this area as well, of course, as keeping a regional, perhaps even national, spotlight on Brizola who is now actively preparing for his role, whatever that proves to be, in the 1962 elections.

For the Principal Officer

Hyman Bloom
Hyman Bloom
American Consul

cc. Amembassy RIO

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UNCLASSIFIED

0737

UNCLASSIFIED

(Classification)

Page 1 of
Encl. No. 1
Disp. No. 60
From PORTO ALEGRE

Speech made by Sr. Magalhães Pinto, Governor of the State of Minas Gerais at the session of the Porto Alegre Economic Forum "Visconde de São Leopoldo".

FREE TRANSLATION

I accept with pleasure the invitation of the Correio da Manhã to attend the Economic Forum in view of the patriotic aim of this event. Important problems affecting some areas of the country will be discussed at this Forum. Brazil has great regional differences which are of much concern to the authorities. This difference in development is not only a result of Brazil's colonial past which has not been improved by independence and the political integration process. The country's industrialization process in some areas contributed to widen the gap between developed and underdeveloped areas.

The improvement of underdeveloped areas will not only be beneficial to poor people, but also to the rich, who will continue wealthy if the living standards and purchasing power of underdeveloped areas are improved. The Economic Forum will permit the discussion of these problems, and that is why I am taking this opportunity to talk to you.

My state Minas Gerais also lost the opportunity of industrialization when the gold-mining period was over, due to the lack of technical knowledge of the country which colonized Brazil. The production of coffee which helped São Paulo take the first steps to establish its industrialization program, did not occur in Minas Gerais. Aside from the poor arable lands in Minas Gerais, the qualified immigrants coming to Brazil preferred to settle in the southern part of the country. The industrialization which took place in the 30's in the South and East obliged Minas Gerais to be merely an exporter of raw materials and importer of manufactured products. The alternative confronting us now is industrialization or stagnation.

The state of Rio Grande do Sul, in spite of Governor Brizola's effort to develop and expand the production levels, is similar to that of Minas Gerais. Until the half-decade of 1950, the economy of Rio Grande do Sul showed an adequate diversification and its income was reasonably distributed among the very rich and the very poor population. However, the inflationary pressure and the reduction in federal assistance weakened the economy of this State. The number of cattle dropped from 14 million to 8 million head. Shipments of Rio Grande do Sul products to northern states decreased considerably, affecting its agricultural activities. The wheat crop fell to a low level, frustrating the expectations of a substantial production to supply the requirements of the entire country and save about US\$200 million a year for Brazil.

These problems are well known in Rio Grande do Sul and they also

UNCLASSIFIED

0738

UNCLASSIFIED

(Classification)

Page 2 of

Encl. No.

Disp. No. 60

From Porto Alegre

exist in Minas Gerais, and I repeat that our alternative is to industrialize or stagnate. The drastic difference between the areas in Brazil may also affect the country's political unity. The countries which are underdeveloped are eager to enjoy the benefits derived from progress.

It is a mistake to believe that the developed areas will be able to maintain their situation, because the poor conditions existing in other areas will reduce their purchasing power and thus adversely affect the developed areas. The acceleration of the country's development as a whole is already encountering some difficulties in view of the poor human conditions existing in other areas of Brazil. This is a problem which has to be solved on a national basis, and there is no better place to discuss it than at this Economic Forum.

It is necessary that authorities and technicians help underdeveloped areas improve their conditions by industrialization and introduction of better methods of production. Democracy will be promoted if all Brazilians have equal chances.

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0739

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FOREIGN SERVICE DESPATCH					
FROM :	Amconsulate, RECIFE.		58		May 31, 1961.
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		DEPT. NO.		
REF :	None.				
20 For Dept. Use Only	ACTION REC'D 6-10-61	DEPT. I N O OTHER	ARMY-2 REPI INR-7 E-7 ICA-11 B/FAC-3 C/A-10 TAR-2 COM-12 TR-3 SUBJECT: PERNAMBUCO STATE ECONOMIC PLANNING. INT-7 DEF-7 USAH-10 NSA-4 ARMY-4 NAVY-2 AAG-6 EST-10/16/61		

During the recent (May 22-24) USOM/Brazil meeting held in Rio de Janeiro to discuss "Brazilian Planning, USOM Programming, and Future Policy," the following resume of the present plans and programs of the State of Pernambuco was presented by the reporting officer.

I. Governor Cid Sampaio has given his Secretary of Agriculture, Antigenes Ferreira the responsibility for filling in the details of two plans devised, primarily, to take advantage of the U. S. Food for Peace Program. These programs are:

A. Dams And Ponds

This program envisions the construction of 20 dams - 15 medium-sized and 5 small units which would store 28,180,000 cubic meters and 1,064,000 cubic meters of water, respectively. The dams would be completed within a 15-month period. A total of 1,375 workers (433,270 man workdays) would receive foodstuffs for partial payments of wages. These foodstuffs from the U. S. would total 110 tons of powdered milk, 217 tons of corn, 22 tons of vegetable oils, and 217 tons of meat. Calculated at an exchange rate of Cr\$250 to \$1.00, the dam program is budgeted to cost \$255,000 (Cr\$63,672,000) for foodstuffs and \$204,000 (Cr\$50,996,800) for equipment, material, and salaries. Each worker, per day, would receive for himself and his family an average of 0.25 kg. of dried milk, 0.50 kg. of corn, 0.50 kg. of meat, and 0.05 kg. of vegetable oil.

B. Livestock Development

This program would utilize the Food for Peace program to supply some 26,280 tons of cattle feed for 8,000 head of cattle during a three-year period. At the end of this period, the State expects that an already implemented program of palma (spineless cactus) planting and an expanding industrial production of high protein feed supplements (from sugar and detoxicated castor bean by-products) will provide sufficient feed for the cattle. During the three-year period, each head would be given 3 kg. per day of imported feed.

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Page TWO of
Encl. No. --
Disp. No. 58
From Recife, Brazil.

The Brazilian Government, through the Banco do Nordeste do Brazil or the Banco do Brazil, will be requested to supply \$1,600,000 (Cr\$400 million) for the purchase of the cattle from, probably, Minas Gerais. The cattle will be resold to the Pernambuco farmers. The Brazilian Federal Government will also be requested to furnish the necessary means to transport the livestock to Pernambuco (via ships and planes of the armed forces). The cattle would be both beef and dairy stock.

II. The Director of the "Serviço Social Contra O Mucambo" (Social Service Against Slums) has been instructed by Governor Sampaio to devise a self-help housing project. This plan is not yet on paper. The Governor's proposal would incorporate the utilization of Food for Peace foodstuffs as partial payments for laborers in a cooperative housing program. In the suburbs of Recife, the State would set aside plots of land sufficient for 20 home lots. Twenty families would collaborate in the building of the twenty residential units which they would then occupy. This community labor pool would then also be used to construct such facilities as schools, churches, and markets which would service lower development community.

The existing program of the "Serviço Social Contra O Mucambo" includes, in addition to slum clearance and resettlement, a priority program of primary education and technical training courses. The latter is aimed at "the reorganization of agriculture to prevent emigration to the city (Recife)." The primary education program has already established 160 small schools in Recife with 150 more scheduled for completion in 1961 and 200 in 1962. The Federal Government has been requested to assist in the financing of building these schools.

III. The Pernambuco colonization project has been drafted and will be managed by the CRC ("Companhia de Revendas e Colonização" - Resale and Colonization Company), a "mixed" State and private capital organization. This pilot project, which has been previously described in detail, envisions resettling 5,000 families in 5 years within the State of Pernambuco. Pernambuco will contribute 310,000 hectares to the program. ANCAR (Farm Extension Service) will be asked to provide 52 of the 67 agronomists in the program plus 52 home economists. The total budget predicts a total expenditure of Cr\$5,790,000. Of this sum, Pernambuco is attempting to obtain a loan of about \$1 million for installation and functioning costs as well as additional land purchases. The predicted total cost per family unit should be about Cr\$1,158,000 (\$4,632.00) per family unit.

Edward T. Walker
Edward T. Walker
American Consul

2 cc: Amembassy, Rio.

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AIR POUCH
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 FOREIGN SERVICE DESPATCH

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832-00/6-261

FROM : Amcoengen São Paulo

452

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 2, 1961

REF : CERP C - General Interest

55 For Dept. Use Only	ACTION REC'D 6/5	DEPT. N O OTHER RMA-2 REP-1 ENR-70 E-6 TCA-4 USEA-10 OSD-2 AD-351 TAD-22	DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS
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SUBJECT: Biweekly Economic Review, May 19 - June 1, 1961

INDEX

- Paulista Railway Expropriated when Road Paralyzed by Strike R. E. Cahn/J. F. Shea
- Agricultural Expansion Fund Established R. E. Cahn
- East Germany Planning Machinery Exposition in São Paulo R. E. Cahn
- Export of Oranges to Europe Handicapped by Merchant Marine Tax A. D. Ventura
- Local Company to Expand Production of Steel Ingots and Laminates A. D. Ventura
- Possible Shortage of Fertilizers and Insecticides in São Paulo A. D. Ventura
- Members of the Joint Brazil-Argentina Economic Development Commission in São Paulo A. D. Ventura

1. Paulista Railway Expropriated when Road Paralyzed by Strike

When the Federal Government declined to participate in the subsidy to the Paulista Railroad to permit it to meet a 30 percent wage increase awarded by the Regional Labor Court (see item 4 despatch 435 May 18), the labor union again met and on June 1 the workers went on strike and tied up the entire road. In the light of the sudden strike development and the seriousness of the situation, the State government expropriated the railroad and came to an agreement with the workers under which they would return to work at midday on June 2. The one-year agreement signed by the State with the union provides for a bonus of Cr\$1800 a month to each worker; an increase in family allowance from Cr\$450 to Cr\$1000 month for each child; and other fringe benefits.

2. Agricultural Expansion Fund Established

On May 29, 1961, Governor Carvalho Pinto signed Decree No. 38,536, and thereby established the Agricultural Expansion Fund called for in the Government Plan of Action. The Fund will be administered by a special council through the recently established

RE Cahn/cz
 (See index for contributors)

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Page 2 of
Encl. No. 452
Desp. No. 452
From Amcoengen São Paulo

Economic Expansion Department of the Bank of the State of São Paulo (see item 2, despatch 435 of May 18, 1961). Loans are to be made at interest rates set in each case on projects aimed at developing agriculture, cattle raising, silk worm culture, and fisheries, as well as the industrialization of products from those activities, and also on projects improving the standard of living of the rural workers through construction or improvements of houses. Loans will be for seven to twelve years and for a maximum of 60 percent of the investment. The loans will be guaranteed by mortgages on property or goods or by paper given in guarantee, reinforced by a bond or guarantor. No loans are to be made to expand or improve production of commodities in over-supply.

3. East Germany Planning Machinery Exposition in São Paulo

Mr. Kurt Ullrich, head of the East German Commercial Office in Brazil, stated to the press that he was awaiting publication, in the federal Diário Oficial, of the authorization given by the Minister of Industry and Commerce to hold an industrial exposition in Brazil. As soon as the authorization is published he intends to conclude the arrangements to hold the exposition in Ibirapuera Park in São Paulo. No date has as yet been set for the exposition, but it is intended to exhibit technical equipment, machine tools, agricultural machinery, generators, and machinery for newspapers.

4. Export of Oranges to Europe Handicapped by Merchant Marine Tax

São Paulo exporters of oranges are concerned at a recent suspension, by federal judicial authorities, of an injunction obtained by them from the lower courts against payment of the 5 percent ad valorem merchant marine tax, which they feel may disrupt the orange trade with Europe. Contracts covering exports of 5 million cases of oranges were signed with European consumers before the federal court suspended the injunction against payment of the tax, and in order to fulfill their commitments, exporters wish to ship the fruits exempt of tax, while the court determines whether or not they will have to pay it. The Wholesale Fruit Trade Syndicate has guaranteed payment of the tax if the higher courts do not support exemption from the tax. In face of this, São Paulo Governor Carvalho Pinto telegraphed the President of the Republic requesting that measures be taken to permit exportation of the oranges without payment of the tax, pending a final solution, in order to prevent a collapse of the Brazilian orange trade with Europe.

5. Local Company to Expand Production of Steel Ingots and Laminates

J. L. Aliperti S. A. of São Paulo is acquiring equipment to expand its production of steel ingots and laminates. The company plans to raise its present annual output of 90,000 metric tons of ingots and 70,000 tons of laminates to 180,000 tons and 160,000

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0743

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Page 3 of
End. No. 452
Desp. No. 452
From: Amcongen São Paulo

tons, respectively, through the acquisition of machinery and equipment from the French firms Société de Constructions Metaliques Chavanne-Brun; Etablissements Reunis Delattre et Frouard; Société Generale de Constructions Electriques et Mecaniques ALSTHOM; Société Stein-Roubaix; and L'Association Francaise de Construction de Machines-Outils AFMO, all located in Paris. The equipment, valued at \$5,824,861.00, is contracted for delivery before the end of 1962. The National Economic Development Bank gave its guarantee to the financial transaction.

6. Possible Shortage of Fertilizers and Insecticides in São Paulo

No foreign exchange has been made available to importers of fertilizers and insecticides since the suspension of the foreign exchange auction system on January 31. Imports of these have been in a special category not included in the March order permitting imports against purchase of exchange on the free market. As a result, stocks of imported chemical fertilizers and insecticides are reported to have decreased rapidly. Approached by the Federation of Rural Associations of the State of São Paulo (FAESP), São Paulo Governor Carvalho Pinto telegraphed the Federal Minister of Finance on May 29 expressing his concern at the possibility that a severe shortage of fertilizers and insecticides may develop in June or July unless immediate measures are taken to permit the resumption of imports of these materials.

7. Members of the Joint Brazil-Argentina Economic Development Commission in São Paulo

The Argentine members of the Joint Brazil-Argentina Economic Development Commission arrived in São Paulo on May 30, coming from Rio de Janeiro. The nine members of the party will meet with directors of the Federation and Center of Industries of the State of São Paulo (FIESP-CIESP) to exchange views on developing trade between Brazil and Argentina. After a meeting with São Paulo Governor Carvalho Pinto, the party will visit several industrial installations in the São Paulo area before departing for Buenos Aires on June 2.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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FOREIGN SERVICE DESPATCH								
FROM :	American Consulate, CURITIBA		DESP. NO. 65					
TO :	THE DEPARTMENT OF STATE, WASHINGTON		DATE JUN 2 1961					
REF :	CERP D 5,6,		FILE ACTION June 2, 1961 EST/D:J. Williams LWS 6-20-61					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">55 For Dept. Use Only</td> <td style="width: 10%;">ACTION REC'D</td> <td style="width: 10%;">DEPT. I N F O OTHER</td> <td style="width: 10%;"> RM/R-2 INA-7 REP-1 E-3 6/10 CEA-10 COM-10 TRA-2 TR-3 FRO-8 XMB-7 </td> <td style="width: 10%;"> DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS </td> </tr> </table>				55 For Dept. Use Only	ACTION REC'D	DEPT. I N F O OTHER	RM/R-2 INA-7 REP-1 E-3 6/10 CEA-10 COM-10 TRA-2 TR-3 FRO-8 XMB-7	DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS
55 For Dept. Use Only	ACTION REC'D	DEPT. I N F O OTHER	RM/R-2 INA-7 REP-1 E-3 6/10 CEA-10 COM-10 TRA-2 TR-3 FRO-8 XMB-7	DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS				
SUBJECT: GUARAPUAVA DMF-7 AGA-8 INT-7 LAB-6 FRO-1 OSD-5 USIAID Army 4 Navy 4 NSA 4								
Guarapuava, the largest of Parana's municipalities, is located in the west of the state. It has a population of about 110,000 and is noted primarily as South America's most important wood center. Its climate is rather cool, the most significant factor in this regard being its location on Parana's third "planoalto" (1,200 meters altitude). The reporting officer recently visited the city of Guarapuava and spoke with a number of its leading citizens. Without exception they are enthusiastic about the municipality's "growth" during the past five or six years. The city itself presents little signs of progress. Founded 148 years ago, Guarapuava retains most of its original buildings and continues to be dominated by its original industry - woodcutting. Most of Brazil's principal lumber firms are located here. The city's electric company has not, as yet, been able to provide Guarapuava with sufficient power, so that at night everything takes on a yellowish-brown appearance, all the bulbs working at about 1/3 their stated strengths. Where has the progress been made? It has been made in agriculture and cattle-raising. Guarapuava now produces more rice and wheat than any other place in Parana (Production statistics will be furnished the Consulate by the Bank of Brazil) and there are a number of modern cattle-raising farms. A highly respected Danish-born farmer in the area informed me that the Ministry of Agriculture is interested in making his "fazenda" an experimental cattle-raising station. While lauding Guarapuava's potentialities as an agricultural and cattle-raising center he also pointed out some of its present defects - inadequate warehouse space, poor transportation and insufficient electric power. In 1951, 2500 German and Yugoslav farmers were settled near the city of Guarapuava. Their farms are modern and mechanized and it is they who have made the greatest contribution to Guarapuava's increased agricultural output. They live in five small colonies about 20 kilometers from the city.								
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Page 2 of 3
Encl. No. _____
Desp. No. 65
From AmConsulate, Curitiba

The mayor informed me that good relations have been maintained between the newcomers and the city officials and that the immigrants' children were being taught Portuguese. The local population has been prodded (~~xxxxxx~~) into activity by the industriousness of the foreign arrivals. They are trying to prove that they too, are capable of working. Everyone in Guarapuava speaks in laudatory terms, of the "foreign colony".

Another project creating a great deal of attention is the construction of the Litcher Brown cellulose plant about 107 kilometers southwest of Guarapuava. This project is discussed in greater detail in despatch n° 64 of May 31, 1961.

Without electric power progress anywhere is almost impossible. Electricity has always been a chronic problem for Parana. It can be solved with money but no one has been willing to provide the financing and a rise in tariffs is tantamount to a declaration of war.

Cia. Força e Luz do Oeste (Guarapuava) is a Brazilian owned company. It furnishes about 230,000 kw. of power per month to the city and its surrounding area. The lumber industry makes use of most of the output. Its rates were raised twice during 1960 and it presently charges 4.5 cruzeiros per kilowatt and is losing money. Since the power presently being furnished is insufficient a demand for a further increase in rates is unthinkable. About 3/4 of the electricity is generated thermoelectrically. An organization called COMEL has been established by local industrialists to promote the development of electrical energy. COMEL owns 50% of the shares in Cia. Força e Luz do Oeste.

The first step in increasing output is now being taken. A dam is being constructed 26 kilometers from Guarapuava on the Rio Jordan. When ready (in July 1961) the company will triple its output. An Italian-made turbine and a German made generator are being utilized. The project (Três Capões) is expected to cost 50 million cruzeiros. COMEL is putting up most of the money but the company is still trying to get BNDE financing. The Federal Government thus far has been unresponsive.

Even with a three-fold increase in output the area's needs will barely be satisfied. A much more ambitious project is in the planning stages. It, too, would utilize the Rio Jordan at a point about 150 km. from Guarapuava. However, here again financing is a problem. The company estimates a cost of about two billion cruzeiros.

Transportation to Guarapuava is also deficient. The city is on the east-west Curitiba-Foz do Iguaçu road, which for the most part is unpaved. West of Guarapuava the road is unpaved, east of Guarapuava it is in fairly good unpaved condition to Ponta Grossa and from Ponta Grossa to Curitiba half the distance is paved. North-South roads in the area are poor. There is a rail connection but rail service is slow and inefficient. The landing field accommodates DC-3's but with air transportation costing so much the planes are infrequently used. With the paving of BR-35 (Curitiba-Foz do Iguaçu), expected to be accomplished within the next five years, accessibility will be greatly improved.

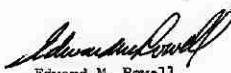
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0746

UNCLASSIFIED
(Classification)

Page 3 of 3
Encl. No. _____
Disp. No. 65
From AmConsulate, Curitiba

Guaranava has great potentialities. It also appears to have a number of ambitious, intelligent citizens intent upon exploiting those potentialities. Given time they should be successful in doing so.


Edward M. Rowell
American Consul

cc: American Embassy, Rio de Janeiro (2)


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TYPE IN THIS SPACE
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JUN 6 1961

FROM: [REDACTED]

TO: THE DEPARTMENT OF STATE, WASHINGTON. *Recipe* *JP* DATE: June 6, 1961.

REF: None.

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
6-14-61	RMK-2 REPI INR-7 E-3 ICA-4 B/FAC-3	
	CIA-10 COM-10 TR-3 AGR-P INT-7 FRB-3 AAB-6	

SUBJECT: SUDENE ACTIVITIES DURING 1960. *XMB-4 DAF-7*

Attached as Enclosure Number 1 are two copies of the booklet Atividades Da SUDENE No Exercício De 1960 (SUDENE Activities During 1960) which may be of interest to the Department. Two copies of this SUDENE (Superintendency of the Development of the Northeast) publication are also being forwarded to the Embassy, Rio de Janeiro.

832.00/6-661



Edward J. Malvey
American Consul

Enclosure No. 1: Atividades da SUDENE No Exercício de 1960.

2 cc: Embassy, Rio de Janeiro.

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DEPARTMENT OF STATE U. S. A.
WASHINGTON 25, D. C.
OFFICIAL BUSINESS

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PRESIDÊNCIA DA REPÚBLICA
SUPERINTENDÊNCIA DO DESENVOLVIMENTO DO NORDESTE
SUDENE

Dept
Recife Dispatch 61
Enclosure No. 1
June 6, 1961

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ATIVIDADES
DA
SUDENE
NO
EXERCÍCIO
DE
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PRESIDÊNCIA DA REPÚBLICA
SUPERINTENDÊNCIA DO DESENVOLVIMENTO DO NORDESTE
SUDENE

ATIVIDADES
DA
SUDENE
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DE
1960

RECIFE
1961

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Recife,

Excelentíssimo Senhor Presidente da República:

Temos a honra de passar às mãos de Vossa Excelência o incluso Relatório em que são expostas as atividades desenvolvidas por esta Superintendência, no ano próximo findo.

Criada a 15 de dezembro de 1959, pela Lei nº 3.692, somente a partir da regulamentação desta, baixada com o Decreto nº 47.890, de 9 de março de 1960, pôde a SUDENE iniciar seus trabalhos específicos.

A complexidade das atribuições que lhe conferiu o seu diploma institutivo, os obstáculos iniciais que logo tiveram de ser enfrentados, desde a carência de recursos financeiros proporcionais ao vulto da tarefa a desempenhar e a dificuldade de recrutamento de técnicos no mercado regional de trabalho a própria inadequação do aparelho administrativo aos diversos tipos de atividade pública dentro da moderna concepção do Estado planejador, não conseguiram sufocar o ânimo dos que fazem este órgão na dura missão de transformar, pouco a pouco, a estrutura econômica da região nordestina, integrando-a no ritmo de progresso das demais regiões brasileiras.

Ao término do seu primeiro ano de atividades, é motivo de particular satisfação para esta Superintendência verificar que os trabalhos desenvolvidos justificam plenamente os motivos que inspiraram a sua criação.

A elaboração do Primeiro Plano Diretor de Desenvolvimento do Nordeste, em que se agrupam com um enfoque unitário e dentro de uma perspectiva global de desenvolvimento econômico todos os investimentos do Governo Federal na região nordestina, representou a primeira grande vitória da SUDENE, conseguida já no mês de maio de 1960.

Uma nova concepção da atividade pública, em que órgãos de natureza diversa se entrosam no planejamento e na execução de uma política única, também já começa a fazer-se sentir no Nordeste.

A criação de uma mentalidade empresarial no setor privado, com melhor concepção e aproveitamento das oportunidades de investir é outro expressivo índice de que a região é receptiva aos estímulos do Poder Público.

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A superação progressiva das antigas rivalidades estaduais e a discussão e encaminhamento dos problemas do Nordeste como um todo, dando-lhe dimensão e sentido regionais, constitui, também, positiva indicação de progresso nos métodos do governo.

Também na esfera executiva, outros dados podem ser alinhados em abono deste órgão.

O programa de eletrificação do Nordeste, com a expansão das linhas de Paulo Afonso e a melhoria das instalações térmicas de cidades não compreendidas na área da CHESF, continuou a ser executado graças ao dedicado empenho da SUDENE para a consecução de recursos, muitos deles incluídos em Plano de Economia.

Em decorrência dos estímulos cambiais, fiscais e financeiros proporcionados por intermédio da SUDENE, aprestam-se para instalar no Nordeste (computando-se, apenas, os projetos aprovados em 1963) 23 novas indústrias, representando investimentos no valor de 7,5 bilhões de cruzeiros, que proporcionarão mais de 6.000 novas oportunidades de emprego.

A SUDENE também esteve presente no ressarcimento dos danos causados pela catástrofe de Orós, os quais foram avaliados por seus técnicos, dentro de um critério de absoluta imparcialidade, em 294,7 milhões de cruzeiros. Antecipando-se, mesmo, ao pagamento do crédito especial já aprovado pelo Legislativo com aquela finalidade, a SUDENE resolveu adiantar, dos seus recursos próprios, Cr\$ 100 milhões para atenuar as dificuldades dos nordestinos mais atingidos pelo desastre, contribuindo, assim, para restaurar a confiança popular no Poder Público.

Nas páginas a seguir, encontrará Vossa Excelência, com maior riqueza de informações, a súmula dos trabalhos da SUDENE em 1963.

Em 1961, uma vez aprovado o Plano Diretor, ainda sendo objeto de exame por parte do Congresso Nacional, terá a SUDENE entrado verdadeiramente na realização das suas finalidades.

Com esse instrumental e o apoio do Governo da República, esperamos poder apresentar a Vossa Excelência, no término deste exercício, resultados ainda mais animadores.

Aproveitamos o ensejo para apresentar a Vossa Excelência os protestos do nosso elevado apreço e mais profundo respeito.

a) Celso Furtado
Superintendente

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ATIVIDADES
DA
SUDENE
NO
PRIMEIRO
SEMESTRE
DE
1960

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PRIMEIRO PLANO DIRETOR DE DESENVOLVIMENTO DO NORDESTE

Recrutando pessoal técnico adicional, aproveitando e atualizando estudos realizados por outros órgãos federais, inclusive os que a antecederam — Grupo de Trabalho para o Desenvolvimento do Nordeste (GTDN) e o Conselho de Desenvolvimento do Nordeste (CODENO) — e procedendo, de própria, a pesquisas e estudos complementares, pôde a SUDENE concluir, ainda no mês de abril, o seu Primeiro Plano Diretor, o qual já a 12 de maio era objeto de Mensagem do Executivo ao Congresso.

No Plano Diretor, procurou-se acima de tudo, traduzir, em termos concretos, as linhas mestras da ação da SUDENE para o desenvolvimento regional.

Partiu-se do princípio de que, numa região como o Nordeste, à falta de um impulso externo que pudesse atuar como fator dinâmico da economia, cabe ao Estado o papel preponderante na condução do processo econômico, com vistas a obter e conservar um índice de crescimento que, ao menos, evite agravar a atual disparidade com a região Centro-Sul. A atividade do Poder Público na realização deste "desideratum" deverá assumir dois aspectos fundamentais:

- 1) maciços investimentos diretos nos setores em que revelam maior produtividade para o conjunto do sistema e que, por sua natureza, não se revelem atrativos para a iniciativa particular;
- 2) ação indireta sobre o setor privado para que o comportamento deste se coadune com os objetivos globais da política econômica do Governo.

O diagnóstico da economia nordestina revelou que, longe de diminuir ou, mesmo, de estagnar, a participação do Governo Federal na formação da renda no Nordeste vem aumentando substancialmente, ao longo dos últimos anos. Dados relativos ao ano de 1957 permitem calculá-la como sendo da ordem de 20%. No período 1952/58, o volume dos gastos federais na região sextuplicou para uma receita apenas triplicada. Em 1952, a União gastava 2 cruzeiros para cada um que arrecadava. Essa relação,

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em 1938, foi da ordem de 5:1. Dessarte, mais da metade dos gastos públicos no Nordeste (cerca de 60% em 1958) são da responsabilidade federal.

A análise da estrutura desses gastos demonstra que preponderam os investimentos. Uma estimativa preliminar para o setor público, autoriza afirmar que a contribuição deste para a formação de capital no Nordeste é, pelo menos, igual à do setor privado. Ora, sabendo-se que esta não do-cresceu mas admitindo-se que tenha permanecido estacionária, seria de esperar, ainda assim, que o índice de crescimento da economia do Nor-deste fosse ao menos igual ao da inversão pública. Tal, entretanto, não aconteceu. Nos últimos 10 anos, o ritmo de crescimento da economia nor-destina apenas acompanhou o do incremento demográfico, o que se tradu-ziu, de imediato, no alargamento das diferenças de nível econômico que a separam do Centro-Sul. Diante disso, a conclusão é inevitável: a inversão pública no Nordeste não alcançou os níveis mínimos de eficiência.

Dois causas principais respondem por esse fenômeno:

- I) a distribuição inadequada dos investimentos públicos,
- II) uma estrutura administrativa desapercebida para imprimir a esses investimentos e ao próprio serviço público em geral condições ope- racionais aceitáveis.

O Plano Diretor tentou combater, a um só tempo, as duas deficiên- cias. A simples existência de um Plano, aliás, pressupondo a definição de uma política, deve, necessariamente, implicar numa distribuição mais fun- cional dos investimentos públicos.

Na fixação dessa política para o Nordeste, a SUDENE partiu das se- guintes realidades:

- 1) Necessidade de prover a região de uma infra-estrutura de serviços básicos capazes de possibilitar a incorporação e o aproveitamento de recursos e fatores a um nível mais alto de produtividade e de estimular a progressiva transformação da própria estrutura do sis- tema econômico.

O reconhecimento desse fato implicou na formulação das seguintes dire- trizes consagradas no Plano Diretor.

- 1-a) Ordenação dos investimentos em transportes, dando unidade a todo o sistema, concentrando recursos na melhoria de uma rede prior- itária e reservando para as rodovias o papel de investimento pio- neiro.
- 1-b) Intensificação dos investimentos em energia elétrica, setor de at- vidade pioneira no desenvolvimento regional;

- 2) Reformulação da política de aproveitamento dos recursos d'água elemento notoriamente escasso na maior parte da região. O Plano Diretor enfrenta esse problema através das medidas seguintes:
- 2-a) incentivo aos trabalhos científicos relacionados com os recursos d'água, inclusive pelo treinamento de técnicos e pessoal auxiliar;
 - 2-b) levantamento sistemático de todos os recursos d'água disponíveis na região, estimulando para tanto a coleta de dados básicos envolvendo todas as fases do ciclo hidrológico, com ênfase especial, no início, para os trabalhos de fluviometria, água subterrânea, evaporação e pluviometria.
- 3) Reestruturação da economia rural, através de uma melhor utilização da terra com vistas ao aumento da oferta de alimentos e de matérias-primas. Essa orientação implicou nas seguintes metas do Plano Diretor:
- 3-a) melhor aproveitamento dos vales úmidos do litoral;
 - 3-b) elevação da oferta de terras agricultáveis, pela incorporação de zonas úmidas do Maranhão e outros pontos inclusive as bacias dos açudes públicos do "hinterland" nordestino, através de um programa de colonização a longo prazo;
 - 3-c) reorganização da economia das zonas semi-áridas, aproveitando-se ao máximo as possibilidades de irrigação e da pecuária, e estimulando-se o plantio de xerófilas como meio de tornar essas regiões resistentes ao impacto das secas;
 - 3-d) orientação da pesquisa agrônômica para o incremento da produtividade agrícola ou a introdução de novas culturas melhor adaptáveis ao meio e/ou destinadas à exportação.
- 4) Melhoria das condições de abastecimento através da:
- 4-a) constituição de uma rede de armazéns e silos, com capacidade mínima para 350.000 toneladas;
 - 4-b) constituição de grandes Mercados Centrais nos maiores centros demográficos e de uma rede de mercados coletores nos principais centros de produção, além da melhoria dos mercados atuais;
 - 4-c) criação de sociedades de comercialização, vinculadas aos centros de abastecimento;

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- 4-d) criação de uma reserva estratégica de alimentos com a finalidade de evitar as violentas oscilações de preços por ocasião de secas;
- 4-e) modernização da indústria pesqueira.
- 5) Intensificação substancial do levantamento e da prospecção mineralógica. O Plano Diretor intenta atingir esse objetivo:
 - 5-a) promovendo levantamentos geológicos básicos, inclusive mapas geológicos e reconhecimentos foto-geológicos dos Estados do Nordeste;
 - 5-b) idem o levantamento das ocorrências minerais conhecidas e a sua prospecção sistemática;
 - 5-c) idem o estudo de jazidas minerais conhecidas de fosfato, sais potássicos, sal-gema, nio ferrosos, ferro, manganês e cromo, gipsita, xilita, pegmatitos, pláceros, materiais industriais e refratários;
 - 5-d) idem estudos complementares de benefícios e utilização econômica dos minérios, inclusive exame dos problemas de mercado, transporte e possibilidades industriais.
- 6) Promoção do levantamento cartográfico sistemático do Nordeste, indispensável aos programas de transportes, de aproveitamento hidro-elétrico, de irrigação, de reestruturação da economia agrícola, etc.
- 7) Dotação das cidades do interior nordestino de serviços de abastecimento d'água eficientes, como medida principal para a melhoria das condições sanitárias.
- 8) Facilidades de acesso das populações, especialmente rurais, a condições mínimas de instrução, com o fito de capacitá-las a aprendizagem de técnicas mais complexas e eficazes de produção.
- 9) Incentivo decidido aos investimentos industriais na região, dinamizando-se o mercado interno e situando-se dentro do próprio complexo econômico nordestino o seu núcleo de crescimento. A política de industrialização do Nordeste prevista no Plano Diretor compreende duas linhas fundamentais.
- 9-a) prestação de assistência técnica, econômica e financeira às indústrias tradicionais nordestinas, de forma a mantê-las operando economicamente e a evitar que se reduza o emprego no setor secundário;

0758

9-b) modificação da estrutura industrial, mediante a criação de indústrias básicas altamente germinativas, como a siderurgia;

9-c) treinamento de mão-de-obra, elaboração de projetos, realização de pesquisas que facilitem ao setor privado a escolha das oportunidades de inversão;

9-d) reestruturação das atividades artesanais, visando a elevar a renda do importante grupo populacional ocupado naquele tipo de trabalho.

Dentro das diretrizes acima, o Plano Diretor contempla investimentos diretos do Governo Federal no montante de 71,8 bilhões de cruzeiros, inclusive US\$ 43,5 milhões em moeda estrangeira, distribuídos da forma abaixo:

QUADRO Nº 1

RESUMO DOS INVESTIMENTOS CONSTANTES DO PLANO DIRETOR DE DESENVOLVIMENTO DO NORDESTE

Sectores	Em Cr.\$ 1.000.000,00
Energia	24.054,8
Rodovias	23.132,0
Saúde e Educação de Base	12.560,0
Reestruturação da economia agrícola	8.062,5
Racionalização do abastecimento	2.970,0
Aproveitamento dos recursos minerais	300,0
Aproveitamento dos recursos d'água	300,0
Política de colonização	183,0
Cartografia	170,0
Política de industrialização	139,0
Total	71.877,4

No tocante à capacitação dos órgãos administrativos para levar avanti a política de desenvolvimento, a orientação da SUDENE é no sentido de obter o máximo de flexibilidade no serviço público, de molde a serem cumpridas, fielmente, pelo Estado, as complexas e variadas funções que lhe cabem no mundo moderno. Assim, no Plano Diretor, ao mesmo tempo em que se procura assegurar a unidade do planejamento, intenta-se descentralizar a execução, confiando-a não apenas aos órgãos de administração di-

reia, mas, também, a empresas criadas com fins específicos. Estas, quando não se possam constituir sob a forma de entidades privadas em virtude da natureza das atividades que irão desenvolver, poderão adotar muitas das técnicas utilizadas por aquelas, principalmente no que respeita à contabilidade de custos e ao dimensionamento dos benefícios. O tipo de empresa assim concebido, em que se associam o capital público e critérios administrativos do empresário particular, será particularmente útil para prestação de assistência técnica, contábil e administrativa a serviços públicos fundamentais — como os de distribuição de energia, abastecimento d'água, esgotos, etc. — a projetos de colonização e de irrigação, ou para aquelas tarefas que, com a prospecção geológica, situando-se fora do alcance de um empresário isolado pelo curso altamente aleatório de que se revestem — afirmam-se de extraordinária importância para uma região que, como a nordestina, tem no aproveitamento máximo dos seus recursos naturais, uma das alternativas mais importantes para a sua economia.

De par com esses mecanismos de atuação direta do Estado, o Plano Diretor contempla, também, dentro, ainda, da sistemática adotada pela Lei n.º 3.692, um outro tipo de ação do Governo Federal: aquela que, através de estímulos representados por facilidades de financiamento, isenção de impostos e taxas cambiais favorecidas, procura atrair para o Nordeste aqueles recursos que, normalmente, seriam encaminhados para outras regiões mais desenvolvidas. A concessão de incentivos ao setor privado não constitui, em si mesma, prática nova que a SUDENE pudesse invocar como consequência do seu aparecimento. Se não se pode deixar de registrar a anterior existência da medida, o mesmo não se dirá da eficiência dos critérios a que era subordinada a sua execução. Estes existiam, isolados, cada órgão possuindo os seus, sem qualquer enfoque unitário. A SUDENE, consciente da importância que aqueles estímulos podem assumir no comportamento do setor privado, básica em qualquer plano de desenvolvimento em um regime de livre empresa, procurou subordinar a administração dos mesmos a critérios de seletividade escolhidos em função das diretrizes gerais do Plano Diretor. A coordenação desses incentivos pelo órgão responsável pela formulação da política de desenvolvimento tem a grande vantagem de permitir a aferição da eficiência dos mesmos, isolados ou em conjunto, evitando-se conceder aqueles que se afiguram dispensáveis e que redundariam numa distribuição inadequada e regressiva da riqueza ou no maior fortalecimento de grupos monopolistas, o que não se coaduna com os objetivos do crescimento econômico no plano social.

Não ficam, porém, aí, as providências da SUDENE para maior dinamização do setor privado, no Nordeste. Promovendo programas de treinamento de mão-de-obra e assumindo ela própria o encargo da elaboração de projetos específicos em que se estudam todos os aspectos técnicos, econômicos, financeiros e administrativos da empresa, tudo em função do meio e do sistema econômico em que vai atuar, a SUDENE vem contri-

buindo para a criação de uma nova mentalidade empresarial na região nordestina.

Os trabalhos preliminares deste órgão, consubstanciados na elaboração do Plano Diretor, não se limitam, pois, a uma reunião de obras a realizar e das cifras representativas dos seus custos, o que, implicando num estudo entre inúmeras alternativas, já representaria muito, em se considerando as dificuldades materiais e humanas que se apresentam a uma atividade dessa natureza. Mais do que isto, há de se concluir que, destinada a promover o desenvolvimento de uma economia que, em muitos pontos, ainda se encontra em um estágio pré-capitalista, o maior esforço da SUDENE consiste em conjugar todos os fatores disponíveis para implantar um novo pensamento, uma nova concepção da coisa pública, um tratamento diferente das funções do Estado, enfim, uma nova série de valores que, necessariamente, refogem à escala tradicional. Tudo isto constitui a grande finalidade do Plano Diretor. À medida em que for sendo ele executado, os resultados irão se tornando mais e mais concretos e compreender-se-á, então, melhor, a reforma que a SUDENE veio trazer à vida nordestina.

ESTRUTURAÇÃO ADMINISTRATIVA

Logo após concluídos os trabalhos de elaboração do Primeiro Plano Diretor, lançou-se a SUDENE à tarefa da sua estruturação interna, procurando, assim, aparelhar-se para o desempenho das inúmeras e difíceis atribuições que lhe confere o seu diploma institutivo e que, já a partir deste ano, à medida em que for sendo executado o Plano, irão assumindo importância e intensidade cada vez maiores.

Os estudos realizados resultaram no Decreto nº 48.530, de 18 de julho de 1960, no qual foram criados seis Departamentos assim estruturados:

- a) Departamento de Pesquisas de Recursos Naturais, ao qual cabe o estudo sistemático das potencialidades da região, com vistas à formulação de uma política regional de aproveitamento dos recursos geológicos, hidrológicos, do solo, vegetais e animais. Compõem-no três divisões: Agrologia, Geologia e Hidrologia.
- b) Departamento de Atividades Econômicas Básicas, encarregado de promover e coordenar os investimentos em transportes, energia e indústrias, tanto no que respeita à elaboração de programas setoriais integrados como no que se relaciona com a preparação de projetos específicos. Integram-no, também, três divisões: Energia, Indústrias e Transportes.
- c) Departamento de Estudos Especiais, abrangendo as Divisões do Abastecimento, Comércio Externo e Política de Preços, Organização

Administrativa e Fiscal e de Mão-de-Obra e Colonização. Este Departamento tem a seu cargo a realização de pesquisas de natureza econômica e administrativa requeridas pela formulação da política de desenvolvimento regional, bem como o encaminhamento no seu campo específico das soluções aconselhadas por aquela política.

d) Departamento de Controle e Ação de Emergência, ao qual incumbem acompanhar e controlar a execução das obras cometidas a outros órgãos e cuja supervisão caiba à SUDENE, além da efetivação das medidas que consubstanciam a política do governo em caso de seca. Duas divisões integram este Departamento: a de Controle e a de Ação de Emergência.

e) Departamento de Assistência Técnica e Formação de Pessoal, responsável pela coordenação dos programas de assistência técnica estrangeira referentes ao Nordeste, pela assistência técnica requerida pelos Estados e Municípios para formulação de programas e projetos integrados no Plano Diretor, e, finalmente, pela formação de pessoal especializado requerido pela SUDENE ou por outros órgãos governamentais da região. De acordo com a natureza das atividades, este Departamento está integrado por três divisões: Coordenação da Assistência Técnica Estrangeira, Assistência Técnica aos Estados e Municípios, Formação de Pessoal.

f) Departamento de Atividades Internas, que enfeixa todas as tarefas requeridas para o normal funcionamento dos setores técnicos e abrange três divisões: Administração Geral, Documentação e Cartografia.

Além desses Departamentos, integram a Secretaria Executiva da SUDENE uma Assessoria Técnica e uma Assessoria Jurídica, a primeira destinada a articular as atividades dos setores técnicos, com vistas à reformulação periódica do Plano Diretor e a segunda a prestar assistência jurídica, nas esferas judicial e administrativa, aos diversos órgãos da SUDENE.

A estruturação acima, indispensável à eficiência das atividades da SUDENE, obedeceu às seguintes diretrizes:

- a) definir as atribuições e responsabilidades dos diversos setores especializados;
- b) agrupar aqueles que tivessem maiores afinidades, de molde a obter o máximo rendimento do trabalho;
- c) facilitar a coordenação dos vários setores na revisão do Plano Diretor.

ATIVIDADES
DOS
DIVERSOS
DEPARTAMENTOS
DA
SUDENE

0763

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DEPARTAMENTO
DE
PESQUISAS
DE
RECURSOS
NATURAIS
(D.P.R.N.)

0764

INTRODUÇÃO

Os trabalhos deste Departamento, em 1960, se desenvolveram, principalmente, no sentido de estruturar-se de forma adequada ao cumprimento das grandes responsabilidades que lhe são cometidas no Plano Diretor. O DPRN é um dos setores da SUDENE em que se faz sentir com maior agudeza a necessidade de uma estreita coordenação com os outros órgãos executivos governamentais no Nordeste. Com vistas a obter, desde logo, esse clima de entendimento e cooperação necessário ao êxito das suas tarefas, o Departamento — antecipando-se, em alguns casos, no próprio Plano Diretor, como aconteceu com o programa de melhoramento e multiplicação do algodoeiro, afeto à Divisão de Agrologia — procurou, de logo, estabelecer contacto com inúmeras entidades particulares, universitárias e órgãos de administração direta, do que resultou a assinatura de diversos convênios para a execução de tarefas de interesse comum. O satisfatório rendimento desses convênios vem comprovar, à saciedade, que é de todo possível submeter-se os serviços federais no Nordeste a um planejamento único e a uma execução descentralizada. Nesses convênios toca à SUDENE traçar o programa de trabalho e o seu cronograma de execução, tarefa na qual colaboram os técnicos de cada entidade. A entrega do numerário, pela SUDENE, é feita, à medida em que se vencem as etapas do cronograma, mediante a comprovação de que foi executada satisfatoriamente a etapa anterior.

Na exposição dos trabalhos realizados pelo DPRN no ano findo, precurar-se-á: 1) definir a orientação que presidiu à elaboração do programa traçado para 1960, analisando-se o seu andamento; 2) estabelecer as lições da ação desenvolvida naquele período com o Plano Diretor, a fim de garantir continuidade aos trabalhos em fase de execução e, por outro lado, permitir a implantação do programa geral.

O Programa elaborado para o DPRN em 1960 teve o seu financiamento provido pelo crédito de Cr\$ 112.000.000,00 (cento e doze milhões de cruzeiros) constante da dotação reservada ao Conselho de Desenvolvimento do Nordeste (CODENO), na Sub-convigação 1.6.23, item 19.6- "Para despesas de qualquer natureza com a coordenação e execução de projetos e programas de ação imediata, tendentes ao desenvolvimento econômico do Nordeste, em convênios com o Ministério da Agricultura".

0765

DIVISÃO DE HIDROLOGIA

Esta Divisão tem como objetivo principal ativar estudos sistemáticos e contínuos para avaliação dos recursos hidrológicos da região, programando-lhes o uso.

A importância das pesquisas sobre recursos hidrológicos no Nordeste justifica-se principalmente quando se considere ser a escassez d'água um dos principais fatores limitativos do desenvolvimento das atividades básicas na área.

Além dos estudos hidrológicos incluídos no Plano Diretor foram programados para 1963 trabalhos que reunissem elementos indispensáveis à superação da inércia que se vinha verificando no setor e permitissem acelerar o sistema de trabalho constante do Plano. Como ponto-de-partida figurem o estudo de plano de montagem de esquema que permita acompanhar o desenvolvimento do inverno na Região Nordeste para possibilitar o zoneamento das áreas, segundo o grau de precipitação. Com esse objetivo, foi elaborado o seguinte Programa para 1963:

A) Início dos estudos de avaliação das possibilidades hidrológicas da Bacia do Rio Jaguaribe.

1. Verificação e reestruturação da rede pluviométrica (acrescer no mínimo 50 pluviômetros e 10 pluviógrafos).
2. Instalação de 3 estações evaporimétricas provavelmente na Bacia.
3. Instalação da rede pluviométrica na bacia, iniciando com os seguintes postos prováveis: Rio Benabutu — Senador Pompeu e Quixeramobim; Rio Salgado — Icó; Rio Jaguaribe — Saboeiro, Iguaçu, Russas e Aracati. O treinamento das equipes dar-se-á, sempre que possível, nos locais acima determinados. Na hipótese de se verificar a impossibilidade de treinamento naqueles locais, utilizar-se-ão os rios Beberibe, Capibaribe ou Rio das Contas, na Bahia.
4. Executar hidrometria nos açudes: Lima Campos, Várzea do Boi, Riacho do Sangue, Cedro, Nova Floresta, Joaquim Távora e Santo Antônio das Russas.

0766

5. Efetuar pesquisas geológicas (estrutura, litografia), testes de bombeamento e instalações de limpetros nas regiões de Araripe, Apodi, Igatu e Baixo Jaguaribe.
6. Compilação e análise dos dados existentes.
- B) Estruturação do Setor de Hidrologia em pessoal e material a fim de colaborar nos estudos acima e receber instrução técnica tipo escola ativa.
- C) Preparação do esquema para controle e acompanhamento da estação chuvosa. Continuação dos cálculos estatísticos para determinação de índice.
- D) Início da reestruturação da rede meteorológica de superfície a fim de permitir ao Serviço de Meteorologia:
 1. Previsão a longo prazo das secas no Nordeste.
 2. Estudo de frentes, sua frequência, variabilidade e direções de penetração.
 3. Estudo mais detalhado da Meteorologia Agrícola.
 4. Fornecimento de maior quantidade de dados hidrometeorológicos e dados específicos de hidrologia.

Do Programa acima, foi cumprido o item "A", tendo sido iniciada a pesquisa. Foram firmados convênios com a HIDROSERVICES, SERVIÇOS TÉCNICOS DE HIDROLOGIA, HIDROGRAFIA E HIDRAULICA LTDA. e com a GEOFOTO S/A, para execução de partes substanciais desse Programa, a qual se vem processando em ritmo satisfatório.

O item "B" foi cumprido, apenas, parcialmente, em virtude da dificuldade de obtenção de pessoal técnico habilitado. Dos 31 profissionais previstos, entre engenheiros, hidrometristas, desenhistas e estudantes de engenharia e geologia, apenas se conseguiu utilizar 12.

A reestruturação da rede meteorológica de superfície "item D", está sendo executada através de um convênio com o Serviço de Meteorologia do Ministério da Agricultura, no qual se prevê a instalação de 20 estações sinóticas e a transformação em sinóticas de 50 outras estações de tipos diferentes.

Outras atividades

Além das atividades relativas ao programa mínimo pré-estabelecido, a Divisão tem-se dedicado a algumas outras de caráter anelar, tais como:

0767

- i) Estudo do aproveitamento dos recursos sólidos e de umidade do ar atmosférico, com o concurso de Professores e técnicos da Universidade Católica de Pernambuco. Prepara-se, atualmente, o projeto e a construção de um protótipo.
- ii) Preparação de detalhes técnicos, juntamente com a Divisão de Geologia, para execução de convênio com a Universidade do Recife, a qual dotará seus laboratórios do material necessário ao ensino e pesquisas a serem executadas pela SUDENE e estabelecerá o programa de colaboração técnica entre as duas entidades.
- iii) Estudo, em cooperação com o Instituto de oceanografia da Universidade do Recife, relativo ao aparecimento de algas nos açudes do Rio Grande do Norte (Gargalheiras, principalmente), fenômeno responsável pela poluição das águas ali represadas.
- iv) Estudos e pareceres em processos referentes a abastecimento d'água, inclusive reconhecimento "in loco" naquelas cidades que solicitaram a colaboração financeira da SUDENE para aqueles serviços.

DIVISÃO DE GEOLOGIA

Esta Divisão tem na escassez de geólogos e de engenheiros de minas na região o principal entrave ao desenvolvimento dos seus trabalhos. Para obviar um pouco essa dificuldade, ela mantém, a partir de agosto, cinco estagiários do 3º ano do Curso de Geologia, os quais vêm sendo utilizados na organização dos laboratórios e na catalogação das ocorrências minerais do Nordeste. Durante o ano de 1960, contou com a colaboração dos técnicos das Nações Unidas, srs. Nils Brundin, K. Jacob e E. Bon, os quais executaram diversos trabalhos de real interesse para o órgão.

Apesar das dificuldades de pessoal, entretanto, a Divisão já pôde apresentar, no decorrer de 1960, um acervo de trabalhos apreciável, de que se dará conta a seguir.

XIIIIta

A área de ocorrência de XIIIIta abrange vários municípios dos Estados do Rio Grande do Norte e Paraíba. Existem nesta região 10 grandes minas e cerca de 200 minas menores, em sua maioria trabalhadas por garimpo gom. Para efeito de sistematização dos serviços de pesquisa, estas minas foram reunidas nos grupos seguintes:

Bodó
Malhada do Angico

0768

Oitica
Brejui
Trindade
Emas

Os principais trabalhos efetuados no ano corrente são a seguir resumidos:

1. Geologia

Foi iniciado o mapeamento geológico da Região xilitífera, devendo até dezembro estar preparado um esboço geológico em escala de 1:200.000.

Este trabalho está sendo executado em colaboração com o Curso de Geologia, estando a cargo do geólogo André Robert Meunier. O referido geólogo encontra-se na Europa efetuando, em universidades francesas, um estudo petrográfico e metalognético detalhado do material colhido durante a execução do mapa.

2. Prospeção

Os serviços de prospeção dos "tailings" das minas de xilita iniciaram-se pelos grupos Bodó e Malhada do Angico.

A prospeção está sendo efetuada por meio de poços e recebe a orientação técnica do Eng. de Minas Octávio Santiago.

Até 31 de outubro, foram executados os seguintes poços:

Malhada do Angico	145 poços
Rincho	46 "
Malhada Vermelha	9 "
Baixio Queimadas	6 "
Baixio Velho	12 "
TOTAL	220

Rutilo

As ocorrências conhecidas de rutilo se distribuem por quase todo o Estado do Ceará. As melhores áreas se concentram, entretanto, em torno dos Municípios de Canindé e Independência.

Boa parte da área rutilífera foi visitada pelos geólogos K. Jacob e E. Bonn, peritos da UNESCO, os quais recomendaram um estudo preliminar da área em questão para reconstituição da história geológica da Região, e fornecimento de melhores indicações para pesquisa.

Estão sendo tomadas providências para início destes estudos

0769

Ilmenita

O estudo dos minerais pesados do litoral sergipano foi incluído em vista da possibilidade de ser utilizado o cloro, subproduto da projetada fábrica de soda cáustica eletrolítica a ser instalada no Estado, para produção de óxido de titânio, a partir da ilmenita.

1. Estudos de laboratório para verificar a possibilidade de utilização de ácido clorídrico para produção de óxido de titânio a partir da ilmenita.

Estes trabalhos vêm-se desenvolvendo normalmente em colaboração com o Instituto Tecnológico do Estado de Pernambuco (I.T.E.P.), sob a direção do químico Antônio de Sá Martins e a supervisão geral do Dr. Nils Brundin.

Está ainda em elaboração um convênio com o ITEP visando a acelerar esses estudos, bem como iniciar outros para industrialização de minérios do Nordeste.

2. Coleta de Amostras

Os trabalhos de laboratório estão sendo conduzidos com material colhido nas praias de Sergipe pelo químico Antônio de Sá Martins.

O tratamento do material para ser usado em laboratório consiste em concentração por batéia e separação eletromagnética.

3. Prospeção

A Divisão está diligenciando a obtenção de um técnico para esses trabalhos.

Fosfato Sedimentar

Com o fim de iniciar o reconhecimento geológico da faixa sedimentar que se estende de João Pessoa a Aracati, esteve em Recife o professor Wilhelm Kegel, do D.N.P.M.

Contudo, a Divisão julgou por bem concentrar os esforços em outras áreas, já que o problema do fosfato vem sendo conduzido com acerto pelas Companhias que operam na região.

Enxofre

O estudo das ocorrências de enxofre da Fazenda Aurora, município de Canavieiras, Estado da Bahia, está sendo executado em convênio com o D.N.P.M. Foi elaborado um programa de sondagem, do qual consta a execução de 600 metros de perfuração no corrente ano.

Chumbo

Está em vias de conclusão o estudo da jazida Galena, município de Santa Fé, Estado da Bahia, por meio de trincheiras, representando um desmonte total de 600 metros cúbicos de rocha.

Cobre

1. Jazida de Caraíba

Também em convênio com o D.N.P.M., está sendo estudada em profundidade a jazida de cobre de Caraíba, Estado da Bahia, com execução no correr do ano de 400 metros de perfuração.

2. Jazida de Pedra Verde

A Cia. Cobre do Nordeste S.A., concessionária da Mina de Cobre de Pedra Verde, Estado do Ceará, conseguiu, em princípio, financiamento do BNDE para exploração da mina e construção de uma usina metalúrgica em Camocim, desde que sejam efetuados trabalhos complementares de pesquisas da jazida.

A Divisão de Geologia está empenhada atualmente no estudo das propostas das companhias especializadas para verificar a possibilidade da SUDENE financiar esta pesquisa complementar.

Sal-Gema

A exploração dos depósitos de Sal-Gema de Sergipe para produção de soda cáustica é um problema delicado, dada a profundidade em que os mesmos se encontram (1.200 m) e o vulto do investimento necessário à instalação da fábrica.

Tendo em vista a pouca experiência dos técnicos nacionais na mineração desse tipo de depósito e os gastos necessários à complementação da pesquisa por sondagem profunda, a Divisão de Geologia preparou um relatório para ser enviado ao Fundo Especial da ONU, pedindo a colaboração do mesmo para solução deste problema.

Minério de Ferro

A Divisão de Geologia estudou, ainda, as ocorrências de minério de ferro de Jequié, Estado da Bahia, havendo recomendado um levantamento aeromagnetométrico da região. Duas companhias especializadas enviaram propostas neste sentido que, após estudadas, não foram julgadas satisfatórias. Desta maneira, a Divisão de Geologia pedirá novas propostas dentro do seguinte esquema:

- a) Levantamento aerofotográfico.
- b) Reconhecimento fotogeológico.
- c) Levantamento magnetométrico das áreas escolhidas.

Laboratórios

1. Laboratório de análises químicas

Este laboratório vem funcionando no gabinete de análises do D.N.P.M. em Recife, anexo ao Curso de Geologia, sob a direção do químico Carlos Alberto de Menezes Jr.

Até 31 de outubro foram executadas 54 determinações em amostras de fosforita, calcário, baritina, feldspato, ilmenita, hematita, arcóso e carvão, além de identificações diversas de minérios recebidos pela Divisão de vários postos do Nordeste.

Catálogo

Buscadas na bibliografia e visitas ao campo, foram organizadas, em 1960, cerca de 2.000 fichas de ocorrências minerais no Nordeste.

Convênios

Foram elaborados os seguintes convênios:

1. Departamento Nacional da Produção Mineral

Convênio no total de Cr\$ 2.620.000,00 para estudo de enxofre e chumbo no Estado da Bahia.

2. Universidade de Recife

Convênio no total de Cr\$ 1.020.000,00 para utilização dos laboratórios de Lavagem e Bateação, Minerais Pesados, Preparação de Amostras, Geoquímica e Hidrologia.

3. Instituto Tecnológico do Estado de Pernambuco

Convênio em preparação para estudo de problemas de industrialização de minérios do Nordeste.

DIVISÃO DE AGROLOGIA

O programa de agrologia do DPRN está basicamente dividido em duas partes distintas, uma de realização a curto prazo e outra de execução mais demorada.

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A estruturação dos dois programas distintos, baseou-se no reconhecimento da necessidade imprescindível de (a) aumentar-se a produtividade agrícola na Região, (b) dotar o Nordeste semi-árido de uma exploração agropecuária mais adaptada às peculiaridades da Região, (c) reorientar a produção de alimentos das zonas áridas de maior instabilidade para a região úmida e (d) ampliar a fronteira agrícola do Nordeste por meio da melhoria das atuais condições de penetração da corrente migratória que se efetua do Nordeste Oriental para as regiões úmidas do Maranhão, bem como pela incorporação de terras da região sul da Bahia.

Programa de curto prazo

O programa apoia-se fundamentalmente na hipótese de se aumentar a curto prazo a produtividade da cultura do algodoeiro e da atividade pecuária do Nordeste. Os conhecimentos já adquiridos sobre os dois setores citados permitem elaborar um programa de melhoria das condições existentes. Por outro lado, a participação da atividade algodoeira e da pecuária na renda do setor primário do Nordeste é bastante ponderável e qualquer aumento de produtividade nestes dois campos, será suficiente para carrear uma substancial renda para a Região.

1. Algodão

O programa de melhoramento da cultura de algodoeiro, por meio do uso de sementes selecionadas e de inseticidas e espaçamentos adequados, poderá aumentar efetivamente a produção por área e, em consequência, a produtividade do plantador de algodão nordestino.

No momento, a SUDENE está concentrando seus esforços no sentido de aumentar a produção de sementes selecionadas e montar um mecanismo capaz de levá-las ao agricultor a fim de substituir as atualmente usadas. Com esse objetivo foram programados vários campos de multiplicação de sementes, que, implantados nas zonas produtoras, possibilitarão ao agricultor nordestino um adequado suprimento de sementes selecionadas.

O programa persegue os propósitos de suprir totalmente as necessidades dos cotonicultores em sementes selecionadas, no próximo triênio, de vez que a ação da SUDENE foi antecipada de um ano, em decorrência da efetivação, ainda, em 1960, de várias providências atinentes à implantação dos campos de multiplicação de sementes.

Estão sendo implantados em cada um dos Estados do Ceará, Rio Grande do Norte, Paraíba e Pernambuco, 200 hectares de campos de multiplicação de sementes do algodoeiro arbóreo, num total de 800. Estabeleceram-se prioridades para as zonas onde essa planta tivesse revelado melhor comportamento para, em prazo curto, através de uma ação coordenada

com os órgãos responsáveis por serviços ligados ao problema, possibilitar a substituição das sementes usadas sem os necessários testes de garantia.

A distribuição desses campos obedeceu à seguinte discriminação:

CEARÁ — em convênio com a I.R.F.A.

Pósto Agro-Pecuario de Canindé	20 ha.
Pósto Agro-Pecuario de Solonópole	20 ha.
Campo de Sementes de Quixadá	60 ha.
Fazenda Noraml	100 ha. 200 ha.

RIO GRANDE DO NORTE — convênio com a I.R.F.A.

Pósto Agro-Pecuario de Lages	15 ha.
Pósto Agro-Pecuario de Ipanguaçu	55 ha.
Pósto Agro-Pecuario de Martins	10 ha.
Pósto Agro-Pecuario do Pau dos Ferros	10 ha.
Pósto Agro-Pecuario de Luís Gomes	10 ha.
Pósto Agro-Pecuario de Florânia	10 ha.
Pósto Agro-Pecuario de Calço	30 ha.
Pósto Agro-Pecuario de Patu	10 ha.
Pósto Agro-Pecuario de Santana do Matos	10 ha.
Pósto Agro-Pecuario de Augusto Severo	15 ha.
Pósto Agro-Pecuario de Angicos	25 ha. 200 ha.

PARAIBA — convênio com a I.R.F.A. — 200 ha.

PERNAMBUCO — Serra Talhada — 200 ha.

Por outro lado, enquanto se dá prosseguimento ao programa de fomento e extensão com o fim específico de se levar ao agricultor melhor semente de algodão, estabeleceu-se competição de variedade e linhagens, ensaios de adubação e de práticas agrícolas, naquelas áreas em que se conhece o comportamento do algodoeiro e sua reação aos diversos tipos de tratos culturais. Em 1960, foram fazendo dois experimentos, um no Rio Grande do Norte e outro no Estado da Bahia.

Ainda sobre algodão, está sendo elaborada uma monografia em que o produto é estudado em seus mais variados aspectos. Este estudo, constituir-se-á no primeiro perfil de um produto agrícola a ser elaborado pela SUDENE, e objetiva, através de um conhecimento mais definido, possibilitar o equacionamento das diversas políticas ligadas à economia do produto.

2. Pecuária

O programa pecuário a curto prazo da SUDENE tem em vista, primordialmente, o aumento da produtividade da criação extensiva do Nordeste, por meio do melhoramento das pastagens mais adequadas à região semi-árida. Apesar da falta de conhecimentos agrostológicos, verifica-se o êxito dos plantios de palma forrageira nas áreas de baixa pluviosidade mas de elevado índice de umidade relativa. A introdução da palma forrageira no pastejamento do gado, modificou inteiramente a fisionomia de certas regiões de pecuária do Nordeste, constituindo-se um elemento dinâmico do desenvolvimento agro-pecuário. A SUDENE, apoiada nessas observações, está incrementando a cultura da palma forrageira na região, através de uma ação conjunta com os diversos órgãos responsáveis que atuam na área.

O programa tem como principal objetivo a instalação de campos de multiplicação de sementes nas áreas de comprovada adaptação da palma forrageira, aliada a experimentações de espaçamentos, variedades e pastejamento. Esses campos estão sendo lançados nas áreas de pecuária, em que inexistem plantios.

Dentro dos objetivos que se persegue, de acordo com a orientação acima defendida, foram assinados convênios com a Inspetoria Regional de Fomento Agrícola, para instalação de campos de multiplicação nos Estados do Piauí, Ceará, Rio Grande do Norte, Sergipe e Bahia.

No que se refere à experimentação de variedades e espaçamento, a fim de obter-se informações objetivas sobre o comportamento da palma nas diversas regiões, bem como acerca dos mais adequados espaçamentos, foram lançados em convênios com as Inspetorias de Fomento Agrícola e Animal, os seguintes experimentos:

PIAUI

Pósto Agro-Pecuário de União
Pósto Agro-Pecuário de Campo Maior
Pósto Agro-Pecuário de Castelo do Piauí
Pósto Agro-Pecuário de Valença do Piauí
Pósto Agro-Pecuário de Oeiras
Pósto Agro-Pecuário de Picos
Pósto Agro-Pecuário de São João do Piauí

CEARA

Sobral — Fazenda Mocambinho (Prod. Animal)
Quixadá — Fazenda Ipanema
Pósto Agro-Pecuário de Ipu
Pósto Agro-Pecuário de Crateús

Pôsto Agro-Pecuario de Crato
Pôsto Agro-Pecuario de Quixeramobim
Pôsto Agro-Pecuario de Canindé
Pôsto Agro-Pecuario de Iguaçu

RIO GRANDE DO NORTE

Pôsto Agro-Pecuario de Nova Cruz
Pôsto Agro-Pecuario de Santa Cruz
Pôsto Agro-Pecuario de São Paulo do Potengi
Pôsto Agro-Pecuario de Pau dos Ferros
Pôsto Agro-Pecuario de Macaíba
Pôsto Agro-Pecuario de Calco
Pôsto Agro-Pecuario de Florânia
Pôsto Agro-Pecuario de Mossorô
Pôsto Agro-Pecuario de Augusto Severo

SERGIPE

Pôsto Agro-Pecuario de Propriá
Pôsto Agro-Pecuario de Frei Paulo
Estação Experimental de Nossa Senhora das Dóres

A Divisão de Agrologia, com o lançamento dos campos de multiplicação de raquetes da palma e os experimentos anteriormente citados, antecipou seu programa de ação previsto para o ano de 1961. Contudo, o trabalho executado, conforme já se acentuou, teve como principal objetivo testar a coordenação por parte da SUDENE dos programas de ação específica no nível da execução. No setor de pecuária pretende-se implantar um programa de estudos agrostológicos com vistas à identificação das principais forrageiras nativas, e das exóticas adaptáveis à Região.

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DEPARTAMENTO
DE
ATIVIDADES
ECONÔMICAS
BÁSICAS
(DAEB)

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DIVISÃO DE INDÚSTRIAS

a) Instalação de novas indústrias no Nordeste

Conforme já foi acentuado neste Relatório, as diretrizes da SUDENE para promover o desenvolvimento do Nordeste partem do princípio de que ao setor privado cabe papel de grande relevância na revitalização da economia regional.

Ao concentrar em empreendimentos de infra-estrutura a maior parte dos investimentos previstos no Plano Diretor, o Governo não visa mais do que retirar os principais obstáculos que vêm impedindo uma ação mais dinâmica dos empresários nordestinos no aproveitamento das inúmeras oportunidades de inversão existentes no Nordeste e, também, contribuindo para que se transfiram para outros centros as poupanças geradas na região.

Através de incentivos fiscais, cambiais e financeiros que implicam em tornar relativamente mais baratos os investimentos que se enquadram nas linhas gerais da política delineada para incrementar o ritmo de crescimento da economia nordestina, quis o Governo, através da SUDENE, estimular um surto de desenvolvimento industrial, única maneira de ir eliminando, progressivamente, o alto grau de desemprego disfarçado existente no Nordeste e principal responsável pelo baixo nível de vida da população regional.

Essa política, obviamente, parte do pressuposto da existência, na região, de um potencial de inversões passível de ser mobilizado mediante a utilização dos instrumentos promocionais de que o Governo pode dispor.

As atividades da Divisão Industrial da SUDENE, em seu primeiro ano de trabalho, comprovaram inteiramente a procedência daquela tese e constituíram experiência auspiciosa para os Planos governamentais.

Conforme se verifica do Quadro nº 2, durante o ano de 1960, foram aprovados pela SUDENE, depois de minuciosa análise dos aspectos técnico, econômico e financeiro de cada empreendimento, 23 Projetos de novas indústrias para o Nordeste, assim distribuídos segundo a natureza do produto:

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Siderúrgicos	2
Beneficiamento de recursos naturais	5
Refratários, cerâmicas e vidros	4
Beneficiamento de fibras vegetais	4
Bens de consumo final (com predominância de alimentos)	8
Total	23

Essas indústrias representam inversão num total de Cr. 7,5 bilhões, inclusive o equivalente a US\$13,8 milhões, em moeda estrangeira. Criarão cerca de 6 mil novas oportunidades de emprego, sem considerar os seus efeitos indiretos. Propiciarão ao País uma economia líquida anual de divisas superior a US\$10,6 milhões. Utilizarão, em grande escala, como matéria-prima, produtos da região, como álcool, melão, arroz, mandioca, algodão, sisal, resíduos de babaçu, de origem vegetal; amianto, cimento, fosfato, sal, quartzo, feldspato, argila e mármore, de origem mineral. Repercutirão, assim, de maneira altamente positiva, nas atividades do setor primário, contribuindo para maior integração econômica da região.

Os incentivos concedidos através da SUDENE, compreendendo isenções fiscais e favores cambiais, situaram-se acima de Cr.\$1.500 milhões.

Atualmente, sem prejuízo dos trabalhos rotineiros da coleta, sistematização e análise de informações úteis aos que desejem investir no Nordeste, encontram-se em estudo na Divisão Industrial mais de 22 Projetos, prevendo um investimento total da ordem de 32 bilhões de cruzeiros, inclusive o equivalente a US\$91,8 milhões em moeda estrangeira.

Considerando-se que, em 1958, a inversão em projetos industriais no Nordeste não foi além de Cr.\$ 2 bilhões, as cifras registradas nesse setor após o aparecimento da SUDENE constituem um expressivo atestado da repercussão da nova política do Governo Federal para os Estados nordestinos.

Os resultados alcançados no primeiro ano de atividades da SUDENE no setor industrial autorizam a previsão de que, se não faltarem meios de financiamento, os objetivos traçados no Programa de Industrialização serão atingidos antes do prazo esperado.

b) Reorganização e reequipamento da indústria têxtil nordestina

Um dos pontos altos do programa da SUDENE para o setor industrial é a reorganização e reequipamento das indústrias tradicionais do Nordeste, principalmente aquelas que ali se instalaram em razão das vantagens comparativas que a região apresenta, tais como a disponibilidade de matéria-prima e o baixo custo da mão-de-obra.

Essa orientação visa, principalmente, a evitar que se reduza o valor de emprego fora do setor agrícola, o que tanto mais se justifica quanto se considerem as flutuações a que está sujeita a agricultura nordestina,

QUADRO Nº 2
PROJETOS INDUSTRIAIS APROVADOS PELA "SUDENE"

PROJETOS	PRODUTOS A FABRICAR	CAPACIDADE DE PRODUÇÃO ANUAL	INVERSOES			INCENTIVOS ORIGINAIS	
			Em Moeda Estimada US\$ 1.000	Em Moeda Estimada R\$ 1.000	Em Moeda Estimada C\$ 1.000	Isenção, Exa- tão	Isenção, Exa- tão
			US\$ 1.000	R\$ 1.000	C\$ 1.000	Isenção, Exa- tão	Isenção, Exa- tão
PRODUTOS SIDERURGICOS			200	28.000	28.000	117.200	53.881
1. Indústria Norte SA (TOMAS) (Pernambuco)	Tubos em Geral	3.150 t	200	10.000	10.000	75.000	13.000
2. Tubos Guaraná (Pernambuco)	Idem	7.200 t	180	20.000	20.000	42.500	13.500
BENEFICIAMENTO DE RECURSOS MINERAIS			7.200	870.000	870.000	8.658.252	808.623
3. Carbonos Caballito (Bahia)	Negro Forno	15.000 t	1.870	182.000	182.000	895.600	172.623
4. Flutuação (Pernambuco)	Carvão Pulverizado	3.000 t	3.600	360.000	360.000	734.600	106.880
5. Refinaria (Pernambuco)	Beneficiamento de fosfato	100.000 t	1.000	100.000	1.102.721	1.095.374	31.357
6. Fertilizante (Pernambuco)	Idem	100.000 t	30	3.000	—	3.300	8.553
7. Iguaçu (Pernambuco)	Óleo de Semente	15.000 t	1.800	180.000	180.000	180.000	180.000
REFRATARIOS, CERAMICAS E VIDROS			532	62.000	62.000	594.082	45.104
8. Sinter de Bauxita (Bahia)	Tubos	1.000.000 m	532	62.000	62.000	78.000	21.000
9. L. A. S. A. (Pernambuco)	Refratários	110.500 m	50	10.000	10.000	100.000	100.000
10. C. L. V. (Pernambuco)	Refratários	700.000 m	50	10.000	10.000	100.000	100.000
11. Tereosil (Bahia)	Refratários	30.000 m	30	3.000	3.000	10.000	10.000
BENEFICIAMENTO DE FIBRAS VEGETAIS			1.000	100.000	100.000	811.000	114.472
12. Celulose Branca de Melo (Bahia)	Tecido	300 t	524	52.400	52.400	100.000	100.000
13. COBISA (Pernambuco)	Armadura de Sinal	8.000 t	178	17.800	17.800	107.770	26.000
14. PIRASSIL (Pernambuco)	Idem	8.000 t	178	17.800	17.800	107.770	26.000
15. SIBRASIL (Pernambuco)	Idem	8.000 t	178	17.800	17.800	107.770	26.000
BENS DE CONSUMO FINAL			2.000	200.000	200.000	2.000.000	200.000
16. Bauril (Pernambuco)	Óleo	12.000.000 l	2.000	200.000	200.000	2.000.000	200.000
17. Molino Cruzes (Ceará)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
18. Molino Cruzes (Ceará)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
19. Tereosil (Bahia)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
20. Molino Cruzes (Ceará)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
21. L. N. P. A. (Bahia)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
22. MICA (Bahia)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
23. U. I. A. (Bahia)	Óleo de Semente	100.000 t	200	20.000	20.000	200.000	200.000
TOTALS			13.800	1.380.000	1.380.000	13.800.000	1.380.000

(*) - Correspondente ao projeto aprovado.
(**) - Para efeito contábil, considera-se o valor de C\$ 100/US\$ 1, o que não significa necessariamente, embora as empresas não demonstrem em condições, para aquisição de moeda estrangeira, os montantes pedidos. Algumas foram beneficiadas com crédito de custo (C\$ 100/US\$ 1), outras obtiveram dividas nos países de destino e outras fizeram depósitos em moeda estrangeira.
(***) - Estimativa.

seja pela estrutura fundiária, seja pela precariedade das técnicas adotadas, seja, enfim, pelos problemas gerados pela instabilidade climática.

Entre as indústrias acima referidas figura, com relevo especial, a Têxtil algodoeira, razão porque a SUDENE resolveu dispensar-lhe um tratamento prioritário.

Durante o ano de 1960, a Divisão Industrial pôde concluir as pesquisas que lhe permitiram verificar a situação real daquela indústria e elaborar um Plano de assistência técnica, financeira e administrativa, destinado a aumentar-lhe a eficiência e a fornecer-lhe assim, condições para competir nos mercados em que sempre atuou e nos quais, gradativamente, vem perdendo substância.

Foram visitados pelos técnicos da SUDENE, 61 estabelecimentos, nos Estados do Maranhão, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe e Bahia.

A pesquisa, de início, confirmou a extraordinária importância dessa indústria sobre a estrutura ocupacional da região, responsável que é, por 36% da mão-de-obra utilizada no setor secundário. No período 1939/57, o número de operários têxteis foi, em média de 73 mil, o que, aos níveis de salários atuais, enseja uma remuneração não inferior a 6 bilhões de cruzeiros. Essa cifra é bem representativa da influência dessa indústria sobre o nível geral da atividade econômica nordestina, principalmente sobre a demanda efetiva de bens de consumo numa região como o Nordeste.

Não menos importante é a sua repercussão sobre o setor primário, seja absorvendo trabalhadores agrícolas que se deslocam para as cidades, seja consumindo cerca de 30% da produção algodoeira regional, com o que, além de servir de elemento de equilíbrio na fixação dos preços do principal produto agrícola nordestino, propicia trabalho a ponderável contingente da população rural.

Não deve, também, ser esquecida a expressiva contribuição da indústria têxtil para a receita fiscal no Nordeste: um terço da arrecadação total do imposto de consumo e parcela ponderável da receita do imposto estadual de vendas e consignações.

Foi analisado, a seguir, o comportamento da indústria durante a sua existência. Pioneira do seu ramo no País, a indústria têxtil do Nordeste manteve, durante um longo período, uma posição vantajosa no conjunto das similares nacionais, principalmente na faixa dos consumidores de renda mais baixa.

A partir dos anos trinta e, mais acentuadamente, depois da última guerra, entretanto, o Nordeste passou a ver deteriorar-se, progressivamente, a sua posição relativa no conjunto da produção nacional de tecidos. O quadro abaixo dá bem uma ideia desse decréscimo. No período 1949/1953, enquanto o volume físico da produção têxtil no país aumentava de 51%, no Nordeste esse aumento não ia além de 17%.

QUADRO Nº 3
ÍNDICE DO VOLUME FÍSICO DA PRODUÇÃO TEXTIL
NO BRASIL E NO NORDESTE
(1948 = 100)

Anos	Brasil	Nordeste
1949	107	88
1950	114	104
1951	110	97
1952	116	89
1953	122	95
1954	144	103
1955	151	117

Fonte: Fundação Getúlio Vargas

Essa perda de importância relativa também é comprovada pela percentagem do pessoal ocupado e do valor da transformação industrial da indústria nordestina em relação à do Brasil como um todo, conforme demonstra o quadro nº 4.

QUADRO Nº 4
POSIÇÃO DA INDÚSTRIA TEXTIL DO NORDESTE EM
RELAÇÃO À DO BRASIL

Anos	Pessoal ocupado	Valor da transformação industrial
1939	26,6 %	17,7 %
1949	23,3 %	16,1 %
1957	20,0 %	12,4 %

Fontes: Censos Econômicos de 1940 e 1950; Anuários Estatísticos do I.B.G.E. (1955/56); Registro Industrial (1955/57).

A análise efetuada revelou que os problemas fundamentais responsáveis pela involução verificada nesse ramo manufatureiro nordestino eram de três tipos:

- i) mercado e comercialização,
- ii) custos;
- iii) financiamento.

1) Problemas de mercado e de comercialização.

A estrutura da oferta das fábricas têxteis do Nordeste não corresponde à da demanda local. A produção nordestina é, preponderantemente, de tecidos grossos e, no período 1953/56, foi exportada para o Sul, numa proporção de 45%. Os tecidos médios e finos são importados da região sulina e o foram no quinquênio acima, numa média de 62 mil toneladas-ano.

Essa inflexibilidade estrutural da indústria têxtil nordestina para a produção dos tecidos de maior demanda (médios e finos) apresenta as seguintes desvantagens:

- a) coloca-a em acentuado grau de dependência dos mercados de fora da área;
- b) implica em que não seja aproveitado pela indústria o aumento da renda per-capita no País, porquanto o consumo dos tecidos finos bem mais do que o dos tecidos grossos, cresce com a renda;
- c) destinando-se os tecidos grossos aos grupos de renda mais baixa, os seus preços terão de ser muito menos flexíveis, tornando-se mais difícil transferir para o consumidor os aumentos dos custos;
- d) a distância dos mercados consumidores implica em maior demanda de capital de giro, em virtude das despesas de transporte e de distribuição. Todos esses fatores, aliados à capacidade ociosa existente no Centro-Sul o que possibilita à indústria dessa região competir com a nordestina mesmo na produção de tecidos grossos fizeram com que a última venha sendo deslocada, mais e mais, dos seus mercados tradicionais.

ii) Problema de custos

O alto custo da produção têxtil do Nordeste vem reduzindo, pouco a pouco, a sua capacidade competitiva e a própria rentabilidade da indústria. O fenômeno encontra explicação nas seguintes causas:

- a) a redução da vantagem relativa da indústria nordestina consiste em um custo mais baixo da mão-de-obra, fenômeno acentuado com o processo inflacionário. Os preços relativos dos alimentos no Nordeste, têm crescido mais do que no Sul. Em consequência, também os salários monetários na primeira região subiram relativamente mais do que na segunda. No período 1940/58 a elevação do salário mínimo no Sul foi 25% menor do que no Nordeste;

b) a utilização de mão-de-obra excessiva, fruto:

i) da grande percentagem de equipamento desgastado ou obsoleto, exigindo maiores cuidados de manutenção e lubrificação;

ii) da inexistência ou inadequação de "lay-outs", prejudicando a circulação interna racional dos produtos acabados ou em fase de processamento;

iii) das falhas administrativas, responsáveis pela falta de exata fixação de tarefas e de eficiente controle do tempo.

c) a deficiência do equipamento utilizado, tecnicamente obsoleto ou fisicamente desgastado (54% dos fusos e 81% dos teares em uso no Nordeste têm idade entre 30 e 70 anos; dos 22.500 teares em uso apenas 10% são automáticos);

d) a falta de uma eficiente contabilidade de custos, falha administrativa que implica na ausência de controle efetivo sobre os gastos de matéria-prima, na produção de tipos de tecidos anti-econômicos, na dificuldade de localizar as seções que se mostram mais ineficientes etc. Todos esses problemas de administração, aliados aos anteriores, vêm contribuindo, ponderavelmente, para diminuir a rentabilidade da indústria.

iii) Problemas de financiamento

1. Investições fixas

Sem desconhecer o pouco interesse demonstrado até alguns anos passados pelos industriais têxteis do Nordeste em reequipar-se, decorrente (a) do amplo domínio sobre o mercado local exercido até 1945, (b) do baixo custo da força de trabalho e (c) da reduzida demanda local de tecidos finos, não se pode obscurecer que, quando essas condições começaram a modificar-se com a concorrência maior da indústria sulina em consequência da maior facilidade do transporte rodoviário e da elevação relativa dos salários monetários do Nordeste, vários fatores, estranhos à região, contribuíram para dificultar o financiamento de um plano de modernização das fábricas nordestinas.

Entre esses fatores, aparecem como principais:

a) o desvio para outras inversões de grande parte das reservas das empresas, as quais foram, também, fortemente comprometidas à medida que baixava o poder-de-compra da moeda;

- b) a modificação introduzida na política cambial, com a Instrução 70, da SUMOC, a qual onerou sobretudo o custo dos equipamentos importados, desestimulando, assim, as inversões fixas onde a mão-de-obra continuava, apesar de tudo, mais barata;
- c) a inexistência, no Nordeste, de órgãos que financiassem a médio e longo prazos a importação de equipamentos (O Banco do Nordeste do Brasil, com recursos muito aquém dos necessários, só foi fundado em 1954, quando já vigia a Instrução 70);
- d) a dificuldade dos empresários nordestinos para instruir seus pedidos de financiamentos da forma exigida pelos Bancos de Investimento do Sul.

2 Capital de giro

Fatores já apontados, como a queda de eficiência do equipamento, a perda da vantagem relativa no nível médio dos salários pagos, a utilização excessiva de mão-de-obra, a intensificação do processo inflacionário e a impossibilidade de transferir-se totalmente ao consumidor final (geralmente dos grupos de renda mais baixa) os aumentos gerais de custo, diminuindo a rentabilidade da indústria, atuaram como elementos de pressão sobre o capital de giro das empresas têxteis nordestinas.

A estreiteza do mercado de capitais na região, o tipo de empresa predominante no setor têxtil (em sua maior parte, do tipo fechado), a pequena atração exercida sobre o público por um tipo de indústria de rentabilidade decrescente e a própria incapacidade financeira das empresas para pagar o imposto de renda correspondente a uma reavaliação (indispensável na hipótese de ingresso de novos acionistas) dificultaram, por outro lado, a ampliação do capital de giro, por meio de recursos próprios.

A solução, então, seria recorrer ao crédito bancário. Este, entretanto, em que pese a colaboração que vem prestando ao desenvolvimento das atividades econômicas no Nordeste, não se mostrou suficiente para cobrir as necessidades da indústria têxtil regional, em capital circulante:

- 1) porque o crédito bancário é concedido à base do ativo líquido do mutuário (ativo real menos passivo real) e isto, no caso da indústria têxtil, vem diminuindo gradativamente, em termos relativos;
- 2) porque os empréstimos do Banco do Brasil para a aquisição de matéria-prima não são suficientemente flexíveis para acompanhar as flutuações de preço e evitar maiores imobilizações em estoques;
- 3) porque os prazos normalmente admitidos pelos Bancos para finan-

ciamento das atividades produtivas (variável entre 30 e 120 dias) são insuficientes para a indústria têxtil do Nordeste, com um mercado altamente desconcentrado.

Do exposto, conclui-se que, também a falta de financiamento para o capital de giro requerido pela sua produção, vem atuando em desfavor da indústria têxtil do Nordeste, contribuindo para a sua atual situação de desequilíbrio e declínio.

O PROGRAMA TÊXTEL DA SUDENE

Baseada no diagnóstico fornecido pela pesquisa no início mencionada, a Divisão Industrial da SUDENE elaborou um amplo programa destinado à recuperar a indústria têxtil do Nordeste, através da prestação de uma eficiente assistência técnica e financeira.

A assistência técnica será proporcionada sob duas formas principais:

- a) através da promoção de Cursos para maior familiarização dos administradores com as modernas técnicas de comando e controle e para melhor treinamento de mestres e contra-mestres;
- b) através da elaboração de projetos individuais de reorganização e reequipamento para as fábricas que os justificarem, sob o ponto de vista econômico.

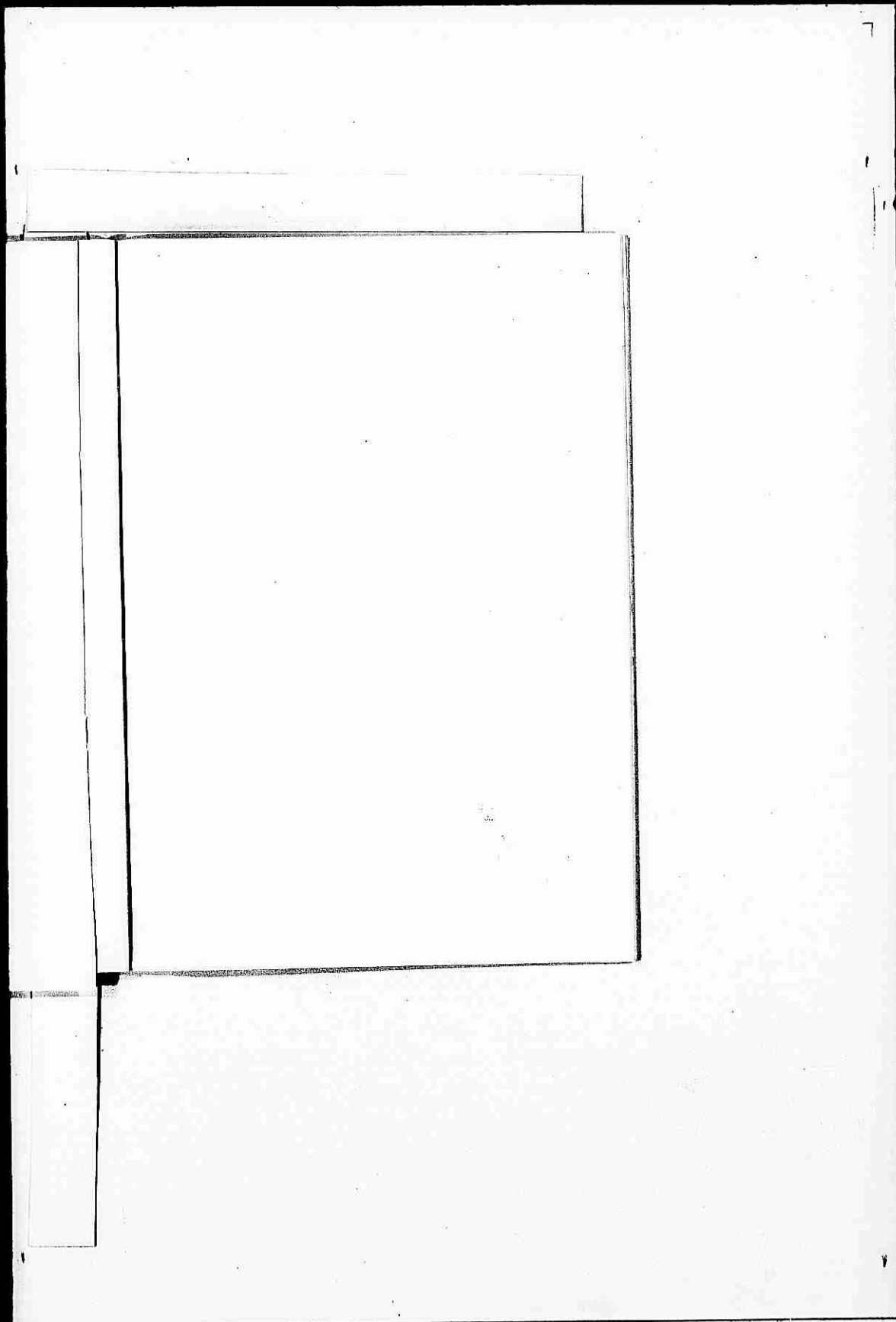
A assistência financeira será dada sob a forma do financiamento a médio e longo prazos para reorganização e reequipamento, e a curto e médio prazos para reconstituição do capital de giro.

A efetivação desse Programa exigirá recursos em moeda estrangeira da ordem de 11,9 milhões de dólares c. em moeda nacional, num montante de Cr.\$3,9 bilhões, perfazendo um total de Cr.\$6,3 bilhões (adotada a taxa de conversão de Cr.\$200,00/US\$1,00). A SUDENE está em adiantados entendimentos com organizações bancárias nacionais e internacionais, visando à participação destas no financiamento do programa têxtil.

Durante o ano de 1960, além da elaboração do Plano têxtil propriamente dito, deu-se, ainda, início à organização dos Cursos de Treinamento, ora sendo ministrados em Sergipe, para contra-mestres e mestres de 12 fábricas. Tiveram continuidade os trabalhos visando a preparação dos Projetos industriais das fábricas que demonstrarem capacidade de recuperação.

DIVISÃO DE ENERGIA

Tendo em vista a excepcional importância da energia elétrica como fa-



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Problema que vem merecendo, também, os cuidados da Divisão é o do fornecimento de energia às zonas não atingidas pelo sistema da CHESF.

A solução normalmente apontada é a da montagem de usinas térmicas. Já, entretanto, no Nordeste, um número considerável de cidades cujo grau de desenvolvimento não comporta a implantação de térmicas do tipo turbina a vapor, de custo operacional mais baixo do que as do tipo Diesel.

Além da solução Diesel, a SUDENE vem considerando a possibilidade de instalar, em certas regiões do Nordeste relativamente bem servidas de recursos d'água, um tipo especial de usina hidroelétrica, com características de micro central e que permite a utilização da energia hidráulica na faixa corrente de utilização dos motores Diesel, situada entre 100 e 1000 KW. Esse tipo de Central já vem sendo utilizado com sucesso em certas regiões da Comunidade Francesa. A SUDENE está em entendimento com a "Electricité de France", à qual foram afeitos os estudos, instalação e operação de uma central experimental na França Metropolitana, no sentido de que seja enviado ao Nordeste um especialista no assunto para orientar um grupo técnico destinado a elaborar um Projeto-piloto.

Utilização do óleo combustível de Mataripe nos Motores Diesel

Em colaboração com a PETROBRAS, a SUDENE se vem interessando pela possibilidade de ser utilizado óleo combustível em motores Diesel, o que contribuirá para diminuir o custo operacional das usinas térmicas e importará em redução das despesas em moeda estrangeira. Para que se tenha uma idéia da economia a ser feita com a inovação, basta observar-se o preço dos dois produtos, CIF—Fortaleza.

Tonelada do óleo Diesel — Cr.\$ 7.124,00.

Idem do combustível — Cr.\$ 3.899,00.

Tendo em vista a diferente composição química dos dois derivados do petróleo, procederam-se a testes de laboratório, nos Estados Unidos, para verificar-se a repercussão da mudança sobre o rendimento dos motores. Chegou-se, então, a concluir pela necessidade de importar-se um equipamento adicional, no valor de US\$ 30.000, para a usina térmica ora sendo montada em Fortaleza, a fim de que se pudesse utilizar, ali, em alguns dos motores, o óleo combustível. Nesse sentido deverá ser firmado um convênio Sudene-Petrobras-CHESF.

2. Trabalhos de natureza executiva

Esses trabalhos em sua maioria constituem, já, antecipação do Plano

Diretor do Desenvolvimento do Nordeste, ora no Congresso Nacional. Em 1960, foram abertas as seguintes frentes:

Maranhão

Para o Estado do Maranhão, no corrente ano, foram destinados Cr\$45 milhões, parcela do crédito especial de Cr\$1 bilhão aberto em favor da SUDENE pela Lei nº 3.692, de 15 de dezembro de 1959. Os recursos acima serão aplicados no aumento da oferta de energia e distribuição de São Luís.

De início, foram verificadas pela Divisão de Energia as condições atuais da usina geradora e da rede distribuidora, atualmente administradas pela CEMAR (Centrais Elétricas do Maranhão S/A).

Está sendo construída, pela CEMAR, uma nova usina termo-elétrica, junto ao futuro porto de Itaqui, com uma capacidade total de 12.000 KW. Essa Usina deverá ser concluída no prazo de 2 anos. Sem prejuízo desse Programa, estudos realizados pela Divisão recomendaram a necessidade de investir-se, também, no atual setor de geração, em face do baixo rendimento das instalações. A CEMAR está providenciando a reinstalação de uma turbina de 1.500 KW que se encontrava encostada e que representará um acréscimo de 33% na capacidade geradora existente. Com esse acréscimo, agravar-se-ão, ainda mais, os problemas financeiros da empresa, ante o alto custo operacional da usina existente, cujo consumo de combustível por KW é quase o dobro do normal. Para evitar esse agravamento, faz-se mister melhorar as condições de rendimento das caldeiras, as da água de alimentação e refrigeração das turbinas e adquirir-se uma caldeira de reserva. Os investimentos a serem feitos pela SUDENE orientar-se-ão, principalmente, nesse sentido.

Piauí

A Divisão de Energia, desde o início dos seus trabalhos teve a sua atenção voltada para o Estado do Piauí. Situado na periferia do Polígono das Secas e não dispondo, como o Maranhão, dos recursos da SPVEA, aquele Estado possui, nas cidades de Teresina e Parnaíba, dois núcleos populacionais importantes, afastados cerca de 300 km. Além dessas, existem, ainda, cerca de seis outros municípios de relativa importância, todos grandemente distanciados e localizados em região de população rarefeita.

Para aumento da oferta de energia nas duas principais cidades, a Divisão procedeu a um estudo preliminar em que foram analisados os problemas técnicos, econômicos e administrativos dos serviços elétricos atuais. Esse estudo apresentou como medidas inadiáveis:

- a) o aumento da capacidade geradora de Terezina e Parnaíba, esta sujeita a breves paralisações semanais ou a uma paralisação mínima de 15 dias, cada ano;
- b) a reforma da rede distribuidora de Parnaíba;
- c) a melhoria das condições administrativas das empresas responsáveis pelo fornecimento de energia, principalmente em Terezina, onde esse serviço era fornecido pela mesma entidade responsável pelos de telefone e de abastecimento d'água: o Instituto de Águas e Energia Elétrica, autarquia estadual.

Para solução desses problemas, a SUDENE providenciou:

Para Terezina:

- i) a aquisição de uma turbina de 3.000 KW e de caldeiras até 600 m² de superfície e 15.000 kg.-h de vapor;
- ii) reparos gerais no atual dispositivo gerador;
- iii) transformação da concessionária local em sociedade de economia mista, com a reestruturação do antigo Instituto de Águas e Energia Elétrica e modificação sensível no quadro de pessoal.

Para Parnaíba:

aquisição de equipamento para ampliação da capacidade geradora de 1.000 para 2.000 KW, em turbina a vapor com duas ou mais caldeiras.

Efetuada concorrência pública para aquisição daqueles materiais, dela saiu vencedor o Governo do Estado da Paraíba. O preço total da transação foi de Cr.\$28.525.000,00 dos quais Cr.\$11.075 mil foram pagos imediatamente e Cr.\$17.450 mil transferidos para 31 de julho próximo. Excluindo as despesas de transporte, montagem e eventuais reparos, o custo de KW saiu por Cr.\$8 mil, inferior, portanto, à média vigente no mercado. A compra ao Governo paraibano teve ainda, a vantagem de utilizar capacidade geradora ociosa existente no Nordeste.

Para os trabalhos de desmontagem, transporte, montagem, reparos e obras civis, venceu a concorrência a Companhia Brasileira de Caldeiras e Equipamentos Pesados.

Os serviços prosseguem em ritmo acelerado esperando-se a sua conclusão para o início do 2º semestre do corrente ano.

Fortaleza

Face à situação de crise existente no fornecimento de energia elétrica, foram tomadas providências de caráter executivo, visando à recuperação das instalações existentes e à ampliação de sua capacidade geradora, bem como à melhoria das condições administrativas do SERVILUZ, entidade que explora o fornecimento de energia elétrica da capital cearense.

Foram firmados nesse sentido, no dia 27-5-60, os seguintes convênios:

- entre a CHESF e a PREFEITURA MUNICIPAL DE FORTALEZA com a intervenção da SUDENE, passando a administração do SERVILUZ para o controle da CHESF;
- entre a SUDENE e a CHESF, assegurando a primeira os investimentos necessários à ampliação da capacidade geradora em Fortaleza, com a aquisição de 4 unidades Diesel de 1.424 KW cada, bem como a construção de parte da nova rede de distribuição, o que constitui a denominada solução de emergência.

Convênio CHESF—Prefeitura Municipal de Fortaleza—SUDENE

Por ocasião da assinatura desse convênio eram as seguintes as condições técnicas do funcionamento da usina:

- produção global de vapor das caldeiras representando apenas 68% de sua capacidade nominal;
- os tubos dos pre-aquecedores com exceção dos pertencentes a uma das caldeiras, em estado de completo desgaste;
- paredes externas de tijolos refratários bastante afetados, bem como deficiência na bomba de alimentação das caldeiras;
- redução da capacidade de geração das turbinas, que apenas conseguem atender, conjuntamente, a uma demanda de 9.700 KW, ou seja, 77% de sua capacidade nominal (12.500 KW).

No quadro global das medidas administrativas tomadas, foi alterado o organograma do SERVILUZ, permitindo uma melhor distribuição do pessoal, com uma redução de 56 funcionários num quadro de 606.

No período de maio a agosto foram mantidos em dia os pagamentos a fornecedores, tendo sido adquiridos cerca de Cr.\$20.000.000,00 de equipamentos e peças sobressalentes necessários a manutenção da usina e da

rêde de distribuição, utilizando recursos próprios e os proporcionados pelo esquema estabelecido no convênio para pagamento das dívidas da Prefeitura com o SERVILUZ.

No que diz respeito à geração de vapor, foram procedidas entre 20 de julho e 20 de agosto, reparações nas caldeiras existentes e que consistiram na substituição dos pre-aquecedores e da restauração dos seus refratários.

Após esta restauração, foram submetidas essas caldeiras a ensaios de produção de vapor, com os seguintes resultados:

Caldeira nº 1 — de 50.000 lb/hora, produzindo apenas 40.000 lb, atingiu a 55.000 lb de vapor.

Caldeira nº 2 — de 50.000 lb/hora, produzindo 39.000 lb, atingiu a... 57.000 lb de vapor.

Caldeira nº 3 — de 70.000 lb/hora, produzindo 37.000 lb, atingiu a... 75.000 lb de vapor.

Em consequência, já em agosto, foi possível atender a uma demanda de 13.300 KW, o que representou uma melhoria de 37% na capacidade geradora.

Além de mais, tendo sido adquirida à Cia. Brasileira de Caldeiras, pela Prefeitura Municipal de Fortaleza, mais uma caldeira, com capacidade de produção de 70.000 lb/hora, foi procedida a construção de sua base e correspondente estrutura metálica, estando no momento em execução a montagem por técnicos da fábrica.

Convênio SUDENE—CHESP

Devido ao atraso da entrega das plantas das unidades Diesel adquiridas referentes aos sistemas auxiliares da usina-circuito de alimentação, refrigeração e lubrificação — somente puderam ser iniciadas as obras civis em 1974-60, estando as bases já prontas e colocados os respectivos chumbadores.

A montagem foi feita mediante contrato pela firma SERVA RIBEIRO, despendendo-se a quantia de Cr.\$ 10.583.162,00.

O projeto da rêde de distribuição se encontra em elaboração, estando já definida a construção de um trecho do anel em 33 KW que deverá ser construído em Fortaleza e situado entre a Usina Velha — onde serão instalados os grupos Diesel — e uma subestação de 7.500 kVa—33/6,6 kV, a ser construída na rua Carapinão.

Até meados deste ano será concluída a montagem do alimentador e da subestação, diminuindo dessa maneira as perdas na linha.

A unidade Diesel de 550 kVa, adquirida ao Governo da Paraíba, já se encontra montada na atual usina, faltando para seu funcionamento, apenas, peças de reposição que já foram encomendadas.

Verifica-se, portanto, que das obras previstas pelo convênio, apenas não foram realizados os trabalhos referentes à construção do terminal para óleo combustível e que estão na dependência do projeto em elaboração pelo Departamento Nacional de Portos, Rios e Canais, conforme será tratado em detalhes no item seguinte.

TRABALHO RELATIVOS A ETAPA PRELIMINAR

Pelos estudos do mercado efetuados, torna-se necessário, além das providências em andamento, a construção de uma nova usina térmica de 15.000 KW em Fortaleza, para fazer face à demanda até a chegada da energia de Paulo Afonso.

Pelo exame das condições de abastecimento de óleo, água de refrigeração e de alimentação das caldeiras, bem como pela conveniência de operação, ficou assentado que a nova usina térmica deverá ser construída junto à atual de Mucuripe.

Entretanto, face às obras programadas pelo DNPRC para o Porto de Mucuripe, foram efetivados entendimentos com esse órgão, visando à elaboração de um projeto integrado que previsse a realocação da atual tomada d'água da usina, o aumento da sua capacidade para atender à futura usina, e a construção do terminal para recebimento de óleo combustível. Somente após o oferecimento desses dados é que se poderá proceder ao ante-projeto das futuras instalações.

Por motivos de natureza técnica e econômica, foi abandonada a possibilidade de se adotar solução Diesel ou de turbina a gás, fixando-se o tipo de usina no de turbina a vapor.

Ainda no primeiro semestre do corrente ano, deverão estar em poder da Divisão os projetos de tomada d'água definitiva e das obras de acostamento dos petroleiros e do correspondente "sea-line".

Deve-se ressaltar que o custeio dessas obras, segundo entendimentos firmados com o DNPRC, deverá correr por conta dos recursos desse órgão, excluindo-se, naturalmente, no que diz respeito à tomada d'água, as bombas especiais de alimentação.

Da mesma maneira, deverá ser construída, de acordo com as condições de operação da atual e da futura usinas, uma estação integrada para tratamento de água de alimentação das caldeiras.

No projeto da atual usina, deverá ser dada particular atenção a sua interligação com o sistema da CHESF.

Uma vez definidos os estudos da tomada d'água e do "sea-line" pelo

DNPRC, deverá ser elaborado pela Petrobras o projeto de extensão do oleoduto nos terrenos da atual usina, bem como elaborados o anto-projeto de nova usina e as especificações técnicas do equipamento principal, a fim de se proceder a prelocação de preços.

Linha de transmissão Campina Grande—Santa Cruz

No dia 27 de maio de 1960, foi firmado convênio entre a SUDENE e a Cia. Hidroelétrica do São Francisco, para construção de cerca de 50 km de linha de transmissão de 132 kV, em circuito duplo, entre Campina Grande (Pb) e Santa Cruz (RN).

Os recursos previstos para a execução do referido convênio possibilitariam a construção de cerca de 37 km de linha, em circuito duplo, ou de cerca de 50 km em circuito simples.

A previsão orçamentária contida no 1º Plano Diretor de Desenvolvimento do Nordeste prevê, até 1961, a execução da linha de transmissão de 132 kV, circuito simples, Santa Cruz-Natal. Para 1962 são previstos recursos para a linha em 132 kV, circuito simples, Santa Cruz-Açu.

Como não constitui impedimento, do ponto de vista técnico, que seja instalado, preliminarmente, no trecho Campina Grande-Santa Cruz, apenas um circuito e a fim de se poder contar, dentro dos prazos previstos, com a energia de Paulo Afonso, a SUDENE considerou mais conveniente a modificação de programação estabelecida.

Neste sentido, para possibilitar o início dos trabalhos da linha, uma vez que já foi definida a localização da correspondente subestação em Santa Cruz e encomendado o seu equipamento no exterior, foi assinado contrato entre a CHESF e a firma Norison Knudsen, para a execução de cerca de 50 km de linha em circuito simples, porém com estrutura para receber o segundo circuito e com opção para construção dos restantes 70 km.

Para que os trabalhos da CHESF na construção de linhas de transmissão, de subestações e de reformas de redes em várias cidades do Nordeste pudessem prosseguir sem solução de continuidade, a SUDENE, em 1960, conseguiu liberar verbas num montante de 825 milhões de cruzeiros.

Os esforços do órgão também foram coroados de êxito com a liberação de Cr. \$1.200 milhões — por conta do Fundo Federal de Eletrificação e como participação do Governo Federal no aumento da capital da CHESF (Decreto nº 46.415, de 23 de julho de 1959, de iniciativa do CODENO, órgão que antecedeu a SUDENE) — visando a acelerar a construção da segunda casa de máquinas de Paulo Afonso, onde serão instaladas seis (6) novas turbinas de 65.000 KW cada uma, duas das quais já adquiridas e como parte do segundo programa de expansão da CHESF, que atinge o valor global de Cr. \$5,0 bilhões.

Investimentos a serem feitos pelo Fundo de Ações, seja a título de adiantamento ou como parte do programa especial de aplicações no Estado da Bahia.

Por conta do crédito especial de Cr.\$1 bilhão aberto pela Lei nº 3.692, e das dotações do Fundo Federal de Eletrificação, e a fim de que não sofra solução de continuidade o programa de eletrificação do Nordeste, a SUDENE, utilizando o Fundo de Ações que a mesma Lei instituiu em seu favor, resolveu adiantar recursos para a execução das seguintes obras:

Fortaleza — Cr.\$72.000.000,00 — Importação de 4 unidades Diesel de 1.424 KW cada, no total de 5.696 KW, e cuja instalação já se encontra em período de teste.

Recife — Cr.\$45.000.000,00 — linha de transmissão de 66 kV, Bongô-Gasômetro, e correspondente subestação no Gasômetro, 25.000 kVA, 66/13,8 kV.

A construção e operação desta linha e subestação tinha sido objeto de autorização dada pelo Conselho Nacional de Águas e Energia Elétrica, em dezembro de 1958, em favor da concessionária local, a The Pernambuco Tramways & Power Co. Ltd.

Como não tivesse sido tomada, até meados de 1960, nenhuma medida efetiva para proceder à sua construção, esta Superintendência, após exame pela Divisão, de emenda apresentada no Plano Diretor pelo Estado de Pernambuco, recomendou e teve aprovada pelo Conselho Deliberativo, a inclusão naquele Plano, em caráter prioritário, da obra em pauta.

De imediato, porém, e simultaneamente com a elaboração das especificações técnicas, a Divisão entrou em entendimentos com o Conselho Nacional de Águas e Energia Elétrica, a concessionária local e a Cia. Hidroelétrica do São Francisco, visando à transferência para esta última, da autorização concedida à The Pernambuco Tramways & Power Co. Ltd., o que foi obtido.

Parte do equipamento já foi encomendado estando previsto o início do funcionamento da linha e subestação, para setembro de 1961.

Cr.\$15.000.000,00 — Adiantamento à Eletro-Catiri, para construção de linhas de transmissão em sua zona operacional.

Cr.\$46.000.000,00 — dentro do programa de aplicações no Estado da Bahia, para investimentos em geração e distribuição em Vitória da Conquista.

De acordo com entendimentos feitos com a COELBA, sociedade de economia mista, na qual o Estado da Bahia é majoritário, foi traçado um programa de investimentos para a recuperação dos serviços de energia elétrica em Vitória da Conquista e Fortaleza, que passariam a ser explorados por esta empresa.

Os cronogramas de obras relativos à instalação de uma Diesel, recuperação de parte das unidades existentes e construção de nova rede de distribuição estão sendo elaborados.

No esquema financeiro traçado prevê-se uma participação conjunta da SUDENE e da COELBA, respectivamente com 80% a 20% dos investimentos previstos.

DIVISÃO DE TRANSPORTES

Além da elaboração do Capítulo de Transportes do Plano Diretor em que se procurou integrar todos os investimentos federais no setor viário nordestino em função do Nordeste como um mercado regional único, esta Divisão efetuou os seguintes trabalhos, em 1960:

— Setor Ferroviário

- a) — Formação de um Grupo de Trabalho composto de Diretores e Chefes de Distritos de Construção do D.N.E.F. no Nordeste, de Diretores da Rede Ferroviária Federal S/A, de Diretores e técnicos das Estradas de Ferro do Nordeste e de engenheiros ferroviários do 1º Grupamento de Engenharia do Exército, com o objetivo de estudar o programa de construções ferroviárias em andamento na região e de elaborar o cronograma de execução dos melhoramentos previstos para a rede prioritária ferroviária prevista no Plano Diretor;
- b) — Estudo da situação da Rede Ferroviária do Nordeste;
- c) — Estudo da situação da Viação Férrea Federal Leste Brasileiro;
- d) — Estudo da situação da Estrada de Ferro Nazaré, no Estado da Bahia;
- e) — Estudo sobre a situação da ponte rod-ferroviária sobre o Rio Parnaíba, danificada pelas chuvas.

— Setor Rodoviário

No Programa Prioritário Básico de Rodovias previsto no Plano Diretor, consta a implantação e pavimentação da BR-11, estrada que dará uni-

dade ao principal mercado consumidor nordestino. Os trabalhos dessa via de penetração enfrentam suas maiores dificuldades nos Estados de Alagoas e Sergipe, razão por que a SUDENE fez incluir no plano de aplicação dos Cr.\$ 750 milhões (parte do crédito especial de Cr.\$ 1 bilhão aberto pela Lei nº 3.692) objeto de mensagem do Executivo ao Congresso, dotações de Cr.\$ 30 milhões para o trecho Estância-Itaporanga (Se) e de Cr.\$ 40 milhões para o trecho Maceió-Divisa Al/Pe (terraplenagem, obras d'arte e pavimentação). Em face da importância de que se revestem essas obras e tendo em vista que ainda pende de deliberação legislativa a mencionada Mensagem Presidencial, a SUDENE decidiu adiantar, por conta daquelas verbas e utilizando recursos do Fundo de Ações, provisões, respectivamente, de Cr.\$ 23 milhões e Cr.\$ 15 milhões, a serem aplicadas de acordo com cronogramas elaborados por sua Divisão de Transportes.

— Setor Portuário

A Divisão promoveu estudos complementares dos portos do Recife, Cabedelo, Mucuripe e São Roque, devendo as conclusões técnicas referentes às obras em execução nos mesmos ser remetidas à Comissão do Plano Portuário Nacional, através do representante da SUDENE, naquele órgão.

— Setor aeroviário

Neste setor, foram efetuados os estudos básicos referentes às condições atuais dos aeroportos principais do Nordeste, adotando-se, em primeira formulação, uma política de construção, melhoramento e pavimentação de pistas naqueles para os quais já foram previstas verbas no Orçamento Federal.

Através de entendimentos com o Ministério da Aeronáutica, está se organizando o programa definitivo.

— Setor de transporte fluvial

Foi realizado um estudo básico do transporte fluvial no Rio São Francisco, com vistas à melhoria das suas condições.

7

DEPARTAMENTO
DE
ESTUDOS
ESPECIAIS
(D.E.E.)

0798

1. Divisão de Abastecimento

a) Centros de Abastecimento

Esta Divisão, além de diversos levantamentos requeridos para que se conhecesse melhor a situação do abastecimento dos grandes centros urbanos do Nordeste, principalmente no que diz respeito ao fluxo de mercados e ao seu processo de comercialização, concentrou os seus esforços, no ano findo, na elaboração de Projetos para a construção dos Centros de Abastecimento do Recife e Salvador.

Para tanto, contou com a colaboração dos técnicos da Missão do Governo Francês, que, em 1960, concluiu o primeiro daqueles Projetos. O Centro do Recife será localizado em terreno da União, no cruzamento das rodovias federais BR-25 (radial) e BR-11 (perimetral), por onde circulam cerca de 70% dos produtos destinados à principal cidade do Nordeste. Sua área total é de 60 ha, dos quais serão utilizados 25, na primeira etapa, com 7 de área coberta. Terá, assim, capacidade para acomodar, praticamente, todo o comércio atacadista recifense, tanto de cereais como de produtos horti-granjeiros, propiciando, com essa reunião, serviços a custo líquido individual mais baixo e maior eficiência nas suas operações.

O custo da obra está orçado em 650 milhões de cruzeiros, aos preços de 1960. Do seu financiamento deverão participar o Ministério da Agricultura, o B.N.D.E., o F.N.E., o Governo do Estado e a Prefeitura Municipal, além da SUDENE.

Está em vias de conclusão projeto idêntico destinado à cidade de Salvador (Ba).

b) Pesca

Outro setor que vem tendo prioridade especial nos trabalhos da Divisão é o, da pesca. A modernização da indústria pesqueira no Nordeste, além do enriquecimento da dieta, poderá converter-se em nova fonte produtora de divisas, pelas grandes possibilidades de exportação. Incrementará, também, a produção de rações animais, de óleos de alto teor vitamí-

0799

Por sugestão do técnico Bartkowiak, da O.N.U., a SUDENE promoveu, por intermédio das Secretarias de Agricultura dos Estados de Pernambuco e Bahia, a coleta e divulgação semanal por meio da imprensa fadada e escrita, das cotações máxima e mínima dos preços de cerca de 30 gêneros alimentícios, nas capitais e nas principais cidades do interior daqueles Estados. Tal providência visa a propiciar aos produtores um melhor conhecimento da situação dos mercados consumidores, fornecendo-lhes, assim, maiores elementos para ressaltar à ação dos intermediários.

2. Divisão de Mão-de-Obra e Colonização

a) Mercado de trabalho e treinamento de mão-de-obra

O levantamento sistemático da estrutura ocupacional e da procura de mão-de-obra no Nordeste, bem como um cadastro sobre as disponibilidades de mão-de-obra especializada e as necessidades de treinamento tendo em vista, sobretudo, a execução do programa de industrialização esboçado pelo Plano Diretor, foram as tarefas iniciadas em 1960 por esta Divisão.

Para tanto foi firmado um convênio SUDENE-CODEPE-SESI, visando, também, a criar, no Recife, o Serviço de Informação e Colocação de Mão-de-Obra Industrial (SICOMOI), segundo recomendação do perito das Nações Unidas (ILO), Mr. McVoy.

Um primeiro levantamento, efetuado no Recife, reuniu elementos de 128 empresas, com um total de 16.184 trabalhadores, 55% dos quais especializados. A Divisão vem procedendo à sistematização das ocupações de modo a codificá-las pelos padrões nacionais. Esta análise permitirá definir o grau de preparo técnico e geral que deve caracterizar cada ocupação qualificada.

A margem dessa tarefa, a Divisão tem concentrado esforços no sentido de formular uma política geral de adequação das instituições regionais de treinamento industrial. Nesse sentido, procedeu-se à verificação das facilidades de ensino de que dispõem as instituições do gênero nos Estados de Pernambuco, Paraíba e Alagoas. Estão sendo acompanhados, também, os projetos de ampliação do SENAI e de outras Escolas Industriais no Nordeste, no propósito de concorrer para que se harmonizem com os objetivos de desenvolvimento da SUDENE.

b) Artesanato

Depois de selecionada e estudada a insuficiente bibliografia existente acerca da produção artesanal nordestina, a Divisão procedeu a duas pesquisas de campo nos Estados da Bahia e do Ceará, nos centros de maior concentração artesanal, com vistas a obter um melhor conhecimento desse setor.

O exame das informações colhidas permitiu:

- a) esboçar uma classificação geral do artesanato, quanto aos produtos, ampliando o número de grupos estabelecidos por estudo anterior do ETENE, e detalhar a classificação, ordenando-a em subgrupos;
 - b) abordar um mapeamento completo das atividades artesanais;
 - c) proceder a uma estimativa do volume e do valor da produção, bem como do número de trabalhadores normal ou periodicamente ocupados nos principais centros;
 - d) destacar, de forma preliminar, as atividades que apresentam condições de sobrevivência, face à intensificação do processo de industrialização e consumo crescente de bens industrializados;
 - e) esboçar uma definição de medidas de profundidade e dos recursos necessários para que a SUDENE traga novos incentivos à organização e comercialização da produção;
 - f) traçar o programa de trabalho para 1961.
- c) Colonização

Durante o ano de 1960, foram dados os primeiros passos visando à preparação de equipes e coleta de informações bibliográficas e de campo para: elaboração e execução dos projetos de colonização contemplados pela SUDENE e que visam, sobretudo, à exploração dos vales úmidos do Nordeste e à incorporação de áreas ainda não exploradas — do Maranhão e do Sul da Bahia — à fronteira agrícola nordestina.

d) Educação de base

Atividade idêntica à descrita no item anterior foi desenvolvida como medida preparatória da missão do perito da ONU (UNTAB) que assessorará os preparativos do projeto de educação básica inscrito no Plano Diretor.

NOTA FINAL — Os trabalhos da atribuição das Divisões de "Comércio Externo e Política de Preços" e "Organização Administrativa Fiscal", face à reduzida disponibilidade de pessoal especializado na SUDENE, foram prejudicados em benefício de atividades mais essenciais, em 1960. Apesar disso, procedeu-se à coleta de material informativo dos mais relevantes para que se intensifique, no ano em curso, a atuação dessas Divisões.

DEPARTAMENTO
DE
CONTROLE
E
AÇÃO
DE
EMERGÊNCIA

0802

Este Departamento tem por incumbência acompanhar e controlar a execução das obras cometidas a outros órgãos e cuja supervisão caiba à SUDENE, além das medidas necessárias à efetivação da política do Governo em caso de seca. A primeira daquelas atribuições já está sendo exercida em relação aos Convênios firmados pela SUDENE mas terá sua plena execução quando da vigência do Plano Diretor, para o que estão sendo tomadas as necessárias providências.

Divisão de Ação de Emergência

Foi, porém, no campo da ação de emergência que se desenvolveram as principais atividades do Departamento, no ano findo, o que se positivou da forma abaixo indicada:

a) Tombamento dos danos causados pelo arrombamento do açude Orós

Com o fito de propiciar um levantamento imparcial dos danos causados à propriedade privada pelo extravasamento daquele próprio Federal, a SUDENE mobilizou 14 dos seus técnicos os quais, durante cerca de 60 dias, percorreram toda a zona atingida, visitando mais de onze mil propriedades. Os prejuízos foram calculados em Cr.\$204.770.445,20, já tendo sido aprovado pelo Congresso Nacional o crédito especial solicitado pelo Executivo para ressarcimento dos prejudicados. Com o intuito de atenuar a situação afliitiva em que ficou a maioria das pessoas atingidas, principalmente aquelas de menor nível de renda, a SUDENE, antecipando-se, mais uma vez, à execução da Lei — normalmente retardada pelas medidas administrativas de rotina — resolveu adiantar dos seus recursos próprios a quantia de Cr.\$100 milhões para pagamento integral das indenizações inferiores a Cr.\$20 mil e parcial daquelas de montante superior.

b) Ponte sobre o Rio Parnaíba

Objetivando salvar a grande ponte metálica rodoviária que,

— 64 —

sobre o rio Parnaíba liga Terezinha (PI) a Timon (Ma), de vital importância para a economia do Nordeste Ocidental e que foi seriamente danificada durante as enchentes do inverno deste ano, a SUDENE tomou providências imediatas no sentido de serem iniciadas as obras de recuperação daquela obra d'arte.

Para tanto, desde 18 de novembro p.p., a SUDENE colocou à disposição da Rede Ferroviária Federal, a quem caberia a execução das obras, a importância de Cr\$ 30 milhões de cruzeiros, a título de adiantamento da dotação orçamentária.

Exigindo, aquelas obras, a interdição do tráfego por um prazo aproximado de seis meses, a SUDENE, para evitar os transtornos que aquele acidente causaria à economia dos Estados atingidos, conseguiu do Ministério da Guerra autorização para que o 1º Grupamento de Engenharia se encarregasse de coordenar as medidas de emergência a fim de evitar o colapso do transporte naquela zona durante a fase dos trabalhos, assumindo ela própria a responsabilidade pelas despesas decorrentes.

0804

DEPARTAMENTO
DE
ASSISTÊNCIA TÉCNICA
E
FORMAÇÃO DE PESSOAL
(DATF)

0805

1. Divisão de Coordenação da Assistência Técnica Estrangeira

Além da chegada de diversos peritos solicitados em 1959, os quais foram encaminhados aos respectivos setores de trabalho, constituíram as atividades principais da Divisão, em 1960, a elaboração do programa de assistência técnica da ONU para 1961/62, a apresentação e assinatura final do Projeto de Fundo Especial para o Sub-Médio Rio São Francisco e a elaboração do programa de assistência técnica do Governo Francês para o período 1960/primeiro semestre de 1961.

a) Nações Unidas

Continuaram, durante o ano, a prestar sua colaboração à SUDENE, os seguintes peritos da ONU: Srs. Alvarez e Brundin, da UNTAB; Srs. Pioger, Foury e Barikowiak, da FAO; Sr. Taltasse, da UNESCO. Durante o ano chegaram: O Sr. Haour, da UNTAB, em julho; o Sr. Jacob, da UNESCO, em agosto; o Sr. Pintor, da ILO, em dezembro. Dois peritos "junior" da UNESCO (Srs. Bon e Monte) foram encarregados de auxiliar os Srs. Taltasse e Jacob.

Nos quadros abaixo, apresenta-se, de forma sucinta, a situação da assistência técnica da ONU à SUDENE em dezembro de 1960 e o programa elaborado para o biênio 1961/62.

Situação da assistência técnica da ONU à SUDENE, em 31 de dezembro de 1960

	DEPARTAMENTOS ASSESSORADOS		
	DAEB	DPRN	DEE
Continuação de missões (3)	UNTAB Alvarez (Ec. Transportes)	UNTAB Brundin (geolog) FAO Pioger (Pol. Água) Foury (Ag. Zonas Secas) UNESCO Taltasse (hidro-geolog)	FAO Barikowiak (com. alimentos)
Missões recebidas durante o ano (5)	UNTAB Haour (Ind. Textil)	UNESCO Jacob (Peg. geolog.) Bon (perito junlar) Monte (idem)	ILO Pintor (arrazant)

0806

Programa regular de assistência técnica à SUDENE por parte da Organização das Nações Unidas, para 1961/62 (Cat. I):

Ano	UNTAB	FAO	ILO	UNESCO	Total anual
1961	<u>novos</u>	<u>novos</u>	<u>novos</u>	<u>novos</u>	13
	Ec. Industrial (*)	Recursos Água	Artesanato	Hidrogeologia	
	Geologia Minas	Pesquisa Solos	Pesquisa Mão de Obra	Interpretação	
				Fotos aéreas (*)	
1962	<u>continuação</u>	<u>continuação</u>	<u>continuação</u>	<u>continuação</u>	10
	Ec. Transportes	Polít. Águas	nihil	Pesq. Geologia	
	Ind. Têxtil	Agríc. Zona Sêca			
1962	<u>continuação</u>	Todos continuam	<u>continuação</u>	<u>novos (**) Utilização Água Salgada</u>	10
	Geologia Minas		Artesanato	Hidrogeologia	
	Ec. Transportes			Pesq. Geologia	

(*) Substituindo pósto hidrogeológico originalmente pedido.

(**) Peritos "fellows".

b) Governo Francês

O Governo Francês, nos termos dos entendimentos de 1959, enviou, no mês de março, uma Missão composta dos Srs. Caminha, Bazin e Paquereau, com a finalidade de elaborar os Projetos dos Centros de Abastecimento, de que se deu notícia ao se apresentar as atividades do D.E.E.

De julho a agosto, colaborou com o Departamento o perito Mead, para assuntos de pesca.

Em outubro, durante alguns dias, o Sr. Nenckes, especialista em alfabetização profissional para indústria de energia elétrica, também trouxe sua colaboração.

Em novembro, também por dias, o Sr. Angel esteve no Recife para preparar missão de pesquisa de recursos minerais.

Dos entendimentos entre a SUDENE e a Embaixada da França, resultou a elaboração do programa de assistência técnica francesa para o 1º semestre de 1961, prevendo a vinda dos seguintes peritos:

- a) dois a três peritos de pesquisa mineralógica,
- b) um em hidrogeologia;
- c) um de organização e estabelecimento de colônias agrícolas;
- d) um em organização de atividades agrícolas.

Ainda dos entendimentos supra referidos resultou o oferecimento à SUDENE de cinco bolsas de estudo, na França, para organização de empresas de pesca, de sociedades de mineração, de sociedades de cartografia e de cursos de alfabetização profissional (2). Essas bolsas serão utilizadas oportunamente, na medida das necessidades da SUDENE.

c) **Ponto IV**

Em agosto, estiveram no Recife representantes do Programa do Ponto IV os quais se documentaram detalhadamente acerca do Plano Diretor e das atividades correntes da SUDENE. Foi-lhes solicitado que apreciassem a possibilidade de fornecerem assistência técnica para reequipar, modernizar e ampliar o Instituto Agrônomo José Augusto Trindade.

Entendimentos foram mantidos e ainda prosseguem no sentido de obter-se assistência daquele Programa para os setores de abastecimento urbano de água, educação rural, prospecção mineralógica e colonização.

d) **Governo Japonês**

No mês de maio, chegou ao conhecimento da SUDENE que o Governo Japonês se oferecera para instalar e equipar um Centro de Treinamento Técnico no Brasil. Procurou-se então, através de entendimentos promovidos pelo Itamaraty junto à Embaixada Japonesa, obter-se que o referido Centro fosse localizado no Nordeste, ficando acertado, em princípio, que o Recife seria a sua sede e que se deveria, de início, concentrar os esforços no pessoal da indústria têxtil. Os trabalhos para a concretização dessa iniciativa prosseguem.

O Governo Japonês dispôs-se ainda a selecionar e colocar à disposição da SUDENE ou da Universidade do Recife, um planotomologista, desde que garantida a sua manutenção por um dos dois órgãos. A SUDENE está em entendimentos com a Universidade para assentar um esquema de cooperação que permita a vinda desse especialista, cuja colaboração poderá revestir-se de muita importância no programa de fomento da pesca.

c) Fundação Ford

Da Fundação Ford foi obtida a oferta de 40 bolsas de estudo destinadas sobretudo aos jovens técnicos que participam do Projeto do Fundo Especial do São Francisco e do programa de hidrogeologia da SUDENE. O Presidente da Fundação, em companhia de técnicos dessa organização, esteve no Nordeste em outubro, tendo-se deslocado à Estação de Cabrobó e percorrido trechos do Sertão pernambucano e paraibano. Estão em curso os trabalhos de seleção dos bolsistas.

2. Divisão de Assistência Técnica a Estudos e Municípios

Iniciaram-se em 1960, com êxito, os trabalhos de prestação de assistência técnica aos governos estaduais, sob a forma de estágio de profissionais que irão integrar-se em atividades executivas e de planejamento, nos Estados.

Os primeiros grupos de estagiários vieram dos Estados do Rio Grande do Norte e da Paraíba, por sugestão dos respectivos Governadores eleitos. Aos estagiários a SUDENE concedeu bolsa mensal de Cr.\$15.000,00, pelo período de duração do programa (dois meses). O grupo do Rio Grande do Norte iniciou seus trabalhos nos primeiros dias de novembro, encerrando-os em dezembro. O paraibano começou o estágio em princípios de dezembro, concluindo-os em janeiro deste ano.

O governador eleito de Alagoas demonstrou interesse num programa similar, prevendo-se para breve a concretização do treinamento do grupo daquele Estado.

Trabalhando em regime de tempo integral, os estagiários são informados da realidade econômica dos Estados respectivos, utilizando-se os estudos e materiais existentes na SUDENE, outras entidades públicas regionais e estaduais, além da experiência de organizações particulares e dos próprios participantes. A orientação do estágio prevê adequada utilização de elementos teóricos básicos e conhecimento prático, convergindo para a elaboração e controle de um programa de desenvolvimento estadual. Ênfase especial é dada ao balanço dos recursos financeiros internos e externos dos Estados, assim como à adequação da estrutura administrativa e à integração regional dos programas e projetos. Alguns problemas e projetos específicos mais importantes para cada Estado são apreciados com certo detalhe, prevista a colaboração técnica e financeira da SUDENE e outras entidades governamentais.

Na seleção dos estagiários prevaleceu um critério de diversificação profissional conveniente ao posterior trabalho de equipe a que irão dedicar-se cuidando-se, porém, que todos demonstrem interesse e capacidade de assimilação dos estudos econômicos.

Com esse Programa objetiva a SUDENE atingir, pouco a pouco, a integração dos programas de governo estaduais dentro das diretrizes do Plano Diretor.

3. Divisão de Formação de Pessoal

Durante o ano de 1960, foram iniciados os trabalhos de organização e seleção de candidatos para o Curso de Formação que a SUDENE pretende, periodicamente, levar a efeito para o recrutamento de pessoal para os seus quadros técnicos.

Os candidatos devem ser selecionados, preferencialmente, entre os concluintes recentes dos cursos de Economia, Ciências Sociais, Engenharia, Agronomia, Química, Veterinária, Geologia e Direito, em todos os Estados do Nordeste, com idade em torno de 30 anos.

O Curso tem uma duração de cerca de três meses e procura capacitar os participantes à técnica do desenvolvimento econômico. Consta de um período de formação geral e outro de especialização. Deste deverão participar apenas os candidatos destinados a tarefas de economista e de técnico em assuntos econômicos.

GRUPO
DE
IRRIGAÇÃO
DO
SÃO FRANCISCO

0811

GRUPO DE IRRIGAÇÃO DO SÃO FRANCISCO

O Grupo foi criado pela portaria nº 65 de 20 de julho de 1960, de acordo com o Art. 12 do Decreto nº 48.530 de 18 de julho de 1960, para execução do Plano de Estudos conjuntamente elaborados com a Organização das Nações Unidas, na conformidade do acordo posteriormente firmado (7 de outubro) com a F.A.O. e o Fundo Especial da Organização das Nações Unidas.

O Projeto compreende a área drenada pelo trecho do rio entre Casa Nova e Paulo Afonso, numa extensão de cerca de 400 km e cobrindo uma área de aproximadamente 60.000 km².

Esses estudos visam inicialmente determinar a viabilidade da grande irrigação utilizando água do rio São Francisco e seus tributários.

Em reconhecimentos e estudos anteriores ao início do trabalho, verificou-se que a natureza dos solos constitui provavelmente o determinante básico de viabilidade do Projeto.

Por esse motivo, os trabalhos iniciais concentraram-se nos estudos pedológicos.

Os trabalhos de campo foram imediatamente iniciados, tendo sido escolhida a cidade de Cabrobó para centro, sendo lá instalados escritório, laboratório de campo e residência para os técnicos.

O Grupo contou logo de início com dez (10) Agrônomos e o chefe, também Agrônomo.

Para os serviços foram adquiridos sete (7) jeps e duas rurais, fotografias aéreas e mapas, equipamentos cartográficos e de laboratório, material de desenho, escritório, etc.

O mês de agosto foi dedicado ao treinamento intensivo de toda a equipe nos trabalhos de:

- a) utilização do material cartográfico e fotográfico para localização no campo das seções projetadas no escritório;
- b) Estudos agrológicos: — Abertura das sondagens para estudo dos perfis dos solos e identificação das características morfológicas mais

08 12

importantes sob o ponto de vista da determinação de sua irrigabilidade;

- c) Estudos das características hidrodinâmicas do solo, no que se refere à velocidade de infiltração, capacidade de retenção de água e drenagem.

As técnicas que estão sendo empregadas no levantamento do São Francisco visam colher no campo o maior número de informações relevantes, que serão completadas por determinações simples a serem feitas no laboratório. Será reduzida ao mínimo a necessidade de análises laboriosas. Por esse processo, completado pela foto-análise, consegue-se uma considerável economia no tempo e no custo dos trabalhos permitindo uma análise e interpretação imediata dos resultados.

Em mês de setembro em diante foi iniciado o reconhecimento dos solos, partindo-se de Cabrobó em direção Oeste, pela margem esquerda do Rio São Francisco.

A área do Projeto foi toda sub-dividida nas bacias drenantes dos tributários do São Francisco, que foram catalogadas determinando-se a área de cada bacia.

A 6 de dezembro foram suspensos os trabalhos de campo, em virtude dos técnicos do Grupo terem sido designados pelo Sr. Superintendente para trabalhar com a Comissão de Tombamento dos danos causados pela ruptura do Orós.

Até essa data, foram estudados os solos até uma distância de 20 km do rio São Francisco, em 12 bacias drenantes, cobrindo os estudos uma área de 5.300 km².

Os solos foram estudados ao longo de seções de 1,5 a 2 km de extensão, determinadas com auxílio das fotografias aéreas e mapas. Em cada seção são estudadas de 3 a 5 perfis para caracterização do solo.

Foram estudadas 67 seções com 250 perfis, sendo feitas no campo 115 determinações da velocidade de infiltração.

Os trabalhos realizados em 1950 não contaram com a cooperação dos técnicos das Nações Unidas, os quais começaram a chegar em fins de janeiro de 1951.

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ESCRITÓRIO
DE
SALVADOR (BA)

08 14

TRABALHOS NO ESTADO DA BAHIA

Considerando as características especiais da economia do maior e mais populoso Estado do Nordeste e a necessidade de atender-se ao espírito da Lei nº 3.692 no sentido de orientar os recursos advindos do depósito dos ágios preferencialmente em benefício da economia de exportação, a SUDENE sentiu a necessidade de dedicar uma atenção especial ao Estado da Bahia.

Para tanto, a sua primeira providência foi instalar um Escritório na cidade de Salvador, o qual já se encontra em funcionamento, com resultados satisfatórios.

Do primeiro bilhão de cruzeiros oriundo da receita de ágios, Cr.\$500 milhões serão aplicados na Bahia, em obras que se enquadram, de início dentro de duas diretrizes básicas:

- 1) dotar a região sul do Estado, a mais fértil, e, portanto, de maiores possibilidades no setor agro-pecuário, de uma infraestrutura capaz de comportar um desenvolvimento ordenado, rápido incremento demográfico através de programas de povoamento e colonização, e diversificação da sua economia;
- 2) criar um conjunto de facilidades para as indústrias de base, principalmente siderurgia e petroquímicas, estimulando a constituição de um centro dinâmico de crescimento que atue como força aglutinadora da economia estadual, ainda desarticulada.

Esses recursos iniciais, dentro daquelas diretrizes, serão distribuídos resumidamente, da seguinte forma:

	(em milhões de cruzeiros)
Projeto de povoamento e colonização para desenvolvimento do dendê e da seringueira, na zona Sul.....	100
Auxílio ao Governo Estadual para construção e pavimento.....	

— 80 —

ção da estrada Ilhéus-Vitória da Conquista, com 255 km e que, atravessando a zona caçueira, e o triângulo pecuário Itapetinga-Itambé-Vitória da Conquista, constituirá fator importante na integração do desenvolvimento das duas zonas	100
Auxílio para melhoria da oferta de energia elétrica em Vitória da Conquista	48
Indenização de uma área de 5.000 ha., ao norte de Salvador, para localização das futuras indústrias básicas	120
Auxílio para as obras de ligação do porto de Salvador com a BR-28 e consequentemente com as BR-4, 5, 11, 12, e 13..	50
Projetos para desenvolvimento de um complexo industrial siderúrgico-petroquímico a serem encaminhados em conjunto com a PETROBRAS	30
Adiantamento para conclusão dos serviços de abastecimento d'água das cidades de Inhambupe, Barra da Estiva, Livramento, Queimados e Calitité	20
Aquisição de dez caminhões-pipa para suprimento d'água as populações das zonas secas, nas épocas de estiagem...	22
Instalação e funcionamento do Escritório da SUDENE em Salvador	10
Total.....	500

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QUADRO
FINANCEIRO
DAS
ATIVIDADES
DA
SUDENE
EM
1960

08 17

**SOMULA DOS INVESTIMENTOS DIRETOS E DOS INCENTIVOS AO
SETOR PRIVADO PROPORCIONADOS PELO GOVERNO FEDERAL, POR
INTERMEDIO DA SUDENE, DURANTE O ANO DE 1960**

Investimentos diretos:

(Em milhões de cruzetres)

- Fundo de Eletrificação	1.200	(*)
- Recursos orçamentários para o setor de energia liberados pela SUDENE	825	
- Adiantamentos do BNDE para obras da SUDENE no setor de energia	210	
- Recursos do Fundo dos Ágios destina- dos pela SUDENE para o seu pri- meiro plano de obras	1.000	
- Recursos orçamentários aplicados em pesquisas e programação de obras	142	3.377

Incentivos ao setor privado:

- Isenção de impostos e taxas aduaneiras	623	
- Subsídio cambial (câmbio de custo)	541,5	
- Financiamentos de Bancos oficiais para investimentos	2.552	3.816,5

TOTAL : Cr.\$ 7.193,5

(*) - Inclusive Cr.\$ 400 milhões mobilizados pelo CODENO, em 1959.

08 18

I N D I C E

EXPOSIÇÃO DE MOTIVOS AO EXMO. PRESIDENTE DA REPÚBLICA	3
ATIVIDADES DA SUDENE NO PRIMEIRO SEMESTRE DE 1960	
Primeiro Plano Diretor de Desenvolvimento do Nordeste	7
Estruturação Administrativa	13
ATIVIDADES DOS DIVERSOS DEPARTAMENTOS DA SUDENE	
DEPARTAMENTO DE PESQUISAS DE RECURSOS NATURAIS (DPRN)	
Divisão de Hidrologia	19
Divisão de Geologia	21
Divisão de Agrologia	23
Divisão de Agrologia	27
DEPARTAMENTO DE ATIVIDADES ECONÔMICAS BÁSICAS (DAEB)	
Divisão de Indústrias	35
Divisão de Energia	42
Divisão de Transportes	52
DEPARTAMENTO DE ESTUDOS ESPECIAIS (DEE)	
Divisão de Abastecimento	57
Divisão de Mão-de-Obra e Colonização	59
DEPARTAMENTO DE CONTROLE E AÇÃO DE EMERGÊNCIA (DCE)	
Divisão de Ação de Emergência	63
DEPARTAMENTO DE ASSISTÊNCIA TÉCNICA E FORMAÇÃO DE PESSOAL (DATE)	
Divisão de Coordenação de Assistência Técnica Estrangeira	67
Divisão de Assistência Técnica a Estados e Municípios	70
Divisão de Formação de Pessoal	71
GRUPO DE IRRIGAÇÃO DO SÃO FRANCISCO	75
ESCRITÓRIO DE SALVADOR (BA)	79
QUADRO FINANCEIRO DAS ATIVIDADES DA SUDENE EM 1960	83

08 19

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COMPOSTO E IMPRESSO NAS OFICINAS DE
MOUSINHO ARTEFATOS DE PAPEL LIMITADA
RUA DO ARAGAO, 89 - RECIFE-PERNAMBUCO

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UNCLASSIFIED
 (Security Classification)
FOREIGN SERVICE DESPATCH 832.00/6-661

FROM : Amconsulate PORTO ALEGRE 61
 DEPT. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. June 6, 1961
 DATE

REF : CERP Requirements: Section C, Item 2 JUN -7 1961

25 For Dept. Use Only	ACTION Com-12 REC'D 6-13	DEPT. IN OTHER 0	Ref-1 Ana-4 INR-7 E-7 ICA-11 Cia-10 Aqs-10 Tar-2 TR-3 FRB-3 USIA-4 INT-7 Army-6 Navy-3 OSD-5 NSA-4
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SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - April 1961
 LOC-4 XMB-4 Lab-6 USIA-4 INT-7 Army-6 Navy-3
 DLFH

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

SUMMARY:

Although the weather in May had been relatively dry, no damage to agriculture was reported. The higher minimum rice prices granted producers announced by the local Rice Institute (IRGA) caused some apprehension amongst rice dealers who fear competition in out-of-state consuming centers. The quality of Rio Grande do Sul flue-cured tobacco suffered from heavy rains and attacks of flea-bugs during the growing season. Good seeds reportedly increased current soybean crop. About 10,000 metric tons of Rio Grande do Sul wheat remain unsold. Rio Grande do Sul produces the most important olive crop in Brazil. Local Japanese Consul is making an effort to bring Japanese farmers to this area. A general slowing in wholesale turnover has been reported. Collection of trade bills indicated continued delays, particularly in the interior. Indonesia is reported to have purchased Rio Grande do Sul rice. Trade representatives from Iron Block countries have been unusually active during the month under review. A larger exportable surplus of soybean is expected from current crop. A local firm is being organized for the manufacture in this area of the Polish MAZUR tractor. A substantial increase in federal funds for the construction of highways in Rio Grande do Sul is reported. Management-labor relations remained relatively quiet during May. A substantial loan granted by the federal government is expected to step up Rio Grande do Sul's electrification program. The coal problem in this area has not yet been solved by the authorities.

AJ Kirchhof/HEloom/zms
 REPORTER

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832.00/6-661

LWS

0821

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Page 2 of
Encl. No.
Disp. No. 61
From PORTO ALEGRE

1. AGRICULTURAL DEVELOPMENTS:

Rice - It is reported that, with the financial help to be granted by the Bank of Brazil, the local Rice Institute (IRGA) will be in a position to make purchases from the Rio Grande do Sul 1960-61 rice crop. The new minimum rice prices established by IRGA are as follows:

	Per 50 kgs. in bulk, rough	Per 60 kilo-bag, milled
Japanese (short grain)	8767.50	1,725.00
Blue Rose (medium grain)	863.00	1,926.00
Agulha (long grain)	908.00	2,020.00

There has been a lull in the local market, but some rice has continued to move to northern states. The higher cost of rice will be passed on in the price to the consumer. However, local rice dealers consider IRGA prices too high to compete in domestic and foreign markets.

Tobacco - It is reported by the trade that, owing to heavy rains and attacks of flea-bugs during the growing season, the quality of flue-cured tobacco in this area has been poor. Although much larger plantings of this type were made, the yield for the current harvest is estimated as being about the same as last year. Although estimates point to a smaller crop of air-cured, the quality of this type is considered good.

Soybeans - Due to the distribution of new varieties of guaranteed seed by the State Secretariat of Agriculture, a higher production of soybeans is expected; now estimated at 220,000 metric tons.

Wheat - It is reported by the local trade that about 10,000 metric tons of the Rio Grande do Sul 1960-61 wheat crop are still unsold. However, the local agency of the Bank of Brazil has been authorized to purchase the remaining wheat as soon as possible.

According to local official statistics, the 1960-61 Rio Grande do Sul wheat crop amounted to 268,092 metric tons, of which 235,832 metric tons were for marketing, and 32,259 metric tons for seeding.

Olives - Official statistics place Rio Grande do Sul's 1959 olive crop at 271 metric tons, compared to 283 metric tons for Brazil's entire olive production. It is believed that the increasing demand from the public for domestic olives is due to the much higher prices asked for imported olives.

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0822

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Page 3 of

Encl. No.

Desp. No. 61

From PORTO ALEGRE

Japanese Farmers - The Japanese Consul in Porto Alegre is interested in bringing Japanese immigrant farmers to this southern area of Brazil. A circular letter was sent by the Consul to all mayors and rural associations in the interior pointing out the skill and industriousness of the Japanese farmers now settled in other areas of Brazil.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

A general slowing in wholesale turnover has been reported during the month under review, although retailers report increases in sales over last year. Collections, particularly in the interior, indicated increasing delays in payments, according to local banking sources.

Comparative figures of total sales for April 1961 (latest figure available) and March 1961, and April 1960, are as follows:

(In thousands of cruzeiros)

<u>April 1961</u>	<u>March 1961</u>	<u>April 1960</u>
26,711,750	25,030,528	18,763,322

Source: Budget Bureau, State Treasury.

Protest of trade bills for April 1961 (latest figure available) amounted to \$19,016,504, as compared with \$11,406,832 for March 1961, and \$12,300,304 for April 1960.

3. FOREIGN TRADE:

Rice - Local reports state that the Federal Foreign Trade Department (CACEX) has been able to sell 42,000 metric tons of rice to Indonesia from the exportable surplus of 120,630 metric tons of Rio Grande do Sul's 1959-60 crop. Negotiations are reported to be under way for the sale of an additional quantity of rice to that country. A significant exportable surplus from the current 1960-61 crop is expected. However, no indications as to the amount are known, as yet.

Trade With Iron Curtain Countries - A six-member Communist China Trade Mission, on an official visit to Brazil, arrived in Porto Alegre on May 14, for a four-day visit to study and discuss the possibilities of trade relations with Rio Grande do Sul (See Consulate's despatch No. 59, May 19, 1961). Products of immediate interest to the mission members included hides and skins, meat, and rice.

In mid-May a group of technicians from East Germany arrived in Porto Alegre seeking contact with Rio Grande do Sul industrialists

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0823

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Page 1 of
Encl. No.
Disp. No. 61
From PORTO ALEGRE

and technicians. The German group is interested in exporting manufacturing and processing equipment to this area. Inquirers have been invited to write directly to the Rio Trade Office of the German Democratic Republic, at 26 Avenida Rio Branco, 3rd floor, for additional information, catalogs, scientific publications, and leaflets.

A Brazilian economist, Sr. Walter Albrecht of Rio de Janeiro, visited Rio Grande do Sul recently and stated that the German Democratic Republic is interested in importing Rio Grande do Sul agricultural products such as wool, soybeans, flaxseed, beeswax, wines, leather, manioc, meal, footwear, tanning, pine lumber, hides, meats, semi-precious stones, shrimp, etc. Inquirers were invited to write Mr. Kurt Ullrich, Trade Office of the German Democratic Republic at the above address in Rio de Janeiro.

Beef (Frozen) - Two Czech technicians visited Rio Grande do Sul late in May to study the possibility of importing frozen beef from this State. A local packing plant (Frigorifico Nacional Sul Rio Grandense), the local Meat Institute, and the State Secretariat of Agriculture were visited. A trip to the cattle area was included in the program. Negotiations for the importation of 2,200 metric tons of beef have reportedly been concluded. The above technicians stated that beef imported by Czechoslovakia must be free of hoof- and mouth disease. The Consulate will report the developing situation.

Soybeans - It appears that there will be an exportable surplus of 50,000 metric tons of soybeans this year. However, oil producers and local authorities will be discussing the export market situation until a final decision is reached.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Tractor Factory - Recent press reports stated that the Polish firm CEKBP has concluded business arrangements with the local firm ISTRASA (Industria de Tratores S.A.) The local firm is being organized for the manufacture of the Polish MAZUR tractor and implements. The Consulate will report further details when available.

Paper Factory - The São Paulo firm VOTORANTIN is reported to have purchased a plot near Porto Alegre to establish a paper factory. The present production of paper in this area is not sufficient to cover the existing demand.

Finnish Tractors - The Finnish organization VALMET, now operating in São Paulo, recently introduced its São Paulo manufactured "VALMET 360" Diesel tractor in Rio Grande do Sul. Local distributor is the firm Sulbra S.A., which also is a stockholder in the São Paulo organization. The Finnish Ambassador to Brazil came down for the

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0824

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Page 5 of
Encl. No. _____
Desp. No. 61
From PORTO ALEGRE

opening ceremony.

Industrial Productivity Seminar - A five day Productivity Seminar promoted by the United States Operations Mission, the Brazilian Confederation of Industries, and the State Federation of Industries, was inaugurated here on May 29. Four well-known industrialists and consultants comprising the United States team, shared their knowledge and experience with local industrialists. The Seminar received a good local response and was well attended at the relatively high fee of \$10,000 a head.

5. TRANSPORTATION AND COMMUNICATIONS:

Railroad Rates (Consulate's despatch No. 57, May 9, 1961, item 5). - The new increased State railroad rates will now be effective as of June 14. It should be noted that the higher percentages mentioned in the referenced despatch apply to services other than rates.

Federal Highways - Press reports indicate that the Federal Minister of Transportation and Works will allocate approximately \$16 billion for the construction of highways in Rio Grande do Sul, in accordance with the Federal Five-Year Road Plan, for the next five years. This appears to be in fulfillment of President Quadros' promise to improve the State's road system.

6. FINANCE:

Exchange - The free market cruzeiro strengthened somewhat during the month under review, averaging \$271.77 per U.S. dollar (check buying rate), against \$264.28 in April 1961.

Money Conditions - Local banking sources report that although there has been some slight easing in the money market, banks are maintaining conservative cash positions in anticipation of income tax payments, a possible pick-up in import activity, and other contingencies.

Porto Alegre Municipal Government - As a result of a visit paid by the local mayor Loureiro da Silva to President Quadros in Brasilia, the Bank of Brazil has been authorized to pay the amount of \$230 million to the local Municipal Government. This amount covers outstanding taxes owed to the city government by local agencies of the Workers Pension and Retirement Institutes. This assistance will ease the present difficult financial situation of the local government.

7. LABOR:

Management-labor relations remained relatively quiet during May, with no major strikes reported. Recent speeches made in the

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0825

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Page 6 of
Encl. No.
Desp. No. 61
From PORTO ALEGRE

interior of the state and in Porto Alegre by Luiz Carlos Prestes, Brazil's top Communist, touched off considerable and even violent anti-Red agitation.

8. MISCELLANEOUS:

State Electrification Program - A substantial federal loan of about \$2,200 million has been granted for the State's electrification program. With this financial assistance the electrification program can now be accelerated.

Power Rationing - Power rationings of short duration occurred frequently in May in different sections of the State, including Porto Alegre. Rains have not been sufficient to improve the situation at the hydro-electric plants' reservoirs. It is expected, however, that the situation will improve somewhat when the first stage of the Charqueadas plant is completed. Indications are that the first stage of 18,000 kilowatts will be ready to go into operation by August 1961.

Economic Forum - (See Consulate's despatch No. 60, May 26, 1961). An Economic Forum was held in Porto Alegre, from May 17 to 19th, attended by Governor Brizola, the Governor of Minas Gerais, and the Governor of Santa Catarina. The agenda of the Forum included subjects for discussion to pinpoint the various problems besetting the economic well-being of the state of Rio Grande do Sul.

Coal Mines - Owing to the reported exhaustion of the state-operated surface coal mine Leao, near Porto Alegre, a number of miners are now jobless. The State Government is trying to solve this problem by taking over the coal mines in the São Jeronimo area which are operated by the private organization CADEM. The Consulate will report further developments.

Percy Warner
Percy Warner
American Consul

cc.: Amembassy RIO

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AIR POUCH
PRIORITY

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FOREIGN SERVICE DESPATCH

832,00/6-1261

FROM : Ambassador RIO DE JANEIRO

1122
DESP. NO.

June 12, 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

JUN 15 1961

REF : CERP C-1

20 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN N E O OTHER
6-19-61	ARM-5	PM/R-2 REP-1 INR-10 ICA-11 E-7 EUR-5
	6-19-61	451A-10 ASD-2 NSA-4 NSC-2 CIA-16 Army-35 Navy-20

SUBJECT: WEEKLY ECONOMIC REVIEW (Period May 6 through May 19, 1961)

INTER-AMERICAN AFFAIRS
JUN 20 1961
127/61-4910

I N D E X

1. Coffee Exports
2. Financing of the Coffee Crop
3. Federal Budget Proposal for 1962
4. Working Group Set Up to Control Operations of Federal "Autarchias" and Mixed Economy Corporations
5. Ceiling Set on Allowances in Foreign Currencies Paid to Public Servants Working Abroad
6. Income Tax Substitute Bill Approved
7. Cost of Living
8. Paper Currency in Circulation
9. President Quadros Creates Executive Groups
10. Five-Year Highway Plan Announced
11. Urubupunga Project
12. Ball and Roller Bearing Plant Inaugurated in São Paulo
13. Oil-Drilling Bits to be Manufactured in Brazil
14. New Brazilian-French Geophysical Concern
15. Argentine Trade Mission Visits Brazil
16. Trade Agreements Reached with Rumania and Hungary

1. Coffee Exports

Coffee exports during the month of May 1961 through the 19th, were 579,644 bags, compared to 657,660 bags exported during the same period last year.

Total coffee exports for the current marketing year, July 1, 1960 to May 19, 1961, were 14,558,643 bags, compared to 15,720,456 bags exported during the same period last year.
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Page 2 of
Encl. No.
Dep. No. 1122
From RIO DE JANEIRO

2. Financing of the Coffee Crop

Instruction 205 of SUMOC and Resolutions 174, 188 and 189 of the Brazilian Coffee Institute set forth the financing scheme for the 1961/62 coffee crop and for coffee to be marketed in the remaining months of this crop year (coffee crop year runs from July 1 to June 30).

Under the new system, foreign exchange earnings from coffee exports will be surrendered to the Bank of Brazil, which will deduct \$22.00 from each 60-kilo bag sold with the cruzeiro equivalent of the balance converted at the free rate going to the exporter. Under the previous policy, all exporters received Cr\$90.00 for each export \$1.00 earned. As a consequence, exporters of better grades will now receive a larger percentage share of the export earnings than exporters of poorer grades.

Also, the support price for exportable grades not exported by March 1, 1962, has been raised for better grades and lowered for poorer grades. Support prices for all nonexportable grades have been lowered. IBC resolutions spell out, in specific items, exportable grades and prohibit exportation of grades not meeting these criteria. (UNCLASSIFIED)

Comment: The new program will put substantially more cruzeiros in the hands of producers than would have been the case had the old policy been continued, and the financial effect may therefore be considered more inflationary than would have been the case under the previous system. However, Brazilian authorities hope that the lower support prices for poorer grades will force some producers out of coffee production and hence facilitate a long-term solution to the coffee surplus problem. (See Embassy Despatch No. 1025.)

(OFFICIAL USE ONLY)

3. Federal Budget Proposal for 1962

The Federal Budget Proposal for fiscal year 1962, sent to Congress by President Quadros, provides for expenditures amounting to Cr\$477 billion and estimates revenue at Cr\$351 billion, with an anticipated deficit of Cr\$126 billion. This compares with appropriations of Cr\$302 billion and estimated receipts of Cr\$260 billion for the current fiscal year. (UNCLASSIFIED)

Comment: The substantial increase in expenditures proposed for 1962 reflect, in large measure, an attempt to include all possible expenditures in the budgetary sector, including many which in past years were deliberately omitted from the budget document. It is hoped that this budget will, therefore, eliminate the practice of making extra budgetary expenditures which were steadily growing in volume in recent years (Cr\$34.4 billion in 1958; Cr\$64.5 billion in 1959; and Cr\$131.4 billion in 1960).

Though the anticipated deficit for 1962 is a large one, the overall case position of the public sector should be closer to balance due to increases in revenues from sources outside the budgetary sector. (OFFICIAL USE ONLY)

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Page 3 of
Encl. No. 1122
Desp. No. 1122
From RIO DE JANEIRO

4. Working Group Set Up to Control Operations of Federal "Autarchias" and Mixed Economy Corporations

It is reported in the press that President Quadros has directed the Finance Minister, DASP, the Technical Advisory Office of the President, and all Federal Agencies, including the autonomous and those agencies where the Federal Government holds the majority of the shares to set up a Working Group for the purpose of: a) revising the budgets of these agencies for the current fiscal year and setting ceilings for maintenance and investment expenditures for each of these agencies; b) studying the possibilities of increasing their receipts; c) identifying the balances which may be blocked in the Bank of Brazil; and d) submitting to the President for approval the recommendations approved.

(UNCLASSIFIED)

Comment: The financial operations of the "Autarchias" and so-called mixed economy corporations have never been made public and have, heretofore, not even been known to SUMOC. Their operations are an important part of the public sector, however, and the greater control over them which the Federal Government now seeks would assist in the planning and execution of an effective overall fiscal policy.

(UNCLASSIFIED)

5. Ceiling Set on Allowances in Foreign Currencies Paid to Public Servants Working Abroad

President Quadros has issued a decree reducing by ten per cent the allowances paid in foreign currencies over \$400 dollars monthly to government employees working abroad for the Ministries, autonomous agencies, direct administrative agencies, including the shipping companies owned by the Union or others in which it holds a majority of the shares.

(UNCLASSIFIED)

Comment: This move follows previous cuts of allowances to diplomatic and military personnel stationed abroad. In budgetary or foreign exchange terms, the effect is minimal, though probably warranted in terms of equity.

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6. Income Tax Substitute Bill Approved

The Senate and the Chamber of Deputies have approved, and the President has signed, a bill altering current legislation relating to the income tax. The new law increases minimum deduction for tax on income of any type from Cr\$90,000 to Cr\$240,000 and modifies the progressive table decreasing tax rates of those in the lower income groups but maintaining the same rate in higher groups. The bill further ties the minimum deduction specifically to the legal minimum wage rate so that adjustments will follow automatically if the minimum wage is increased.

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0829

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Page 4 of
Encl. No.
Disp. No. 1122
From RIO DE JANEIRO

7. Cost of Living

Getulio Vargas Foundation estimates of the cost of living in the State of Guanabara show an increase of 4.3 per cent for April 1961, making a total increase of 9.3 per cent for the first four months of the year. This contrasts sharply with the four months of 1960, when the Vargas Foundation index rose by 5.8 per cent.

(UNCLASSIFIED)

8. Paper Currency in Circulation

According to figures released by the Caixa de Amortização, the total amount of paper money in circulation on December 31, 1960, was Cr\$206.1 billion. For the first four months of 1961, the total paper money issued increased by Cr\$14.8 billion, or 7.1 per cent. For the comparable period of 1960, the total paper currency issued was Cr\$5.5 billion, or 2.1 per cent. The increase of April over March 1961 was in round figures at Cr\$6.0 billion.

(UNCLASSIFIED)

9. President Quadros Creates Executive Groups

President Quadros has signed decrees creating the following Executive Groups:

- 1) GEDMAR - for the Agricultural and Highway Machinery Industry, will promote and coordinate the measures necessary for the execution of national plans for the agricultural and highway machinery industries. Included in the problems to be considered by the group is that of tractor production in Brazil;
- 2) GEDMEN - for the Metallurgical Industry, will elaborate plans for the development of the metallurgical industry in Brazil;
- 3) GEDIN - for the Naval Construction Industry, to study and establish norms and criteria to be observed by governmental organs in the execution of programs of naval construction, including repairs and complementary industries;
- 4) GEDMAPE - for the Heavy Machinery Industry, will establish the basic administrative bodies for the planning, installation, and expansion of companies connected with that sector of the industry.

(UNCLASSIFIED)

10. Five-Year Highway Plan Announced

On May 12, President Quadros officially approved the Five-Year (1961-65) Highway Plan presented to him by the National Highway Department (DNEN). The plan calls for: (a) the construction of 12524 kilometers of roads; (b) the improvement of 4146 kilometers to be paved; (c) the improvement of 5505 kilometers "for purposes of adaptation"; (d) the construction of 6.1 kilometers of bridges, tunnels, etc.; and (e) the paving of 14805 kilometers. The cost of the Plan was

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0830

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Page 5 of
Encl. No. 1122
Desp. No.
From RIO DE JANEIRO

set at 184.5 billion cruzeiros, which will come from the National Highway Fund, the National Paving Fund, the resources of the Northeast Development Agency (SUDENE), and the Amazonia Economic Development Agency (SUDAM) earmarked for road building, and special credits already opened by the government. The following scheme for the distribution of the Cr\$184.5 billion was laid down in the Plan: 60 per cent for roads which have economic and social significance; 25 per cent for roads having political importance and connecting Brasilia to the capitals of the other states; 10 per cent for pioneer penetration roads which will permit the occupation and settling of territories not yet included in the National Highway Plan; and 5 per cent for roads of importance to the development of tourism. (UNCLASSIFIED)

Comment: The Plan gives priority emphasis to paving and improvements rather than to the opening of new roads, a policy in keeping with the announced determination of the DNHR to devote more resources and efforts to maintenance of the existing net. The very substantial amount of new construction in the Plan is, however, impressive. The Plan, which represents a considerable expansion of an early draft (DNHR, Embassy Despatch No. 804 of March 14), continues the momentum of, and with respect to paved mileage goes well beyond, the federal highway program of the Kubitschek administration, which, according to preliminary DNHR figures, built 15,000 kilometers of roads and paved 5,000 kilometers in the period 1956-60 (DNHR, Embassy Despatch No. 607 of January 17). (UNCLASSIFIED)

11. Urubupunga Project

In a ceremony held on May 17, the President of the National Economic Development Bank (BNDE) received from the President of CELUZA (Centrais Electricas de Urubupunga S.A.) the project for the Urubupunga power generating complex (Embassy Despatch No. 747 of February 27). The plan is divided in two phases, the first one to be finished in 1966 with a capacity of 1,200,000 kw. The project will benefit an area of over four hundred thousand square miles in the State of São Paulo and in the central west region of Brazil, and may even help provide Rio de Janeiro with additional electric power. Total investments will be approximately Cr\$27 billion, plus US\$100 million.

Financing in cruzeiros is to be provided by the State of São Paulo, the National Electrification Fund, and the BNDE. It was reported that dollar financing would come from countries in the European Common Market, there being a likelihood that US\$30 million would be spent in the purchase of Brazilian goods and services. (UNCLASSIFIED)

12. Ball and Roller Bearing Plant Inaugurated in São Paulo

According to an announcement made by Mr. Gunnar Wistrand, President of S.A.F.-Brasil, there will be inaugurated, in the not too distant future, the first ball and roller bearing plant in South America. This plant, which will

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Page 6 of
Encl. No. 1122
Disp. No. 1122
From RIO DE JANEIRO

be among the largest of its kind in the world, will have a covered floor area of about 260,000 sq. ft. It is reported that its annual production of four million bearings will mean for Brazil yearly savings in foreign currency estimated at five million dollars. (UNCLASSIFIED)

13. Oil-Drilling Rits to be Manufactured in Brazil

It is reported that a manufacturing license agreement has been concluded between the Hughes Tool Company (US) and Brasquip S.A. (Industria Brasileira de Equipamentos de Salvador, Bahia).

Starting with a capital of Cr\$10 million, Brasquip will increase its assets to Cr\$120 million when actual production begins. Total investment in the new concern is Cr\$300 million. (UNCLASSIFIED)

14. New Brazilian-French Geophysical Concern

Two Brazilian specialized engineering firms, Mesbla S.A. and Sondotecnica Engenharia de Solos S.A., are reported to have concluded agreements with French geophysical firms, including Compagnie Generale de Geophysique, with a view to forming a concern to be known as Companhia Brasileira de Geofisica. (UNCLASSIFIED)

15. Argentine Trade Mission Visits Brazil

An Argentine delegation arrived in Brazil to participate in the mixed Argentine/Brazilian Trade Commission negotiations designed to expand trade between the two countries, in accordance with the resolution made during the recent meeting in Uruguayana between Presidents Quadros and Frondizi.

Among the subjects for discussion are the expansion of traditional exchanges, such as wheat, coffee, bananas and pine wood, and the inclusion of new products for exchange, such as Argentine petroleum and Brazilian manufactured goods. (UNCLASSIFIED)

16. Trade Agreements Reached with Rumania and Hungary

According to the press, a trade agreement negotiated by the Dentas Mission to Rumania provides for an exchange, during the next five years, in the value of \$320 million. Rumania will make available to Brazil petroleum products, equipment for the petroleum industry, agricultural and road building machinery, and chemical products. Brazil will export to Rumania coffee, cotton, cacao, vegetable oils, hides, and iron ore. The agreement looks to an increase in trade, raising it to a possible \$440 million total. In addition, Rumania will make available to Brazil a credit of \$50 million for the development of the

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0832

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Page 7 of
Encl. No. 1122
Desp. No.
From RIO DE JANEIRO

petroleum and chemical industries. Consideration will also be given to the establishment of a free port for Brazil, either on the Black Sea or at a Danube River port.

The trade agreement reached with Hungary is reported to be for five years (through 1966) and provides for an exchange of \$200 million. Brazilian coffee, cotton, rice, oil seeds and iron ore will be exchanged for Hungarian chemicals, crude oil, and mining and agricultural equipment. Hungary will also provide assistance in the construction of factories. (See EMBR Embassy Despatch 1060 of May 26, 1961 for other treaties concluded.) (UNCLASSIFIED)

For the Chargé d'Affaires a.i.:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributions:

Item 1 - Lyallouz
Items 2, 3, 4, 5, 6 - JKriszy
Items 7, 8 - WBlomeyer
Items 9, 15, 16 - RAGoldstein

Item 10 - JHCrimmins
Item 11 - JDeSeabra/JWiegand
Items 12, 13, 14 - JDeSeabra

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FOREIGN SERVICE DESPATCH

FROM : Amconsul, RECIFE

65

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 14, 1961

REF : None

20 For Dept. Use Only	ACTION REC'D 6-19-61	DEPT. IN RM/R-2 REP-1 INR-7 E-7 ICA-11 OTHER CIA-10 USIA-10 COM-10	DEPARTMENT OF STATE BUREAU OF INTELLIGENCE JUN 20 1961
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SUBJECT: RIO GRANDE DO NORTE: A Status Report - June 1961

A. General

Rio Grande do Norte, one of the smaller and poorer States in Brazil, has become a focal point of Communist activities. The new State Administration, directed by the dynamic Aluisio ALVES, has butted itself into an impasse with an opposition-controlled Legislature. Having once rejected Communist demands, in payment for its active support, the Governor may now be modifying his position as he desperately seeks the means of implementing a meaningful program. The Catholic Church, under the alert and capable leadership of Bishop Eugenio de Araujo Sales, has moved effectively in the interior to counter the menace of the censoriously spreading Ligas Camponesas. In the capital of Natal, a Communist-directed city administration is doing an excellent job of bringing flashy social reforms into the backyard of the City's underprivileged masses.

B. Economics

The economy of Rio Grande do Norte is based almost entirely upon agriculture with some income from mining (salt, scheelite, and gold). With the second successive year of abundant rainfall, the agricultural picture is promising: a large cotton crop and no shortage of foodstuffs -- corn and beans. For the salt mines of Mocró, there was too much water; the salt pits have been flooded out and there will be little production this year. One of the larger cotton-growing and textiles mill combines has recently declared its bankruptcy as a result of obvious inept management. The Sackeraft-Portella organization is offering employment opportunities for 1,000 laborers on its newly acquired lands which will be devoted to the growing and processing of sisal. Even with good times, there is a continuing flow of the more capable, energetic and ambitious youths to the South in search of the glittering rewards of industrialized São Paulo. City officials complain of another migration: youths from the interior inducted into the Army as draftees refuse to return home following their brief military stint in an near Natal. The ex-soldiers, still in their teens, present a difficult management problem as they grope for food, entertainment and employment.

Edward Walters:cmw

REPORTER

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Page 2 of 4
Encl. No. ---
Disp. No. 65
From Recife

C. Political

1. STATE:

Young Aluisio Alves was elected Governor via "a campaign of hope." He is now desperately seeking ways to fulfill some of these hopes. In the Legislature the ex-Governor, Dinarte MARIZ, controls a block of 18 votes -- three more than Alves can rely upon. Governor Alves, through his newspaper (Tribuna do Norte), and his speeches has continued to hit hard at the shameful "cleaning of the State's tills" by the former Administration. As the attack continues, his opposition becomes more and more obdurate, and Governor Alves is becoming increasingly desperate. He is counting strongly upon SUDENE to work economic miracles in Rio Grande do Norte. He has organized an economic development commission to handle the projected industrialization of the State. (The chairman of the commission just completed a three-month SUDENE course in economic development which constitutes the bulk of his credentials for his new imposing title.)

The harsh vengeful tactics followed by Alves as he pursues this internecine UIN struggle are beginning to have negative effects upon the voting populace. His popularity, while still high, is beginning to slip. State officials frankly voice their concern over how to give something tangible to the rural masses of the interior to assure their continued support.

Last week the charge was made, and weakly refuted, that the Governor had had knowledge that his supporters had raised amounts up to Cr\$20 million (R) in attempts to purchase the votes of State deputies. Despite such high finance the effort was unsuccessful.

Relative to the voting block, the opposition picked up an additional vote. It was whispered that this vote was that of Luis MARANHÃO, Communist State Deputy and brother of Natal mayor Djalma MARANHÃO. This was the evidence of the complete break by the Communist Party and Governor Alves. Another "authoritative" and more ominous rumor popped out on June 8 to the effect that former Secretary of Education, Grimaldi RIBEIRO, had been named as the Secretary of the Interior so that the same Luis Maranhão could assume the state education reins. This move would fulfill one of the Communists' original demands of Governor Alves.

Among other problems presently facing Governor Alves are (1) the gradually increasing cordness between him and his Vice-Governor, Catholic Priest Walfredo GURGEL, and (2) the secret competition between him and Bishop Eugênio. It is predicted that Padre Walfredo (PSD), who acts as the president of the State Assembly, will soon publicly join the ranks of the opposition as his relationship with the Governor becomes more strained. The Bishop and the Governor were highschool classmates and good friends. But now for the first time a Government Administration wishes to assume the responsibility for social and economic reforms in the interior and there is an indirect competition/jealously arising between the two men and the two organizations. Previously, the State had turned over all such responsibilities to the Church. Governor Alves is directing most of his reform activities toward the interior, leaving Mayor Djalma Maranhão with a clear field for reform manipulations in Natal.

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0835

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Page 2 of 4
Encl. No. ---
Disp. No. 63
From Recife

B. Natal

Djalma Maranhão is the first popularly elected mayor of Natal. He has served before as an appointee of the State Governor. Leaving the Natal "prefeitura" when he was elected Federal Deputy, Maranhão was personally responsible for removing Natal from State control. Winning his electoral race in October 1980, he assumed office one month later. Maranhão, a husky former physical education instructor, is a skilled political opportunist. During the brief legality of the PCB, he was reported to be a member of the Party. Later he was purportedly purged. There is no doubt today, however, that he is working closely with the Communists.

In Natal last week, the reporter saw an impressive array of public works that have been initiated by Maranhão. Near the beach, on a sandy hillock, stand four large thatched-roof shelters. These airy edifices constitute a primary school for some 900 underprivileged children and 500 illiterate adults. One of the buildings is a meeting hall as well as a covered playground. Snacks and UN milk are served to the children from a neighboring shack. The school has been operating since March with three shifts per day. For adults who are ashamed to admit their illiteracy, municipal teachers call at their homes for special classes.

In other low income neighborhoods, the Mayor has already completed two recreation parks -- complete with children's amusements, a concrete basketball and volleyball court, park benches, planted trees, etc. Also planted are signs reminding the populace that the Mayor was responsible for these civic "improvements".

The Mayor has initiated a series of low cost public housing for municipal employees. President Quadros will inaugurate the first block of such houses during a September visit.

In the City of Natal, the Mayor's office receives a daily average of 240 individual requests for assistance of all sorts. One city official said that by great effort more than 70 % are helped to some degree. It is quite obvious that the present Natal city Administration has not forgotten the little man; on the contrary, the little man is the prime political target as well as prime supporter of Djalma Maranhão.

The cities of Natal and Recife, through their Mayors (Maranhão and Miguel Arraes) have declared an inter-city alliance for mutual self-help. And so it is that the Communists are working to consolidate their control of the political grass roots in the municipalities (rural and urban) before attempting to control the States and then the area.

B. The Church

During the last weekend in May, more than 1,100 rural workers converged on Natal for a day of parading and speechmaking. These men are the nuclei of from 4-6,000 rural workers now organizing themselves into rural unions. The impetus

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0836

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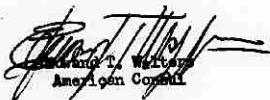
Page 4 of 4
Encl. No. ---
Disp. No. 65
From Recife

for this unionization is being furnished by the Roman Catholic Church. This particular movement, despite opposition from the "capitalist" landowners, has been underway for more than a year. Bishop Eugenio notes that Pernambuco's Francisco Julião, of Ligas Camponesas fame, has been his biggest ally (as a threat) in attempting to improve the living and working conditions of the rural masses. The Ligas are attempting to combat the rural unions in two ways: (1) rival organizations (i.e., Ligas proper) and (2) joining the unions in an attempt to wrest control from the local priests. The Church is now attempting to develop its own leaders within the movement so that the clergy can remain in the background.

The Church has also instituted a radio school to assist in educating the illiterate masses of the States. Bishop Eugenio is quite enthusiastic over the results of the experiment so far. About 5,000 "students" are instructed each day by the use of the fixed frequency radio receivers. The station broadcasts from 5 a.m. to 11 p.m. daily.

A variety of other programs -- youth clubs, social centers, maternity care, marketing cooperatives -- are being fostered by the Church to help the rural population.

Bishop Eugenio -- tall, slender, bespectacled, young (mid-40's), and personable -- has been Bishop of Rio Grande do Norte for about 8 years. He is one of the outstanding spokesmen with the Church who preach an active counter-offensive against the lure of communism. With Arch-bishop Dom Helder, he has conferred several times with both the past and present Brazilian presidents. He remains optimistic that Janio Quadros will support the Church in this phase of agrarian reform and anti-communism. His own program in Rio Grande do Norte is well engineered and undoubtedly the most effective anti-communist program in the Northeast.


William L. Wirt
American Consul

2 cc - Embassy, Rio de Janeiro

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0837

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FOREIGN SERVICE DESPATCH		70		JUN 16 1961	
FROM : American Consulate, CURITIBA		DESP. NO.		JUNE 16, 1961	
TO : THE DEPARTMENT OF STATE, WASHINGTON.				DATE	
REF : CERP Section C-2					
For Dept. Use Only	ACTION COM-12 REC'D 6/23	DEPT. IN OTHER C	REF-1 INR-7 ARA-5 ICA-4 E-3 CIA-10 TR-3 FRB-3 TAR-2 HAB-6 AGR-10 INT-7 OSA-5 ARMY-6 NAVY-4 XMB-4 USIA-10 NSA-4		
SUBJECT: ECONOMIC SUMMARY FOR MAY 1961					

I SUMMARY

There were dire predictions of economic catastrophe resulting from Instruction 205 mixed with grudging admissions that the Instruction is sensible and will force Parana coffee growers to improve the quality of their product. Burning of "expurgo" coffee begun and will continue until some 3,000,000 bags are destroyed.

The electric and telephone company controversies calmed down somewhat and the cost-of-living ceased to be the number one subject of conversation as prices remained fairly stable.

Oil shale deposits in Parana, in the opinion of an American consultant, look like the solution to Brazil's oil problem. The deposits are large enough to satisfy the country's oil needs. ...

II - AGRICULTURE

1. Coffee: Instruction 205 was the topic of concern to coffee circles during the month. The instruction sets lower prices for lower grade coffees and since most Parana coffee is of lower quality the economic results of the instruction will be bad for Parana, at least for the short-run. The crop for this year (harvest is beginning now) is expected to be about 18 million bags, an increase of 25% over last year, but only two or three million bags are of high quality. Burning of expurgo coffee has already begun and will continue until about 3 million bags are destroyed. Exports from Parana totaled 226,000 bags during May.

COMMENT: Even coffee growers are inclined to look upon the instruction as a necessary, if damaging, measure. They concede, that for the most part, little care has been taken in the cultivation and especially the harvesting of Parana coffee. The ignorance of coffee

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0838

UNCLASSIFIED
(Classification)

Page 2 of 5
Encl. No. _____
Disp. No. 70
From AmConsulate, Curitiba

plantation workers and the absence of modern machinery are the two primary factors in holding down coffee quality in this state. The quality can be improved but they wish the Government had given them more time to do so, by having the instruction take effect let us say, next year, and using the intervening period to educate coffee workers and to take other measures to step-up quality.

SOURCES: Conversations and all newspapers

2. Mate:

Paraná mate producers are wrangling over the merits of shipping or not shipping processed mate to Uruguay. At present there are severe restrictions on such shipments. Producers of unprocessed mate are interested in having the restrictions lifted while producers of mate beneficiada (processed) want them retained. The "processed" group is led by Ivo Leão, biggest expert in the state. The controversy was started in the form of an "Exposição ao Governador do Estado" printed by the unprocessed group in the local newspapers. Leão answered in an article called "The Truth about Mate". Despite all the argument there were no indications that the Federal Government planned to do anything about removing the restrictions.

SOURCES: "Diário do Paraná" - May 18, 26, 1961
"Estado do Paraná" - May 26, 1961

3. Citrus Fruits:

Northern Paraná citrus fruit trees have been seriously affected by "citric cancer", resulting in loss of or damage to large areas under cultivation. There have been widespread complaints of government inaction and disinterest and predictions that unless something is done Paraná may soon be without citrus fruit plantations. During the last state administration funds appropriated to fight the disease were misused and with the new administration the appropriation has been cut to the vanishing point.

SOURCES: "Diário do Paraná", May 3, 26, 1961

III LABOR

1. Inter-Union Meeting:

A meeting of Paraná labor syndicates was held in Londrina during mid-May. The meeting resulted in a vote of confidence for Minister of Labor Castro Neves for proposing the establishment of an elevator clause in wage contracts. The creation of an "honest and capable" statistical organization that would accurately measure fluctuations in living costs was also proposed, as was the establishment of a regional labor court in Paraná.

The meeting did not come to grips with the issues that have been causing the disintegration of the inter-union pact formed by industrial workers, commercial

UNCLASSIFIED

0839

UNCLASSIFIED
(Classification)

Page 3 of 5
Encl. No. _____
Disp. No. 70
From Curitiba, Curitiba

employees, feedstuff industry workers and bank employees. Leaders of the commercial and feedstuff workers charge their opposites in the bank and industrial unions with using the labor movement for purely political ends. Adding to the centrifugal force is the determination of the metallurgical workers union to associate itself with the São Paulo Metallurgical Union. The charge of political interference may be directed against João Wagner, head of the Industrial Workers, who is rumored to be seeking political office.

SOURCES: "Última Hora" - May 20, 1961

2. Rural Workers Meeting Scheduled:

The executive committee of the congress of Paraná rural workers has fixed June 25 as opening date of the congress. The meeting will be held in Londrina and its purpose is to draw-up a collective work contract that would cover all rural workers in Paraná. Selection of the coffee zone as site for the conference will permit the delegates to see at first hand the conditions their meeting will seek to remedy-low wages, illiteracy, poor health.

The second congress of rural workers will be held in Maringá beginning August 12 with "land reform" as the chief item on its agenda. Honorary president of the congress is Francisco Julião and Fidel Castro is slated as the "guest of honor".

SOURCES: "O Dia" - May 13, 1961
"Última Hora" - May 15, 24, 1961

3. Prices and Wages:

There was general satisfaction over the refund of last month's increase in electric rates and a reduction in the price of bottled gas. Food prices remained fairly stable.

Taxi drivers, who seem anxious to price themselves out of the market, were demanding a 6% tariff increase but were granted a 3% rise. Even before the increase the prices charged in Curitiba were much higher than those in São Paulo or Rio.

Bus fares in Florianópolis were increased from 1% to 3% despite angry protests from student groups and labor unions.

SOURCES: "Gazeta" - Florianópolis - May 5, 13, 1961
"Diário de Paraná" - May 3, 5, 1961
"Estado de Paraná" - May 3, 1961
"O Dia" - May 4, 1961

IV TRANSPORTATION AND COMMUNICATIONS:

1. Airports:

The "fiscal" for the Aeronautical Ministry, recently arrived in Curitiba, had an interview with the press during which he described the projects the federal government plans to undertake in this area. At the moment only two cities in

UNCLASSIFIED

0840

UNCLASSIFIED
(Classification)

Page 4 of 5
Encl. No.
Disp. No. 70
From AmConsulate, Curitiba

the whole state have airports whose runways are paved. (Curitiba and Lendarina)

Only 160 million cruzeiros will be available this year and the major part of it will be used in asphaltting the runways in Foz do Iguaçu and Maringá. The runways in Curitiba are short and in poor condition and will be improved, as will the strip in Ponta Grossa. Until the end of May landings by the only 4 meter plane which stops at Curitiba (a Viscount) were prohibited because of runway deterioration.

In Santa Catarina a group of industrialists meeting to consider common problems proposed the construction of an international airport in the state, extension and paving of runways in half-a dozen cities and opening of airfields in two other cities.

SOURCES: "Diário do Paraná" - May 24, 1961
"Estado do Paraná" - May 9, 1961
"Gazeta" - May 30, 1961
"Ultima Hora" - May 9, 12, 1961

2. Electricity:

The controversy about the local electric company (American and Foreign Power subsidiary) boiled less fervently last month. Public interest withered with the revocation of the increase in rates, and a group of prominent Paraná businessmen publicly expressed their disapproval of any expropriation measure. The mass meeting called to demand expropriation was not the huge success the nationalists would have us believe it was, Rio Grande do Sul Governor Leonel Brizola having failed to show up. The city of Curitiba, however, continued to express its determination to get the company to pay 26 million cruzeiros in back taxes it alleges the company owes.

SOURCES: All newspapers.

3. Telephone Company:

The impasse over the local telephone company (I.T.&T. subsidiary) continued, neither side being disposed to give ground. The same group that would like to have the electric company expropriated would like to see the same thing done with the telephone company. While the defenders of private enterprise in the case of the electric company are consistent in supporting the principal of free enterprise for the telephone company. General Iberê de Mattos' idea of a mixed state-private company has made little headway while the company's demand for an increase in rates has been reinforced by a big increase in wages just granted to telephone employees.

SOURCES: All newspapers.

V MINERALS:

Oil Shale

Work on the pilot pyrobituminous shale plant in São Mateus do Sul is scheduled to begin shortly, probably July. The pilot plant would have an output

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Page 5 of 5

End. No. 70

Disp. No. 70

From AmConsulate, Curitiba

of about 1000 barrels of oil a day. Petrobras is slated to receive several hundred million cruzeiros from the Federal Government to initiate the project. Whether the appropriation will actually be liberated or not remains to be seen.

COMMENT: An American engineer (employed by Cameron & Jones, the U.S. oil shale consultants) working with Petrobras on the São Mateus project informed the Consulate that the area has reserves large enough to make Brazil self-sufficient in oil within 15 years. He said the oil extracted in São Mateus can be refined for use as gasoline and would substitute for a variety of other oil products currently imported.

VI - INDUSTRY:

1. Industrial Productivity Seminars:

The Industrial Productivity seminar held in Curitiba and sponsored by USOM and the National Industrial Federation was very successful. Lectures on administration, finance and production were given by four prominent American businessmen and the 99 full-time participants (from Santa Catarina as well as Paraná) leaders in the fields of industry and commerce, entered into the give-and-take with rare enthusiasm.

COMMENT: The observations made by both the Brazilians and the Americans were universally laudatory. The four lecturers appear to have the ability to captivate an audience and this they certainly were successful in doing. On the part of the Americans there was admiration for the capability of the local industrialists and gratitude for the warmth of the reception.

SOURCES: Personal observation and all papers.

2. Cellulose:

The state of Santa Catarina offered five-years exemption from state-taxes to the first firm willing to build a cellulose factory in the state. The offer appears to have attracted the Klabin group, which currently maintains a factory in Monte Alegre, Paraná. Representatives of Klabin were in Florianópolis last month for discussions with Governor Celso Ramos. The results of the discussions were not announced.

SOURCES: "Estado", Florianópolis, May 30, 1961
"Gazeta", Florianópolis, May 16, 30, 1961

Edward M. Rawell
American Consul

cc: American Embassy, Rio de Janeiro (2)

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FOREIGN SERVICE DESPATCH		470	832.00/6-1661
FROM :	Amcoengen São Paulo	DESP. NO.	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	DATE	June 16, 1961
REF :	CERP C - General Interest		
20 For Disp. Use Only	ACTION ARR-4 REC'D 6-26-61	DEPT. IN OTHER ARR-2 REPI INR-7 E-7 ICA-11 4/PW-2 CIA-10 COM-12 USIA-10 TR-3 FRB-3 XMB-4 AGR-10	

SUBJECT: Biweekly Economic Review, June 2, 1961 - June 15, 1961

INT-7 NSA-4
OSD-5 ARMY-4
NAVY-4 AIR-6

INDEX

- Bids High at São Paulo Special Import Auctions
A. D. Ventura/R. E. Cahn
- Santos Fishermen Study Government Project to Finance Sale
of East German and Spanish Fishing Vessels
A. D. Ventura
- Mexican Trade Mission in São Paulo
A. D. Ventura
- Rate Increase of Electricity Rescinded
A. D. Ventura

1. Bids High at São Paulo Special Import Auctions

Auctions for special or luxury imports, suspended since February (see item 1, despatch 283 of January 27 and item 1 of despatch 298 of February 10), were resumed on June 6 in São Paulo. The US\$20,000.00 put up for auction on that day were purchased at rates averaging Cr\$1,094.19 a US\$1.00. At the June 13 auction the bids dropped to Cr\$600.00 a US\$1.00. The current auctions differ from those held in the past in that promises of import licenses are now auctioned instead of the previous auctions of foreign exchange. In addition to the cost of the import license the importer must buy his foreign exchange in the free exchange market, in which the dollar is quoted at around Cr\$260.00. At the current rates the costs of luxury imports are 50 to 100 percent higher than they were in the past.

2. Santos Fishermen Study Government Project to Finance Sale of East German and Spanish Fishing Vessels

Santos ship-owners and fishermen met in Santos on June 10 with the director of the Fish and Wildlife Service of the Federal Ministry of Agriculture, who outlined a government project to purchase fishing vessels from East Germany and Spain in exchange for coffee, and finance their sale to Brazilian fishermen. The vessels, to cost between US\$140,000 and US\$160,000 each, are 100 feet long and 22 feet wide, and are provided with a 420-HP, 8-cylinder engine,

RE Cahn/cz
(See index for contributors)

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UNCLASSIFIED
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Page 2 of
Encl. No.
Desp. No. 470
From Amcongen São Paulo

a 100-W radiophone system, an electric echo-bathymeter, a direction finder (radiogoniometer), a refrigerating compartment, winches, and other modern deep-sea fishing gear. Cargo capacity is nearly 70 metric tons of fish. Proposed conditions for the purchase of these vessels by the fishermen are 20 percent down, 20 percent subsidized by the government, and 60 percent under long-term financing,

The project was well accepted by the Santos fishermen, who requested that the sale of the vessels be made on a seniority basis, with preference being given to fishermen who have been operating for the longest period of time.

3. Mexican Trade Mission in São Paulo

A trade mission from the Mexican State of Baja California, sponsored by the Federal Government of Mexico, visited São Paulo from June 6 to 10. The mission, composed of 8 businessmen and trade representatives, is travelling through member nations of the Latin American Free Trade Association. After meeting with directors of the Federation of Industries of the State of São Paulo (FIESP) and studying possibilities of expanding trade relations between Brazil and Mexico, the party visited several factories in the São Paulo area. The Mexicans wish to import a wide range of manufactured goods including heavy and light machinery, complete sugar plants, adding and calculating machines, radio receivers and transmitters, motion picture projectors, chemical materials, and auto and truck parts. Mexico could export copper, zinc, and lead, which Brazil imports from other foreign suppliers.

4. Rate Increase of Electricity Rescinded

The 20 percent increase in electricity rates, instituted in São Paulo on May 1 (see item 6, despatch No. 409 of May 5) was rescinded by the Federal Ministry of Mines, following an instruction from the President of the Republic. Until new studies determine the exact percentual increase of the São Paulo Light Company's operating cost factor, the company will bill consumers at the rates which prevailed up to May 1. It will deduct from the consumers' July and August bills the value of the difference in the rates, as collected in May and June.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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FOREIGN SERVICE DESPATCH

832.00/6-1661

FROM : AMCONSUL, Belém, Pará, Brazil

37

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 16, 1961

DATE

REF : CERP Requirement, Section B, Item 2

20 For Dept. Use Only	ACTION	DEPT.
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SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - APRIL - MAY, 1961

LAE-4 USIA-10

NSA-4 OSD-5

ARMY-4 NAVY-4

DAF-7

INDEX

1. SUMMARY
2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
3. FINANCE
4. IMPORTS AND EXPORTS
5. ELECTRIC POWER

1. SUMMARY

In April, 1961, the economic and financial situation of the Amazon Valley remained largely the same as that reported for the previous month. In May nothing important happened that could change the financial and economic picture of the Valley. It is certain that the measures announced by state government as well as the federal administration, will, when in force, substantially improve credit and financing for commerce and industry and provide an opportunity to increase employment in this area. As a consequence of some measures already taken by state and federal administrations, the local market has been regularly supplied with merchandise from other points in Brazil; thus merchants report a satisfactory volume of sales during May. The coffee situation that for a long time was causing many troubles to the population of the Amazon area, seems to be now completely normalized. It is hoped also that the results of the 1° Encontro Regional de Abastecimento da Região Amazonica (First Regional Meeting for Supplying of the Amazon Valley), will really benefit this region.

Financing and credit are matters pending solutions from the governments, while private financing sources continue their limited assistance to commerce and industry. The State of Pará will soon inaugurate its Rural Bank. SPVEA delivered in May the sum of 10 million cruzeiros for the creation of the rural credit section of Amazonas State Bank.

Força e Luz do Pará S. A. is mounting its fourth turbine of 7,500 KVA to complete the total output of 39,000 KVA. Nonetheless Belém requires more electric power and efforts will be made to acquire other turbines. In the mean time, studies are being made on the industrial use of the hydro-electric potential of the Gurupi river.

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Domestic Trade and/

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Page 2 of
Encl. No. 37
Disp. No. 37
From Belem, Para, Brazil

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

Local merchants report that in May, 1961, there was a satisfactory volume of sales, both in the wholesale and retail, which corresponded to the efforts exerted by them in instituting sales promotions and intensive propaganda. Regular arrivals of domestic vessels from southern and eastern Brazilian ports, bringing merchandises to replenish the stocks, made it possible to achieve a better degree of sales.

As a result of the action being taken by federal and state authorities against the contraband activities in this area, illegal merchandise, which formerly was in abundance on the local market, has now totally disappeared. A large number of automobiles, electrical household appliances, nylon articles, and Scotch whisky, as well as Diesel marine engines all of which illegally entered the country have been apprehended by the Customs agents and will be sold at auction.

The inadequate supply of coffee beans to this part of the country, seems now to have become satisfactorily augmented. With severe vigilance by authorities of the local Customs, the Instituto Brasileiro do Cafe (Coffee Brazilian Institute) and the Armed Forces, contraband of coffee to the Guianas (French, Dutch and British) has been halted. The Instituto Brasileiro do Cafe has established a distributing post in Belem which controls not only all deliveries to roasters and importers but also, the respective consumption. The local I.B.C. post maintains a permanent stock of about 10,000 bags of coffee. It is hoped that no future shortage of this commodity will occur in the Amazon Valley. Ground coffee is now being sold at 56 cruzeiros a kilogram retail.

It was officially announced that in the period of June 1 to 3, there will be held in Belem the 1° Encontro Regional de Abastecimento da Região Amazonica (First Regional Meeting for Supplying of the Amazon Valley), promoted by the presidency of the Comissao Federal de Abastecimento e Preços - COFAP (Supply and Price Federal Commission) in connection with state and municipal governments in the Amazon Valley. The purpose of this meeting is to discuss and ascertain objective measures to give the Amazon Valley an adequate and highly standardized supply in all fields.

Interstate outgoing and incoming shipments through the ports of Belem and Manaus were active in May, 1961.

FINANCE

Up to May, 1961, the financial situation in the Amazon Valley did not show any improvement. It is certain that federal government is taking measures, so, it is hoped that official financial sources like Banco do Brasil, Banco de Credito da Amazonia, Caixa Economica Federal and SPVEA, will be able to give substantial financial support to industry and commerce, with special consideration to the small producer.

SPVEA has recommenced/

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Page 3 of
Encl. No. 37
Desp. No. 37
From Belém, Para, Brazil

SPVEA has recommenced deliveries of allocation for private and official organizations in the Amazon area. In May the sum 100 million cruzeiros was distributed for the States of Para and Amazonas and Federal Territory of Amapa.

The banking chain in this State will soon be enlarged with the establishment of the Para State Rural Bank. This bank, will, of course, be of great help to local rural industry. The Federal government has already given instruction to SUMOC to authorize the function of this bank and the Presidential decree has been published in the "Diario Oficial da Uniao". The initial capital of this bank will be 50 million cruzeiros of which two thirds will come from Federal and State treasuries and one third from individual shares to be sold to the public.

The bank dollar and selling rate in the free exchange, during May, 1961, was as follows: May 1st Cr\$275.50 for purchase, Cr\$282.50 for sale; May 31st Cr\$258 for purchase, Cr\$265 for sale, to US\$1. The fluctuation was: Lowest Cr\$250 for purchase, Cr\$257 for sale; highest Cr\$275.50 for purchase and Cr\$282.50 for sale, to one US dollar. There was a substantial demand of US dollars during that month. Foreign and domestic bank collections were reported normal.

SPVEA has allocated the sum of ten million cruzeiros to the organization of the Rural Credit Section of the bank of the State of Amazonas, with headquarters in Manaus. Releasing of another 10 millions for the same purpose will be discussed at the meeting of the Amazon Valley governors with President of Republic to be held in Manaus next August.

IMPORTS AND EXPORTS

During May, 1961, imports were negligible while exports of Amazonian products through the ports of Belém and Manaus were active.

ELECTRIC POWER

In May the Força e Luz do Pará S. A., the electric power concessionary in Belém, received its fourth turbine of 7,500 KVA, bought from Westinghouse Company in United States. The equipment is being mounted and it is expected that by next July the total power capacity of the Belém plant will be increased to 30,000 KVA.

As was foreseen, the total electric power requirement of Belém at present is far above 30,000 KVA. The State government is taking steps about the possibility of increasing the output of Belém power plant by the purchase of additional turbines. At the same time, the matter of the industrial use of the hydro-electric potential of the Gurupi river at the borders of the States of Para and Maranhão, will be discussed at the meeting of Amazon Valley governors in Manaus next August. A survey of the hydro-electric potential of the Gurupi river is now being processed.

c.c.: Embassy, Rio de Janeiro, Brazil.

Henry E. Thomas
Henry E. Thomas
American Consul

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ATTN: ROUGH

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JUN 23 1961

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 57

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 20, 1961

REF : CERP- C 2.

EUR-5 R/CEA-1

55 For Dept. Use Only	ACTION REC'D	DEPT. IN OTHER	I N O	DEPT.
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SUBJECT: Economic Summary for May, 1961.

AG-R-10 INT-7 *4AB-6 OSB-5 Army-6
NAVY-4 NSA-4 NOC-4
USIA-10

INDEX

1. Summary
2. Industry and Investment
3. Agricultural Development and Policy
4. Petroleum
5. Transportation
6. Finance
7. East-West Trade.

1. Summary:

Money is extremely tight at present with most banks restricting their loaning operations in anticipation of heavy withdrawals for tax payments due in June. Another contributing factor to this general tightness is the large quantity of Bank of Brazil export and import notes which have been put into circulation. Banks dealing in exchange have been obliged to absorb a substantial amount of these notes. Also, many private investors have drawn on deposit balances to invest in the notes at the attractive rate prevailing. In spite of the money they have received recently, Petrobras continues to delay in making payments, particularly to construction firms. This is reflected throughout the local economy. Export offerings remain fairly strong in a fluctuating free exchange market. Estimates for both the tobacco and castorseed crops have recently been revised downward. A substantial amount of the mid-crop cocoa has already been sold abroad. Despite a widely oscillating free exchange market, export exchange offerings have remained relatively plentiful. Figures recently compiled demonstrate the steady reduction over the past six years of the percentage of state exports, by value, going to the United States: 1955 - 39%; 1956 - 35%; 1957 - 31.8%; 1958 - 28.1%; 1959 - 31% and 1960 - 27%. The general explanation given for this is the increased competition and penetration into the market by European buyers, including the Iron Curtain countries. The

Paul H. McCarthy

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832.00/6-2061 FILED

0848

Page 2 of
Desp. No. 57
From Salvador, Bahia, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
End. No. _____
Desp. No. _____
From _____

unfavorable rate of the dollar exchange for exports no doubt also has a strong influence over this situation.

The State government has recently achieved a certain measure of success in its program to increase the supply, and lower the price, of locally raised food products coming into the city. A large State-controlled slaughterhouse initiated operations in the nearby city of Feira de Santana last April (see Economic Summary for April 1961 and Consulate's Despatch No. 49 of May 16, 1961) and is now supplying the city with daily shipments of freshly slaughtered beef. Agricultural colonies established on the periphery of city with Japanese immigrants are also beginning to supply the city with vegetables, eggs and chickens, also sold under State supervision.

2. Industry and Investments:

(a) The Itabuna Textil S.A. (ITATEX) is installing a jute bag factory at Itabuna, one of the main cocoa producing zones of the State. This plant will have an initial capital of 200 million cruzeiros and will occupy an area of 15,000 square meters. The annual capacity will be four million bags. The raw material to be used will come from the States of Pará and Amazonas and all equipment will be of Brazilian manufacture.

(b) It has been reported by Douglas Kennedy, American Manager of Companhia Cimento Aratu, a local cement factory, (51% owned by the Lone Star Cement Co.) that next September their monthly production will be increased to 310,000 bags - 50% higher than at present. The increase will be the result of installation of a second kiln (see Monthly Economic Summary for May 1960). It is expected that the increased cement production will enable Cimento Aratu to supply not only all the present needs of this area, but also the States of Sergipe and Alagoas. Cement is currently being shipped down from the State of Pernambuco to fill construction needs.

(c) Fernan S. A. Industria e Comercio, Salvador has announced the sale, for public subscription, of shares of the Aratu Estaleiros Navais da Bahia. This company will build tug boats, launches and small cargo vessels and will have an initial capital of 150 million cruzeiros. (See Economic Summary for July, 1959).

(d) The Directors of the Companhia Artefatos de Borracha Macambo, a rubber goods factory located at Ilheus, in the heart of the cocoa zone, has stated that as soon as the Funil hydro-electric project in the southern part of the State of Bahia inaugurates its service (see Economic Summary of February, 1961), which is expected to take place in the near future, new equipment will be purchased from the United States which will enable them to increase their monthly production of surgical gloves to half a million pairs. The Director of the company further stated that the factory produces at the present time 100,000 pairs of surgical and domestic gloves per month, in addition to other rubber goods. He added that the whole production is sold in the national market, but with the new equipment, the cost of the goods will be reduced and will enable

UNCLASSIFIED

0849

Page 2 of
Desp. No. 57
From Salvador, Bahia, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

them to export to European and American markets. The Artefatos de Borracha Micambo has been in operation for some years. They own a farm next to their plant where they cultivate 100,000 trees of rubber which are producing latex.

3. Agricultural Development and Policy:

(a) Cocoa. The mid crop is starting to dribble into port with present estimates of its size running between 900,000 and 1,100,000 bags at 60 kilograms each, down from last year's unofficial figure of 1,500,000 bags. The Bank of Brazil announced on May 18th that a total of 585,000 bags have already been sold (as far forward as September) from this year's mid crop. Of that figure, the equivalent of 122,000 bags were represented by the sale of cocoa products. Prices in the interior have dropped from the high of Cr\$1.100,00 per arroba of 15 kilograms to Cr\$950,00 - Cr\$1.000,00 at present. Prices in the interior nevertheless continue well above the official minimum price established by the Federal Government of Cr\$820,00 per arroba.

The Polish Government has sent Mr. Leon Dombrowsky, a Polish industrial chemist to Bahia to examine the quality of cocoa beans being shipped to Poland. Recent shipments were reportedly of bad quality and the Polish government has been critical, stating that the poor quality bean had been selected for exportation to their country. Earlier press reports indicated that the cocoa exporters were not happy about the presence of Mr. Dombrowsky in Bahia, but no further criticism has been observed.

(b) Castorseed and Castor Oil. It has now become apparent that main crop plantings have been reduced because of insufficient rainfall during the month of April, which leads to a reduced estimate of 60,000 to 70,000 tons for this year's crop. This figure presupposes sufficient rainfall during May and June. If this does not take place, the crop will be substantially lower. Local bean prices have moved up one cruzeiro in the past month to Cr\$22,00 per kilo at the factory in Salvador. During the same period castor oil prices on the world market have similarly move upward, by one cent to 15 cents per pound C & C New York. Some local oil producers are concerned that this price is too high and if the increase continues, it may drive many castor oil consumers into the use of substitute products.

(c) Tobacco Leaf. Exporters now feel that this year's crop may be somewhat smaller than the 360,000-370,000 bales, at 75 kilograms each, as estimated earlier. The first plantings were largely wiped out by excessive rains, and the second plantings have suffered from too much sun. Over half of the best quality Mata Fina tobacco have already been sold at a price increase of about Cr\$100,00 per arroba registered in that zone during the past week. In the other zones prices remain steady and the crop is about 80% in the hands of the exporters.

(d) Irrigation Experimental Station. The Secretariat of Agriculture, through the Department of Vegetable Production, is going to install a water irrigation system at the fruit-growing experimental station located at Alagoinhas

UNCLASSIFIED

0850

Page 4 of
Desp. No. 57
From Salvador, Bahia, Brazil.

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

(about 150 kilometers northwest of Salvador). The system will apparently produce rain artificially for irrigating the seed fields and orange trees cultivated there. The equipment is said to be of French origin and was purchased in São Paulo at a cost of more than four million cruzeiros. It has a capacity to irrigate 324 hectares.

(e) A meeting was held recently at the office of the Secretary of Agriculture, which was attended by Mr. Savin, a French technician, who came to Bahia to study possibilities of cultivating the dende palm tree in this area. It was decided to install an experimental station at Taperoá to determine whether it would be practical to consider large scale planting. It was further suggested that four Brazilian agronomists visit the Ivory Coast for a period of practical training concerning the growing of the dende palm. If the land in Bahia appears suitable, the State Government plans to import dende seeds from Africa.

(f) The State government has signed an agreement with the Federal government, to build a "Mercado Livre do Produtor" (Free Market), to be located at Retiro on the outskirts of Salvador. The Federal Government will grant the sum of 30 million cruzeiros and the Bahia State Government will furnish an equal amount for said purpose. (See Economic Summary for March, 1961).

4. Petroleum:

(a) The Federal Government has just announced that the increase to 8% in royalties to be paid to the State of Bahia on oil extraction will become effective on July 1, 1961.

(b) Petrobras announced that a new oil field, "Gomo" has been discovered in Bahia approximately 14 kilometers southwest Catu. The petroleum lies at a depth of 741 meters.

(c) A federal Parliamentary Investigation Commission arrived in Salvador recently to investigate "squanderings" of Petrobras and the misuse of royalties paid to various "municipios" of the State. Mr. Roque Ferrone, Superintendent of the Mataripe refinery has been dismissed temporarily from his position pending completion of the investigation. The Commission has appointed Deputado Teodilo Iins de Albuquerque to outline the laws and regulations which govern the use of royalties paid by Petrobras to the "municipios" which produce oil.

(d) Price of bottled gas, which had been raised recently to 398 cruzeiros, has been reduced again to the original price of 332 cruzeiros per bottle of 10 kilograms. The same thing occurred with kerosene which has been reduced from 15,84 cruzeiros to 13,34 cruzeiros per liter. Reductions were in accordance with a ruling issued by the National Petroleum Council effective June 1, 1961. The increase was originally made in accordance with SUMOC 204.

(e) A gas eruption in oil well AG-169, located at Água Grande, Catu, which began on May 26th, was extinguished on May 31. The damage was negligible.

UNCLASSIFIED

0851

Page 5 of
Dep. No. 57
From Salvador, Bahia, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Dep. No. _____
From _____

(f) Petrobras engineer Gilberto Franco will depart shortly for the United States where he will observe the construction of equipment which will be used to manufacture natural gasoline at Catu, Bahia. The equipment will be assembled by the Hudson Engineering Corporation of Houston, Texas. (See Economic Summary of April, 1961).

5. Transportation and Communication:

(a) The Mayor of Salvador, Heitor Dias, has just returned from Brasilia where he contacted President Janio Quadros. He visited Brasilia to request financial help for the Serviço Municipal de Transportes Coletivo -SMTG- a public utility enterprise owned by the Municipal Government. SMTG operates the buses, elevator service and trolley buses. The Mayor reported to the local press that with the advent of SUMOC Instruction 204, the debt of the SMTG in connection with the purchase of the trolley buses, which had been amortized at 45 million cruzeiros, has increased to 215 million cruzeiros. The Mayor further reported that President Quadros is trying to find a solution to this problem which may result in expropriation by the Banco do Brasil.

(b) Effective June 1 the Federal Government owned railway, Viação Ferrea Federal Leste Brasileiro increased its tariffs by 20% for freight.

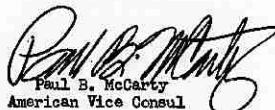
6. Finance:

According to the State Internal Revenue Department C \$763,101,919 cruzeiros were collected during the first five months of 1961 which constitutes an increase of C \$154,557,997 over the same period in 1960.

7. East-West Trade:

Exports to Soviet Bloc countries during the month of May 1961 were as follows: Poland, 1,215 metric tons of cocoa beans and 809 tons of sisal fiber; Yugoslavia, 100 tons of sisal fiber; Latvia, 1,260 tons of castor oil.

FOR THE CONSUL:


Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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FOREIGN SERVICE DESPATCH

FROM : Embassy RIO DE JANEIRO

1153
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 20, 1961

REF : GERP C-1

S/S-CA-1 SCS-1 4-2 FF-4 B/BEA-1
JUN 21 1961

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period May 20-June 2, 1961) CIA-16
*COM-12 TAR-2 *TR-3 FAB-3 XMB-4 OAR-7
*AG-10 INT-7 *AB-6 FCC-1 OODM-2

INDEX

1. Coffee Exports
2. SUMOC Instruction 206
3. New Fiscal Dollar Rate
4. Foodstuff Prices Show Downward Trend
5. Bank of the State of Guanabara Introduces "Green Checks" to Facilitate Shopping
6. Brazil's Trade with Communist China Expected to Reach \$50 Million
7. Soviet-Brazilian Trade and Payments Agreement Signed
8. LAFTA (Latin America Free Trade Association) Becomes Operative
9. Creation of National Telecommunications Council
10. Quadros Rejects Strike Threat

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1. Coffee Exports

Coffee exports during the month of May 1961 were 1,139,314 bags, compared to 1,531,141 bags exported during the month of May 1960.

Total coffee exports for the current marketing year (July 1 through May 30, 1961) were 15,098,397 bags, compared to 16,613,917 bags exported during the same period of the last coffee marketing year. (UNCLASSIFIED)

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Page 2 of
Encl. No.
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From RIO DE JANEIRO

2. SUMOC Instruction 206

The Superintendency of Money and Credit decided on May 22, 1961, to reduce to Cr\$80.00 per U. S. dollar, or its equivalent in other currencies, the amount to be paid to exporters in Bank of Brazil export letters. This amount will, as of July 1, 1961, be reduced monthly by Cr\$20.00 per U. S. dollar. The instruction also raises the limitation on the amount of dollars importers may purchase from \$40,000 to \$50,000 per firm.

Comment: Instruction 206 releases exports from a reportedly burdensome contribution affecting adversely the export drive in which the government is engaged. The abolition of the export bills, which will take place in a five-month period, may help to promote exports and may bring about some relief to current credit shortage. The increase in limitation on dollar sales was apparently decided upon to relieve an administrative burden which arose out of the vast number of applications from firms to exceed the old limit as permitted in special cases under Instruction 204.

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3. New Fiscal Dollar Rate

The Minister of Finance established the customs tariff provisions rate to be effective during June 1961 at Cr\$261.80.

(UNCLASSIFIED)

Comment: After having been maintained at Cr\$174 for fifteen months, the fiscal dollar rate has been increased steadily under the Quadros Administration, reflecting the previous month's free market rate as provided by law. The average rate since March, and including the new rate effected for June, is Cr\$243 per dollar; roughly forty percent higher than the rate prevailing during all of 1960. Assuming no substantial change in the level of imports, an average increase in the fiscal dollar of this amount would mean an increase of Cr\$8 billion in import duties on an annual basis.

(OFFICIAL USE ONLY)

4. Foodstuff Prices Show Downward Trend

The chairman of the Commodity Stock Market in Rio de Janeiro, in a statement to the press, declared that the prices of food products were not rising and that on the contrary there was a trend downward with respect to certain staples. According to a press report, in the period covering April 25 through May 25 there was a substantial drop in the prices of several staple foodstuffs in the State of Guanabara and in other States. Rice dropped from Cr\$2,250 to Cr\$1,950 a sixty-kilo sack; lard went down from Cr\$8,400 to Cr\$7,800 for a carton of 60 one-kilo packages; beans fell from Cr\$1,500 to Cr\$1,350 a sixty-kilo sack; and onions fell from Cr\$22 to Cr\$21 a kilo. The current price of meat of Cr\$105 a kilo in the period compares with Cr\$129 prevailing in the corresponding period of 1960. The prices quoted are reportedly official figures and were collected at the Commodity Stock Market in Rio.

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Page 3 of
Encl. No.
Desp. No. 1153
From RIO DE JANEIRO

Comment: These are still meager though hopeful signs that the administration's credit restriction policies may be taking effect. In the meantime, preliminary figures for May indicate a continuing rise in overall price levels though at a much slower rate (1.7% for May as compared with 4.4% for April).
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5. Bank of the State of Guanabara Introduces "Green Checks" to Facilitate Shopping

The Bank of the State of Guanabara (in which the State of Guanabara is majority share holder) has introduced a new system whereby it will sell checks, green in color, the convertibility of which is guaranteed when presented for payment in certain Rio stores. The checks are not unlike travelers checks and are available in amounts up to Cr\$10,000.
(UNCLASSIFIED)

Comment: The innovation, designed to facilitate shopping now done mostly in cash, has stirred substantial interest in Rio's financial circles and is an experiment being closely watched. The use of checks, except for very large transactions, has not yet become popular in Brazil, largely because of the red tape involved in converting them to cash.
(UNCLASSIFIED)

6. Brazil's Trade with Communist China Expected to Reach \$50 Million

At the last meeting of the Communist China Commercial Mission (see BWER Embassy Despatch 1060 of May 25, 1961) and Brazilian officials, it was announced that the total value of commercial transactions between the two countries is expected to increase to \$50 million.

An understanding was reached under which China will purchase Brazilian rice, cotton, leather, wool, lumber, tobacco, sisal, jute, cacao, coffee (in small quantities), some types of plastics, frozen meat, pepper and sugar (the latter to depend on China's purchases from Cuba).

Communist China will sell Brazil newsprint, coke, lead, zinc, caustic soda, dyes, asbestos, sulphur, ingot steel and angle iron, machines and tools, printing presses, motors and pharmaceutical products.

The instrument of exchange is to be an agreement between the Bank of China and the Bank of Brazil, following the pattern of those already existing between Brazil and Rumania and Hungary.
(UNCLASSIFIED)

Comment: The extreme optimism and lack of reality of the projected level of trade become apparent in a comparison with the \$714,921 figure, which represents the total value of Brazil's trade with Communist China for 1960. It is expected that the preliminary discussions, reported above, will be followed up when a Brazilian trade mission visits Peiping in the near future.
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Page 4 of
Encl. No.
Desp. No. 1155
From RIO DE JANEIRO

7. Soviet-Brazilian Trade and Payments Agreement Signed

The Brazilian Foreign Office on May 29 released the text of the protocols signed in Moscow on May 27 by Paulo Lefo de Moura, head of the Brazilian Executive Commission for the Exchange of Products of Brazil and the Soviet Union (CEBRUS) and S. F. Chenchikovskiy, chief of the Soviet trade delegation. (See EMBR Embassy Despatch 975 of May 3, 1961.) The double protocol, signed after a month of negotiation, is considered by Moura to be "a satisfactory solution, which forecasts a notable increase in the commercial exchange between Brazil and the Soviet Union."

One protocol, to enter into force ten days after ratification by the respective governments, provides for an increase in the limit of "technical" (swing) credits to \$8 million (double the \$4 million credit which had been fixed for a year and a half under the 1959 Agreement). The second protocol, effective immediately, provides for the establishment in Moscow and in Rio de Janeiro, of permanent commercial missions, to be limited to ten persons; these missions will be separate from the Executive Commissions created by the Brazil-USSR Trade Agreement of 1959, for the purpose of implementing that Agreement. The second protocol also provides for the organization of a Soviet industrial exhibition in Rio during the first half of 1962.

In addition to the above, agreements were signed providing for an increase in Brazil-USSR trade from \$30 million to \$90 million. Brazil will buy from the USSR 200,000 tons of wheat and 610,000 tons of diesel and crude oil, and will sell 30,000 tons of coffee and as yet undetermined quantities of cotton, cacao, and citrus fruits, especially oranges.

Another joint meeting of the Brazilian and Soviet Executive Commissions will be held in Rio in January 1962, to discuss questions of future trade.

(UNCLASSIFIED)

Comment: Press comments observe that although the clause providing for the establishment of permanent commercial missions is not equivalent to the reestablishment of diplomatic relations between the two countries, it does represent a "big step on the road to normalization of Soviet-Brazilian relations."

(UNCLASSIFIED)

8. LAFTA (Latin America Free Trade Association) Becomes Operative

On June 1, the Latin America Free Trade Association formally came into existence. In accordance with its charter, member countries will meet 60 days later to institute a conference which will prepare for country-to-country and collective negotiations. Actual operations will probably begin late this year.

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Page 5 of
Encl. No. 1155
Desp. No. 1155
From RIO DE JANEIRO

9. Creation of National Telecommunications Council

President Quadros on May 30 signed a decree creating the National Telecommunications Council, subordinated directly to the President. According to the decree, the Council will: (a) study and define the requirements for natural telecommunications and international connections and advise the President in determining telecommunications policy; (b) review, coordinate and propose legislation on telecommunications and on planning, executive and control bodies in the field of telecommunications, with the requirement that within three months of its organization the Council will present a draft telecommunications code and within six months a draft of a complementary law on radio broadcasting; (c) lay out the main trunk lines of the national telecommunications system, describing their principal components and the general guide lines for their operation; and (d) coordinate and foster the Brazilian telecommunications industry and technical and professional training. The decree stipulated that no member or employee of the Council's two components (a deliberative body and an executive body) could be associated in any way with any commercial telecommunications enterprise. According to the decree, the Council will, within 45 days of its organization, submit to the President a draft decree establishing norms for the handling of telecommunications matters now within the responsibility of the Ministry of Transport and Communications, the Technical Radio Commission and the Posts and Telegraphs Department. (UNCLASSIFIED)

Comment: The creation of the Council was the result of the findings of a working group set up in early March. From preliminary accounts of the report of the group, it appears that the present structure of the Council is considered more or less temporary, pending the passage by Congress of the telecommunications code, which presumably will give full legal sanction to the Council. Even as a transitional body, however, the Council should provide useful coordination of the diverse elements of the Brazilian Government which are involved in telecommunications matters. (UNCLASSIFIED)

10. Quadros Rejects Strike Threat

Following announcement by the President of the Merchant Marine Officers Union that a strike would be called if wage claims of maritime workers were not met by May 31, President Quadros ordered the Minister of Labor to suspend immediately any further consideration of the claims on the grounds that the government would not discuss such problems under threats. However, Larcisio Couto, newly elected President of the National Federation of Maritime Workers, of which the Merchant Marine Officers Union is an affiliate, was able to ease the tension, and the negotiations continue. (UNCLASSIFIED)

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Page 6 of
Encl. No. 1153
Desp. No. 1153
From RIO DE JANEIRO

Comment: Maritime workers, most of whom are employees of the federal government, have not yet started to receive the higher pay to which they are presumably entitled under last December's "parity law." The minority of Communist unions within the Maritime Federation appear determined to harass Larcio Couto in his negotiations to obtain implementation of the parity law; the press has reported various statements by officers of those unions to the effect that Couto is acting without their authorization or approval, that his conciliatory proposals are unacceptable to them, etc.

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For the Chargé d'Affaires a.i.:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributions:

Item 1 - L'Yellous
Items 2, 3, 4 - JKRisey/WBlomeyer
Item 5 - JKRisey
Items 6, 7, 8 - BGoldstein

Item 9 - JHGrumins

Item 10 - ~~XXXXXXXXXXXXXXXXXXXX~~
Item 11 - BPHann

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FOREIGN SERVICE DESPATCH					
FROM :	AmEmbassy RIO DE JANEIRO		1163	832.00/6226	
TO :	THE DEPARTMENT OF STATE, WASHINGTON		DATE	June 22, 1961	
REF :	TOICA 781 TOICA 782		E-7 REP	JUN 24 1961	
ACTION		DEPT.	P-3 1CA-10 AM/10-2 12A-7		
REC'D		OTHER	7-1 Cw-10 USIA-10 Com-10 Op-10 147-7		
SUBJECT: Transmittal of Memorandum on the Northeast of Brazil by Professor Douglass C. North					
The attached report by Professor Douglass C. North, Point IV-financed lecturer on economics, will be of direct and immediate interest to the group appointed to work with the SUDENE team in meetings the week of July 10. Previous cables advise that Professor North was requested to stop off in Washington, D. C. to discuss his views on the Northeast with the group mentioned above. Attached report is based on Professor North's intensive discussions with Mission personnel and a two-day visit with officials and staff economists of the Banco do Nordeste at Fortaleza and SUDENE at Recife. Dr. Furtado participated actively in the latter meetings and Professor North had additional personal conversations with him. For the Chargé d'Affaires, a.i. <i>Leonard J. Saccio</i> LEONARD J. SACCIO Minister-Director Attachment: Memo of Prof. North (5) <i>only!</i> BUVACH AMATY 212 2 012 1001100 JUL 11 1961 DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS FILED LWS LJSaccio:ha, Min-Dir REPORTER ACTION COPY - DEPARTMENT OF STATE The action office must return this permanent record copy to DC/R file with an endorsement of action taken.					

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MEMORANDUM ON THE NORTHEAST OF BRAZIL - by

Douglas C. North

The purpose of this memorandum is to: 1) Set out the essential nature of the problems of the economy of the Northeast; 2) Describe the factors which must be taken into consideration in developing the regional economy; 3) Evaluate the program of SUDENE; 4) Set out the broad outlines of a solution to the region's problems; 5) Make some personal suggestions with respect to American policy as directed towards the economy of the Northeast.

1. The Problems of the Economy of the Northeast.

The poverty, low income, and large scale unemployment and underemployment in the region reflect a condition of overpopulation in the area relative to the land, resources, and capital. The problem is increasing since the rate of growth of population (in excess of 2.5% per year) is greater than new employment opportunities. Moreover there are no obvious ways by which the labor, land, and capital could be recombined in different types of economic activity which would resolve this problem of relative over-population. The problem is complicated by a number of additional factors, specifically: a. the land tenure system (particularly in the humid area where sugar cane is grown); b. the subsidy of the region's sugar which has helped foster an inefficient system; c. inefficient agricultural practices in the drought area; d. A vast array of government pricing and investment policies which have reflected ineptitude, corruption, and a lack of understanding of the most rudimentary determinants of economic efficiency. However, it should be emphasized that these are only complicating factors. The basic issue is still that of relative over-population. Unlike most underdeveloped regions with population pressure, this region is part of a country in which land is the most abundant productive factor and in which there is every likelihood that a lot of this unused land could be productive.

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2. Essential Characteristics of the Region

The following factors must be taken into account in any program of development.

A. The sugar producing area of the Humid Zone -

Despite the fact that the sugar is subsidized there is no feasible alternative to sugar production in this area. Our agricultural experts say that a large scale shift into food production and row crops would be a disaster since the soil is too thin. This area must continue to basically depend upon sugar. An almost zero cost of labor has fostered labor intensification and inefficient methods. While land reform may make some difference, the only way to effect a big change in practices is to drain off the surplus labor. This would force wholesale changes in production methods.

B. The Drought Area -

This area is in cattle and cotton and should remain so. These are complimentary products for the area. Actually this is good cattle country. What is needed is to foster a program for feed production in the area. Hay and silage production would carry the cattle over the dry period and drought intervals. The DMOG's reservoir system which is a scandal has done nothing to foster local irrigation for growing feed. Again, over-population in the area and desperately poor people growing subsistence crops (which fail in drought years) require that these people migrate elsewhere. The result would also force an improvement of agricultural practices once an over abundant supply of cheap labor was no longer available.

C. Irrigable Lands.

The supply of irrigable land is limited and cannot be a major solution to the region's problems. There are some lands in the San Francisco Valley (although the quality of the soil in part of this area is in question) and possibly quite a bit of land in the Parnaiba basin (about which very little is known). These

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possibilities should be explored but their potential is almost insignificant in the context of the magnitude of the overall problem. Irrigation within the drought area is limited by terrain and the character of the soil.

D. Transport -

Internal transport is poor and does not serve the region's interior needs. A system of gravel roads connecting the major cities, and the major cities with the interior is a first requirement to both get interior goods to markets efficiently and to enlarge the distribution area of the major urban centers.

The cost of transport connecting the region with the rest of Brazil and the world is enormously high and undependable. Coastal shipping could clearly meet the major needs in this regard if it was efficient. It is a major mess.

E. Power -

This has been a major difficulty of the region. With neither coal or petroleum resources (except near Bahia), thermal power has been expensive and hydroelectric power has not been available. With the developments on the São Francisco River, there is now available low cost power. While the government sells it at the dam site at approximately 2 mills per KWH and with transmission charge at Recife at 2 mills per KWH this is clearly heavily subsidized (particularly at Recife since transmission charges are high). Nevertheless it is efficient power and there is potential for substantial expansion in capacity. Plans exist to transmit this power throughout the region. Transmission charges in this case will be very high with the small loads that will be used and heavy subsidization will be involved.

F. Manufacturing -

The region has prospects for some manufacturing expansion particularly with the advent of cheap power, with the lower wage rates that exist (as compared to the rest of Brazil) and the protection afforded by the inefficient and unreliable interregional

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transportation. However, both labor and management are more poorly trained and therefore less productive here than in Southern Brazil. While there will be some expansion in industries exporting out of the region such as processing industries and textiles, there will probably be more industrial expansion in manufactures catering to the regional market. With declining interregional transport costs there is going to be a shift in the composition of the region's industry since some of its industry only survives because of this protection while other industries will benefit from the larger markets.

While manufacturing expansion will take place, it will not develop as rapidly as southern Brazil (unless vast subsidies are involved). This is not an industrial area. Neither its resources, nor the quality of its labor force nor the size of its market are conducive to it becoming an industrial center. The expanded employment opportunities will make only a very minor dent in the surplus labor of the region.

G. Minerals -

The mineral prospects of the region are little known but they do appear to have some promise. There are known deposits of a number of minerals which would be exploited if transportation was available. With long range geological surveying and orienting additions to the transport system to exploit these minerals, mining will be a growing part of the regional economy, but it is a long range development and peripheral to the major problem.

H. Emigration -

This is clearly and unequivocally the central requirement. Without it every other development will be swallowed up and disappear with a population doubling in 27 years.

The most likely areas for immediate migration are to Western Maranhão. The major immediate need is to know more about the lands of Central Brazil.

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3. An Evaluation of the SUDENE Program.

The following evaluation is made of the proposals of SUDENE for the region as proposed in their guiding plan - and as substantially modified by Celso Furtado in his conversation with me of June 20th. The differences are quite striking.

A. The Humid region - Sugar.

Furtado has given up his wholesale scheme to shift from sugar into food crops. He now proposes a much more modest plan to trade irrigation water for land with the big planters. The released land would then be used for small (5.5 acre) homesteads for food farming. Our agricultural experts doubt the feasibility of all this. It is certainly not going to change very much. He (Furtado) says that the next Congress will enact a land reform law for him.

B. The Drought Area -

Furtado agrees this should stay in big holdings and remain in cattle and cotton. He also agrees that subsistive farming is a bad use of the land. He is more optimistic about irrigation prospects than our experts. He also would use BRAC's reservoirs for irrigation. In short, his avowed program for this area is very little different than our agricultural experts would suggest.

C. Irrigable lands -

Furtado feels this is more promising than our experts - but he has reduced his expectations significantly since the Guiding Plan. He admits the dubious soil possibilities of the Sao Francisco and says not enough is known about the Parnaiba to judge.

D. Transport -

Furtado's emphasis in his discussion was more favorable towards developing a network of internal transport of gravel roads than was his report. He also feels that the paved road to Rio will have very significant effects on the region. He refused to be interested in Coastal shipping despite the fact that I pointed out that the ratio of efficiency of shipping to trucks in the long haul

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of bulk goods is in the neighborhood of 5 to 1.

E. Power -

Furtado is very optimistic about the effects of power - and I agree.

F. Manufacturing -

There is a substantial difference between Furtado's discussion with me and the Report in this respect. He does not maintain that it is a major solution of the region's problems. He sees promise in textiles and processing but they are modest gains. SUDENE has not done enough studying of residuary industry and comparative costs with imports which I find peculiar. Here is clearly an area in which there is potential for manufacturing expansion. The explanation may be that they don't have the talents or know enough about regional analysis. He did say they were swamped on this subject, but his vagueness indicated he did not know how to tackle the problem himself.

G. Minerals -

Furtado has little in the way of plans for the subject. Clearly there ought to be some large scale geological surveying undertaken because they would surely pay off in substantial expansion in regional mining - but he appears little interested.

H. Emigration -

This now occupies the central role in Furtado's plan. This is a complete shift of emphasis from the earlier plan. He envisions 25,000 families at a time moving to Western Maranhão at a cost of between \$750 and \$1,000 per family. He has some rather large schemes for sale of land holding and planned settlement there. Possibly enough he has no plan for the absolute magnitude of emigration necessary to really effect a transformation of the region. He simply says that after 4 or 5 initial groups the whole process will take care of itself. This may be true but I doubt it. Half hearted immigration is not enough. It has to be a massive effort or the population pressure will quickly take you back to your original position.

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4. A Program for the Region.

The broad outlines of a program for the region should be evident from the foregoing material. The essential requirement is to underwrite a vast internal migration of people from the NE to Central Brazil and every effort should be directed towards implementing this project. It is a huge project fraught with unknowns - but the main emphasis of research should immediately be aimed at reducing these unknowns. Time is important here since every year adds another some 600,000 people to the region's population. ~~There is no~~ alternative policy which will solve the region's problems or prevent further disintegration in the social fabric of the Northeast.

With a substantial reduction in population many other regional problems would solve themselves such as inefficient agricultural practices stemming from dependence on an unlimited supply of almost free labor. Rising wages would come about as a result of a shift to the left in the supply curve of labor and resultant rising per capita incomes.

I do not feel I know enough about the land tenure system in sugar to suggest an answer or to evaluate my land reform proposal. I do feel that a draining off of the surplus labor would have important structural consequences which might well solve many of the problems.

The other specific policies with respect to individual aspects of the economy have already been covered in Sections 2 and 3 of this memorandum.

5. American Policy

If the United States Government decides to assist in the development of this region, it should only do so with a clear awareness of 2 points, a) The composition and attitude of SUDENE, and b) the implications of involvement in the overall regional development.

A. SUDENE is composed of an enthusiastic group of younger people who have unbound faith in the growth of Brazil. This spirit is an important asset. Most of them are leftist; they have little confidence

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in a price system, they do not know enough about economic efficiency to plan correctly. In short the results are going to be fumbling and blundering although I have no doubt that their enthusiasm will ultimately prevail.

A number of them are most probably communist and may well want to shape GUDRKE's planning to their own purposes. Most important of all is Furtado's position. His radical shift in opinion, his very careful reasonableness in his discussion with me may be a real reflection of his attitude. If so GUDRKE has a promising future. I could find no major fault with the position he took.

His change of attitude may equally reflect the growing prospect of substantial American assistance if he only advances, on the surface, schemes that he feels will please us. If this is so then once we have committed him the money he may then go back to his old policies. Clearly any money commitment should be very carefully supervised.

B. The implications of involvement in the region's overall growth. It would be a serious error for the United States to become identified with developing the region without seeing that it was accomplished successfully. The United States should only become involved when it has a clear commitment about the pattern of regional development. This commitment must include a plan for migration of sufficient magnitude to solve the region's relative over-population. Anything less would result not just in our wasting money, but in an adverse reaction as contributing to a failure. I have no doubt that the risks and difficulties of successfully accomplishing such a mass migration are substantial. I also have no doubt that unless Brazil undertakes such a migration, the region will be a growing problem. Whatever the magnitude of U.S. financial aid, the most important contribution we could make to the Brazilian economy would be to insist that the aid was contingent upon a plan which will solve the region's problems which the Brazilian Government would guarantee to carry out.

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TO :	THE DEPARTMENT OF STATE, WASHINGTON.				
REF :	CERP C-1				
ACTION		DEPT.			
For Dept.	ARRA-4	1	ARRA-2 AM/RA-2 1 NR10 1CA-11 0/FAC-1		
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7-7		CON-12 1/3CA-1 050 2 Army-35 MAY 20			
SUBJECT: WEEKLY ECONOMIC REVIEW (Period June 3-16, 1961) CEA-16 NSA-4					
THRE-2 TR-3 FR-3 + MA-4					
INDEX DLF-7 Apr 10 Lot-8					

1. Coffee Exports
2. Government Begins Destruction of Coffee Stocks
3. Currency Issuance in May
4. SUMOC Lowers Bank Reserve Requirements Temporarily
5. Sale of Foreign Exchange for Special Imports
6. Financial Discussions in Europe Reach Preliminary Agreement
7. Dantas and East Germany
8. Special Work Group Created to Integrate Dantas Trade Agreements into Brazilian Economy
9. Sino-Soviet Bloc Exhibitions in Rio
10. Trade Visits to Brazil
11. Working Group Established for Emergency Development Projects
12. Congress Upholds Presidential Vetoes to Eletrobras Law
13. Reactions to Expropriation of Paulista Railroad
14. Results of Meeting on Ship Construction Needs

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1. Coffee Exports

Coffee exports during the month of June 1961 through the 17th were 546,185 bags, compared to 829,661 bags exported during the same period last year.

Total coffee exports for the current coffee marketing year (July 1, 1960 through June 17, 1961) were 15,644,498 bags, compared to 17,443,578 bags exported during the same period last year. (UNCLASSIFIED)

2. Government Begins Destruction of Coffee Stocks

According to the press, seven million bags of low-grade coffee, warehoused since 1957 in the Brazilian Coffee Institute warehouses and private depots, are

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0868

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Page 2 of
Encl. No. _____
Disp. No. 1182
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being burned in the fields of the State of Paraná. The action was ordered by President Quadros in order to clear storage space for the incoming crop, but mainly to save Cr\$40 million per month, the estimated warehousing and insurance costs.
(UNCLASSIFIED)

Comments: The Brazilian coffee crop formerly was divided into three parts; namely, the export quota, the internal consumption quota, and the expurgo quota, the latter being the coffee unfit for export or internal consumption. This practice was changed in the financing scheme for 1961/62, and the government will no longer buy the expurgo quota which must henceforth be disposed of by the coffee grower.
(UNCLASSIFIED)

3. Currency Issuance in May

According to figures received from the Caixa de Amortizaçao, Cr\$4 billion was issued in May 1961. On January 31, 1961, the total currency in circulation was Cr\$206.1 billion, as compared with Cr\$224.9 billion on May 31, 1961.
(UNCLASSIFIED)

Comment: Actually the present administration only admits responsibility for a net issuance of Cr\$18.5 billion, considering that the withdrawal of Cr\$4.5 billion made by the previous administration in January was made possible by postponing the payment of civil servants during the last days of that month. Upon assuming office, the Finance Minister stated that the "issuance of paper money would be necessary for some time" adding, however, that the rate of issuance would diminish steadily during the year, which in fact it did during May (increase of Cr\$4 billion as opposed to an average of Cr\$6 billion in the previous three months).
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4. SUMOC Lowers Bank Reserve Requirements Temporarily

On June 12, 1960, SUMOC issued Instruction 207 lowering compulsory bank reserve requirements from 14 percent to 12 percent for demand deposits and from 7 percent to 6 percent for term deposits. The instruction also announced that the Bank of Brazil will accept commercial paper for rediscount beyond the limits now in effect. The lower reserve requirements and relaxed rediscount policy will, according to the instruction, remain in effect only until July 31.
(UNCLASSIFIED)

Comment: SUMOC stated that action was necessary to ease credit temporarily to permit financing of certain crop harvesting which had become a serious problem owing to the "acute" shortage of credit resulting from the administration's credit restriction policy. Credit has indeed tightened substantially in recent months, but is apparently plentiful for those sectors of the economy considered essential. In any case, credit expansion which will take place as a result of this action is not likely to be great, indicating that the monetary authorities may have principally been interested in quelling the complaints of dissident business elements (see Embassy Despatch 1124 of June 13, 1961).
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Page 3 of
Encl. No.
Disp. No. 1182
From RIO DE JANEIRO

5. Sale of Foreign Exchange for Special Imports

The first auctions of "Promises of License" pursuant to SUMOC Instruction No. 204 of March 13 were held on June 6. The amount of U. S. dollars sold for these licenses permitting "special imports" generally of a luxury character, totalled \$70,000 for all of Brazil. The average exchange surcharge (agio) for these licenses in Rio and São Paulo was Cr\$1063.9 per dollar. On June 13, the offerings of U. S. dollar licenses in Rio (again \$20,000 out of the total of \$70,000 for Brazil) were sold at an average agio of Cr\$864.5 per dollar. "Promises of License" for bilateral agreement currencies were offered in Rio in an amount equivalent to \$51.4 thousand, but none were taken up at the minimum agio of Cr\$891.9 per dollar.

(UNCLASSIFIED)

Comment: The effective import rate for these "special imports" is the total of the pertinent agio plus the free market rate, which has been running at approximately Cr\$260 per dollar.

(UNCLASSIFIED)

6. Financial Discussions in Europe Reach Preliminary Agreement

The press reports preliminary agreement in Europe for financial assistance to Brazil. The European assistance will reportedly consist of "stabilization credits" in an amount equivalent to \$110 million, short term credits equivalent to \$50 million, and a rescheduling of Brazilian suppliers credits outstanding in Europe in an amount equivalent to approximately \$200 million.

(UNCLASSIFIED)

7. Dantas and East Germany

Concluding his seven week tour of East European communist countries, Ambassador João Dantas, special emissary of President Quadros, visited East Germany to explore possibilities of increasing trade with that country (see BWER Embassy Despatch 950 of April 17, 1961). An announcement on May 28 that Dantas had signed an agreement with the East German Republic had serious repercussions in West German and Brazilian diplomatic circles, and resulted in the resignation of Vasco Leitão da Cunha, Secretary General of the Foreign Ministry, who had denounced the act as being beyond the authority and instructions given Dantas and as jeopardizing Brazil's relations with West Germany. Subsequent to Leitão da Cunha's resignation, Dantas, in a press release in Paris, announced that he had not signed an agreement with East Germany, but rather a "protocol of conversations" which he had had with East German Foreign Commerce officials. That the document signed by Dantas did not imply official recognition of East Germany was confirmed by Foreign Minister Arinos in an attempt, before the Senate, to clarify matters.

The text of the protocol, which was later released to the press, refers to "conversations" between Dantas and Minister of Foreign Commerce Julius Balkow, concerned with expansion of trade relations between East Germany and Brazil. One of the clauses of the protocol stipulates that proposals for an increase in trade will be submitted to their respective governments; another clause reports the

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Page 4 of
Encl. No.
Disp. No. 1182
From RIO DE JANEIRO

establishment of "mutual objectives" and refers to appendices listing items for future trade. The protocol notes further that the proposed exchange requires the conclusion of a trade agreement, and that the two representatives would recommend the conclusion of such an agreement to their governments. To this end, the Minister of Foreign Commerce of East Germany turned over to Dantas an outline of a long-term agreement between the two governments. Another clause recommends the extension of the already existing payments agreement; and a sixth clause recommends study of the problem of navigation considered essential in facilitating the flow of any increased trade. The protocol goes on to note the desire manifested by Brazil for the establishment of a free port in Rostock and indicates that the East German Minister will refer the matter to the appropriate officials.

The amount of trade envisaged in the annexed lists for the period 1961 to 1966, approximates US\$200 million each way. Included among possible exports to Brazil from East Germany are industrial equipment and installations in the amount of US\$40 million.

In conclusion, the protocol provides for the recommendation by Dantas to his government that an invitation be extended to East Germany representatives to enter into negotiations in Brazil for a trade agreement. (UNCLASSIFIED)

8. Special Work Group Created to Integrate Dantas Trade Agreements into Brazilian Economy

President Quadros has directed the Foreign Minister to constitute a work group to coordinate, integrating into the Brazilian economy, production and trade, the trade, economic and financial agreements and protocols reached by Ambassador Joao Dantas during his recent trip to East Europe.

The group is to be composed of the following: the Minister of Foreign Affairs (or his representative) and representatives from the Ministries of Finance, Industry and Commerce, Mines and Energy, Transport, the SUDENE, two representatives from the Bank of Brazil, one representative from each of the National Economic Development Bank, the Brazilian Coffee Institute, and Petrobrás. (UNCLASSIFIED)

Comment: It is hoped that the working group will be able to reduce to proper proportions and to consider realistically those plans--viewed by growing skeptical public opinion as "fantastically conceived"--according to which Brazil, during the next five years, would realize trade with East Europe amounting to more than \$2 billion. (OFFICIAL USE ONLY)

9. Sino-Soviet Bloc Exhibitions in Rio

The permanent Exhibition and Fairs Committee of the Ministry of Industry and Commerce has reported favorably on the request submitted by Communist China and East Germany to have exhibitions in Rio and São Paulo; and the Committee's

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Page 5 of
Encl. No. _____
Desp. No. 1182
From **RIO DE JANEIRO**

10. Trade Visits to Brazil

(UNCLASSIFIED)

11. Working Group Established for Emergency Development Projects

(UNCLASSIFIED)

(OFFICIAL USE ONLY)

12. Congress Upholds Presidential Vetoes to Eletrobras Law

(UNCLASSIFIED)

(UNCLASSIFIED)

13. Reactions to Expropriation of Paulista Railroad

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Page 6 of
Encl. No. 1182
Desp. No. 1182
From RIO DE JANEIRO

Cr\$580 million because of (a) the inability of the company to meet by itself new wage scales established in mid-May; (b) the refusal of the Federal Government to match the State Government's proposed annual subsidy of Cr\$220 million to cover the cost of the wage rise; and (c) the subsequent discovery that the annual subsidy required would not be the Cr\$440 million originally calculated but rather close to Cr\$700 million. The general press reaction has been one of resigned regret that the Paulista, the best railroad in South America and as such a testimony to the virtues of private management, had succumbed to the forces of inflation and the wage policies of the government. The Estado de São Paulo found some comfort, however, in the fact that the São Paulo government had taken over the company, thus, according to its version, beating the Federal Government to the punch. There has been little tendency to blame the Paulista workers for making the wage demands that were the final straw; rather the press generally has taken the attitude that the workers were justified in seeking to bring their relatively quite low wages in line with those of their colleagues on other roads. There has been editorial criticism of the manner in which the state government picked up a property estimated to be worth Cr\$7 billion by buying the shares at their going market value of Cr\$580 million (the stock has been much underpriced because of the conservative policies of the Paulista management in general and particularly its reluctance to increase its capital). It is widely expected, however, that the manner of expropriation will be the subject of legal action, inevitably long drawn out. The first skirmish in the litigation was lost by the Paulista management when on June 14 a São Paulo court denied a request for an injunction against the operation of the decree of expropriation. With respect to the effects of the expropriation on railroad operations, Governor Carvalho Pinto signed a decree on June 6 setting up a working group to study the integration and improvement of the railroads which/controlled by the State. Earlier the State Secretary of Transport, who was designated chairman of the working group, had stated that the take-over of the Paulista would permit a long-needed and complete reorganization of the state railroad system. (UNCLASSIFIED)

Comment: The absorption of the Paulista by the government--state or federal--was almost certainly inevitable. Its diminishing profit margins, squeezed by constantly increasing costs and relatively stationary revenues, could not for long permit it to meet the wage demands of its workers incited by the wage and personnel policies of government. From the standpoint of the general interest, it is undoubtedly better that the road was taken over by the State of São Paulo than by the Federal Railroad System. No amount of explanation or rationalization can, however, obscure the fact that the passing of the Paulista is a tragedy. (OFFICIAL USE ONLY)

14. Results of Meeting on Ship Construction Needs

As a result of early May instructions from President Quadros, the Merchant Marine Commission held a meeting on June 6 in the Presidential offices in Brasília to discuss the possible placing with the domestic ship construction industry--as long as their prices and delivery periods were competitive--of orders to meet the needs of Lloyd Brasileiro and Costeira, the two government shipping lines. The meeting was attended by representatives of the Brazilian shipyards, the presidents

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Page 7 of
Encl. No.
Disp. No. 1182
From RIO DE JANEIRO

of Lloyd Brasileiro and Costeira, the chairman of the newly reconstituted Executive Group for the Shipbuilding Industry (GEIN, ex-COCICON, ex-GEICON), the president of the National Steel Company (CSN) and senior financial and banking officials. According to published information, the discussions led to an authorization given by President Quadros to the chairman of GEIN, Admiral Lucio Meira, to draw up a plan for placing orders in the next five years with the domestic yards for 400,000-480,000 DWT of ships worth Cr\$40 billion. The shipyard representatives, according to press reports, argued that orders of that value would not fully engage their capacity and they set a figure of more than Cr\$70 billion as more realistic. Meira was instructed to examine with financial authorities the possibility of obtaining resources additional to the Cr\$40 billion--which were considered to be available, principally from the Merchant Marine Fund--in order to keep the yards operating at full capacity. He was also directed to examine the financial and exchange measures which should be taken to assure that the domestic industry was competitive with foreign yards. At the same time that these decisions favorable to the national industry were taken, Lloyd Brasileiro was reported to have been authorized, as a result of the June 6 meeting, to buy ships of 8,500 and 10,500 DWT in Poland and Yugoslavia in exchange for coffee and other goods. (UNCLASSIFIED)

Comment: The results of the meeting have been interpreted by some domestic shipbuilding interests as removing the threat of massive purchases of vessels from foreign yards. The conclusion appears warranted but it should be noted that there will still probably be important orders placed with Yugoslav and Polish yards. Moreover, the program for domestic production outlined at the meeting is dependent on the actual availability of the projected funds--according to current projections based on present freight rates, the receipts of the Merchant Marine Fund will be about Cr\$5-6 billion annually--and on the ability of the national yards to become reasonably competitive in terms of delivery and price. According to industry sources, domestic prices per deadweight ton are 20-25 percent higher than those in Eastern European yards. (OFFICIAL USE ONLY)

For the Chargé d'Affaires a.i.:

Edward J. Bush
Edward J. Bush
Commercial Attaché

Contributions:

Item 1 - L'Yallouz
Items 2, 3 - WBlomeyer
Item 4 - JKrizay
Items 5, 6 - HRMay

Items 7, 8, 9, 10 - RAGoldstein
Item 11 - WBlomeyer/JKrizay
Item 12 - JDeSeabra
Items 13, 14 - JHCrimmins

Distribution:

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DEPARTMENT OF STATE
ASSISTANT SECRETARY
ARA

RAIR
7-2- E 87/13-200-100-
Date 1-5-2-61

10172

June 27, 1961

TO : The Secretary
THROUGH : S/S J
FROM : ARA - Mr. Coerr *WBF for WDC*
SUBJECT : Acknowledgment of Telegram from Mr. William E. Knox, President,
Westinghouse Electric International Company

Discussion

On June 8 you received a telegram (Tab B) from Mr. William E. Knox, President, Westinghouse Electric International Company. The message (Tab C) referred to your recent exchange of correspondence concerning a memorandum written by Dr. Ary F. Torres on the urgent social, economic and political problems of the State of Guanabara, Brazil, and suggested the desirability of Ambassador Stevenson's meeting with Governor Carlos Lacerda, of Guanabara, when the Ambassador visited Brazil.

Mr. Knox's suggestion was forwarded to Embassy Rio on June 9. We know that Governor Lacerda did have a private conversation with Ambassador Stevenson, but because it was a private meeting we have not mentioned it in the letter to Mr. Knox. The attached letter to Mr. Knox (Tab A) has been prepared informing him of the foregoing and also commenting on Dr. Torres' memorandum.

Recommendation

That, if you approve, you sign the letter to Mr. Knox attached at Tab A.

Concurrence

E <i>OK</i>	B/FAC <i>✓</i>	DLF <i>✓</i>	ICA <i>✓</i>
Mr. Kerr	Mr. Kyle	Mr. Dyche	Mr. Hannum

Attachments:

1. Letter to Mr. William E. Knox (Tab A).
2. Telegram from Mr. William E. Knox (Tab B)

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ARA: EST/B: JWA: [initials] RHO: [initials] jck 6/26/61

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- processed by RAIR

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UNCLASSIFIED
DEPARTMENT OF STATE
ASSISTANT SECRETARY
ARA

~~EST - Miss Buzgo~~

10377

(39) 49597

June 29, 1961

TO : The Secretary

THROUGH : S/S

FROM : ARA - Mr. Coerr

SUBJECT : Suggested acknowledgments of: 1) letter to you from Zeferino Vaz, Dean of Medical School of Ribeirão Preto, dated June 7, 1961; 2) scroll inscribed to you by Zeferino Vaz, Celso Paschoal (President of the City Council of Ribeirão Preto), and Alfredo Condeixa Filho (Mayor of Ribeirão Preto); 3) letter to you from Alfredo Condeixa Filho; 4) gifts from the City and Medical School of Ribeirão Preto (can of coffee, Medical School flag, and booklet of photographs of your visit to the Medical School); and 5) booklet, "Community Summing Up," inscribed to you by Antonio Machado Sant'Anna, Director of Department of Education, Culture, and Tourism of Ribeirão Preto.

Discussion

On June 19, the Secretariat forwarded to ARA for the preparation of an acknowledgment for your signature a letter to you dated June 7, 1961, from Zeferino Vaz, Dean of the Medical School of Ribeirão Preto, in the State of São Paulo, Brazil. A suggested reply to the letter is attached, together with the letter from Dr. Vaz (TAB A).

On June 20, the other materials listed above were delivered to the Office of Brazilian Affairs for transmittal to you. Suggested replies for your signature to Celso Paschoal, Alfredo Condeixa Filho, and Antonio Machado Sant'Anna are attached (TABS B, C, and D respectively).

If you approve the suggested replies, they will be forwarded to our Consulate General at São Paulo for delivery to the addressees. The Consulate General will be asked to provide Portuguese translations of the letters if it believes them necessary.

Recommendation

That you sign the attached suggested replies.

Concurrence

P - Mr. Herron (in substance)

Attachments:

1. Letter from Dr. Vaz, with suggested reply (TAB A).
2. Suggested reply to Mr. Paschoal (TAB B).
3. Letter from Mr. Alfredo Gondeira Filho, with suggested reply (TAB C).
4. Suggested reply to Mr. Machado (TAB D).
5. Under separate cover: Scroll, booklet of photographs, booklet entitled "Community Summing Up," can of coffee, and Medical School flag.

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JUL 3 1961

Dear Dr. Vaz:

Thank you for your cordial letter of June 7, the beautiful scroll from the City and Medical School of Ribeirão Preto, and the book of photographs of my visit to the School, which I remember with pleasure.

May I take this opportunity to express to you and to the students and faculty members of the Medical School of Ribeirão Preto my deep appreciation, and my best wishes.

Sincerely yours,

/s/ Dean Rusk

Dean Rusk

Dr. Zeferino Vaz,
Dean of the Medical School
of Ribeirão Preto,
Ribeirão Preto,
São Paulo, Brazil.

S/S-RO

JUL 3 1961

A true copy of signed original

ARA:EST/S:LH:riggs:jok 6/27/61
Retyped in S/S-RO 6/29/61

0877

JUL 3 1961

Dear Mr. Paschoal:

I should like to express my appreciation for the handsome scroll inscribed to me by the City and Medical School of Ribeirão Preto. I remember my visit to your city with great pleasure, and wish to take this opportunity to extend to you my best wishes.

Sincerely yours,

for Dean Rusk

Dean Rusk

S/S-RC

JUL 3 1961

☒ true copy of signature

Mr. Celso Paschoal,
President of the City Council,
Ribeirão Preto, São Paulo,
Brazil.

0878

Dear Mr. Mayor:

Thank you for your kind letter of June 6, 1961. I am honored to receive the beautiful scroll from the City and Medical School of Ribeirão Preto, and grateful for your generous gifts of coffee and interesting literature.

I remember with great pleasure my visit to your city and to the Medical School, where I was so cordially received. May I take this opportunity to express to you and the people of the City of Ribeirão Preto my sincere appreciation for your message of friendship.

Sincerely yours,

/s/ Dean Rusk

Dean Rusk

S/S-RO

JUL 3 1961

The Honorable
Alfredo Condeixa Filho,
Mayor of the City of Ribeirão Preto,
São Paulo, Brazil.

A true copy of signed original

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Retyped in S/S-RO 6/29/61

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Translation of letter to Secretary from Alfredo Condessa Filho, Mayor
of City of Ribeirão Preto, São Paulo, Brazil, dated June 5, 1961

Dear Mr. Secretary:

In sending Your Excellency my cordial and respectful greetings, with
great satisfaction I present to you Mr. Antonio Machado Santana (sic),
Director of the Department of Education, Culture, and Tourism of the City
of Ribeirão Preto, who will represent this city at the Important First
World Conference of Local Governments, to take place at Washington.
/Notes June 11-12, 1961/.

Mr. Antonio Machado Santana carries a message of greeting from the
Government and people of Ribeirão Preto to Your Excellency and the people
of the United States.

Ribeirão Preto is, at present, the fourth city of the Paulista hinter-
land, with a population of 150,000 and a commercial and industrial activity
of 12 billion cruzeiros, representing a considerable portion of the economy
of the State of São Paulo. Considered a university city, it boasts five
schools of higher education: Medicine, Dentistry, Pharmacy, Economics
and Law - as well as innumerable institutions of secondary and primary
teaching. Its student population is estimated at 35,000, its communications
system is the most modern and the city's revenue total approximately 300
million cruzeiros.

I take this opportunity to express to Your Excellency my assurances
of high esteem and consideration.

Sincerely yours,

Alfredo Condessa Filho

To His Excellency Dean Rush
Secretary of State

1281 700 50 BW 4 25

0880

Dear Mr. Sant'Anna:

Thank you for sending me a copy
of Community Summing Up - The Collective
Effort of an Interior Municipality to
Overcome Underdevelopment. It is a
welcome reminder of my pleasant visit
in Ribeirão Preto.

With best wishes,

Sincerely yours,

/s/ Dean Rusk

Dean Rusk

S/S-RO

JUL 3 1961

Mr. Antonio Machado Sant'Anna,
Director of Department of
Education, Culture, and Tourism,
Ribeirão Preto, São Paulo,
Brazil.

A true copy of signed original

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Retyped in S/S-RO 6/29/61

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7

AIR POUCH
PRIORITY

UNCLASSIFIED
(Security Classification)

DO NOT TYPE IN THIS SPACE
832-00/3061

FOREIGN SERVICE DESPATCH

FROM : **Consul SALVADOR, Brasil**

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

REF : **Consulate's Despatch No. 37 of May 4, 1959 and 38 of May 6, 1959**

June 30, 1961
DATE

-59-
DESP. NO.

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	7/12	CIA-10 COM-10 IAR-2 IAR-3 IAR-3 DUE-7

SUBJECT: **Informal Visit to Aracaju, Sergipe by Vice Consul Paul B. McCarty**

FAA-4 RMH-2 INR-7 REP-1 E-3 ICA-4
FAA-5 CAB-6 IAR-6 OSD-5 Army-4
XMB-4 AGR-10 INT-7 IAR-8 HEW-5 NSA-7

To gather first hand information concerning the economic and agricultural development of the State of Sergipe, Vice Consul Paul B. McCarty paid an informal visit to the Capital city of Aracaju from June 26 to June 28, 1961. The State of Sergipe is included in the Salvador Consular District and is situated due north of Bahia.

Brief history of the City of Aracaju, Capital of Sergipe.

Aracaju is a small city of approximately 90,000-100,000 inhabitants (last census taken in 1956 indicated 76,000). It thrives mostly on the manufacture and sale of coconut milk and by-products, although sugar and fruit is grown in the interior of the State. The present city was founded in 1855. However, historians indicate that the city of São Cristovão, just outside of Aracaju was settled in 1590 by Cacique Indians whose chief was named Serigy. In 1854 it was decided that the Capital city should be on the sea. Under the supervision of Ignacio Joaquim Barbosa, the city was moved to its present location on flat land at the mouth of the Sergipe river where it joins the Atlantic Ocean. The move took one year and the city of Aracaju was officially established in the year 1855. In 1884 the first sanitation facilities were installed and the city was without electric lights until the year 1913. Aracaju is compared in size to Belém, Curitiba, Miterol or Vitoria. The Municipality consisting of 220 square kilometers is situated at Latitude South 10 degrees 16' 30" - Longitude West 37 degrees 01' 30" and has an altitude of between 2 and 5 meters above sea level.

The temperature of Sergipe in and around Aracaju does not vary much more than 9 degrees Centigrade with a low of about 20.5 degrees and a high of 29.9 degrees. February is its hottest month and July the coldest. The rainy season is between March and May. Two of the most important rivers in the area are the São Francisco and the São João.

PEBMcCarthy:ym

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

ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

832.00/6-3061 TS

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Page 2 of
Desp. No. -59-
From Salvador, Brazil

UNCLASSIFIED

(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

Rio Sergipe and the Rio Vasabarris, both of which flow into the Atlantic Ocean within the Municipality of Aracaju.

Government:

The present Governor of Sergipe is Dr. Luiz GARCIA (UDN). Vice Consul McCarty visited the governor's office briefly to pay his respects. The Governor was complimented on the progress of the city economically which is reflected in the current construction of a new bus terminal, hotel and airport terminal as well as other improvements which were noted throughout the city. Governor Garcia is pro-American and his Secretary, Professor Junot José da Silveira, is a former Department Journalist Grantee and another man with a good word for the United States. All in all, it could be said that our standing within the Sergipe government is good.

Transportation:

Airport

Aracaju is accessible by land, sea and the air. A recently completed 1,500 meter paved runway at Santa Maria airfield has excellent lighting facilities. The runway is 45 meters wide. The field is situated on flat ground southwest of the city and it appears possible to extend the runway considerably in either direction, sufficiently to accommodate commercial jet aircraft. A new Airport terminal is presently under construction under the auspices of the Governor, Luis Garcia.

Seaport

The port of Aracaju can handle only coast-wise shipping. Small ships call at the port to load and discharge goods from the larger neighboring ports such as Salvador and Recife. Goods are also shipped directly from Rio and Santos in small-tonnage vessels.

Rail

The Viação Férrea Federal Leste Brasileiro, which is incorporated into the Rede Ferroviária Federal, connects Aracaju and the State of Sergipe with other States of Brazil. The locomotives are the old wood burner type and are considered delapidated to say the least. However, it is a means of transportation and a certain amount of goods and passengers are moved in this manner.

Buses and Trucking

Most of the traffic in and out of Aracaju is by bus and truck. Although the roads immediately outside of Aracaju are not paved, hard surface dirt roads do exist and are possible most of

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0883

Page 3 of
Desp. No. -59-
From Salvador, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

the year unless the rains are particularly heavy. All perishable goods and equipment urgently needed are flown into Aracaju by airfreight via one of the several domestic lines calling there regularly.

Industry:

The principal product of the area is the coconut and its by-products such as coconut milk. Aracaju reportedly has the only two factories in the world which produce leite de coco (coconut milk). The city is also noted for its textile manufacturing as well as sugar, fruits, tile manufacturing and the production of soap.

Electric Power:

The Capital city Aracaju has an adequate supply of electric power furnished by CHESF (Companhia Hidro-Elétrica de São Francisco) from Paulo Afonso. Approximately 17,000,000 KWH are utilized per year.

Rivers:

Several large rivers converge in and around the city of Aracaju. The city itself is situated at the mouth of the Sergipe River. Due south flows the Rio Vasabarris. Two other large rivers in the vicinity are the Santa Maria and Poxim all of which are navigable by small craft.

Hospitals:

There are five hospitals in the City of Aracaju with a total of 320 beds. In addition, there are 10 Postos de Higiene, equivalent to our first aid stations. It is not known what the quality of their medical care is but since it is a poor State with limited financial assistance from the Federal government it may be assumed that surgical and medical treatment is marginal according to United States standards.

Hotels:

For years there has been an extreme shortage of hotel accommodations. However, under Governor Luis Garcia, the Palace Hotel de Aracaju is being constructed. It is approximately half completed, will consist of two stories and will have about 50-60 rooms. The Guanabara Hotel, which has 20 rooms was recently inaugurated, and has good accommodations and food. There are approximately 9 hotels in the city in addition to several pensions. However, for the most part they are dirty and unsanitary and only the newly constructed hotels are recommended.

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Page 42 of
Desp. No. -59-
From Salvador, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

Movie Houses and Clubs:

The city of Aracaju boast 16 Clubs, 10 movie houses and one so called night club. However, nightlife is strictly limited and outside of the few people visiting one of the clubs or attending a movie, the city is deserted after 7p.m.

Mineral Deposits:

In 1938 a hole 600 meters deep revealed 0,15 percent of Petroleum at Bairro Grageru, just outside of Aracaju. In recent years PETROBRAS has been exploring the area but thus far no commercial wells have been discovered. Investigation of the beach at Atalaia Velha has revealed traces of manganese but apparently no further exploratory action has taken place in this regard.

Construction:

Several large building are under construction in the downtown section of the city which will most likely be office buildings. These are in addition to the new bus terminal under construction as well as a new hotel. In addition, land is being cleared opposite the bus terminal for the construction of the city's first "Super Market" which will be installed by Mr. Paes Mendonça, the owner of several Super Mercados presently in operation in the city of Salvador. These super markets have been very popular in Salvador and it is assumed that Aracaju will react likewise.

Brazilian Government Aid:

Sergipe is a small and poor State and thus far has not been too well represented on the national scene. Therefore, it has received little or no help from SUDENE or other government agencies. However, UNICEF appears to be present in force - at least three new vehicles were observed throughout the city.

Conclusion:

This was the writer's first trip to Aracaju. Therefore, he has no gauge with which to base his conclusions as regards progress of the city. However, it would appear that the present governor is stimulating the local population to advance and expand their thinking as regards business and industry. It also appears likely that the Government will assist in road improvement since this has been given a number one priority throughout the northeast by the Federal government. As the city becomes more accessible by bus and truck, the economy of the area will expand. Although there is a very high rate of illiteracy in the State, the people are aware of this problem and show genuine interest in combating it. One of the leaders of this movement is Mr. Nunes Mendonça, a Professor and Educator

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0005

Page 5 of
Desp. No. 59
From Salvador, Brazil

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Desp. No. _____
From _____

from Sergipe who has recently published a book entitled "For the Development of Sergipe", a copy of which is enclosed with this despatch.

FOR THE CONSUL:

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Enclosure: *att 1*
Book "For the Development of Sergipe"

cc: AmEmbassy, Rio de Janeiro.

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NUNES MENDONÇA

env. to Salvador D-59 **ARRA**



Pelo



Conheço o professor Nunes Mendonça há alguns anos. Foi apresentado ao grande jornalista pelo pintor terranês Alvaro Santos. Possuidor de inteligência vigorosíssima, Nunes Mendonça impõe-se à admiração de seus contemporâneos, como verdadeiro artista da linguagem escrita e falada.

A imprensa indígena tem, no dinâmico jornalista, um dos seus mais altos expoentes, o ponto alto da literatura sergipana. Nunes Mendonça não hesita em criticar as modice-ridades, que formam lesão, nessa terra onde o elemento se sabe glorificar as multitudes, os que possuem dinheiro, ou o dom de bafalar os poderosos.

Inteligência a serviço de nobres causas, Nunes Mendonça jamais soube mentir a si mesmo. É fiel aos seus ideais, e por eles luta sem desalecimento. Amigo desvelado dos amigos, esportista, humorista, bom humorista, incapaz de fazer o mal, o nosso homenageado, que é crítico, educacionista, ensaísta, cronista, contista e poeta moderno, constitui uma das legítimas glórias da intelectualidade sergipana.

Tem sido ele, entretanto, alvo de calúnias e campanhas injustas e no-jeitadas, que lhe desfecham os inveni-

Desenvolvimento

de Sergipe

1961

Centro Sergipano de Estudos Pedagógicos
ARACAJU — SERGIPE

0007

PELO DESENVOLVIMENTO DE SERGIPE

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NUNES MENDONÇA

PELO
DESENVOLVIMENTO
DE SERGIPE

1960
ARACAJU

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O AUTOR deste livro, JOSÉ ANTÔNIO NUNES MENDONÇA, é Colegiado de Pedagogia e professor de Fundamentos Sociais da Educação no Instituto de Educação Rua Barbosa, onde exerce também a função de Assistente Técnico. Ex-Coordenador do Centro de Estudos e Pesquisas Educacionais, desempenha atualmente a função de Assessor Técnico da Secretaria de Educação, Cultura e Saúde. Jornalista militante, filiado à Associação Sergipana de Imprensa, foi Redator-chefe do jornal "O Nordeste", de Aracaju, no período de 12-11-58 a 30-9-60. Autor de inúmeros trabalhos divulgados em jornais e revistas, alguns transcritos em publicações especializadas, e do livro: "A Educação em Sergipe", publicado em 1958, tem diversas obras inéditas, entre as quais: "Conflitos", que será editado ainda este ano.

Para a publicação deste livro cooperou a Secretaria de Educação, Cultura e Saúde do Estado de Sergipe, ora sob a direção do ilustre sergipano Deputado Antônio Garcia Filho.

Endereço do Autor:
Av. Pedro Calasans n.º 757
Aracaju — Sergipe — Brasil

0890

7

Aos paladinos da educação democrática:
HORACE MANN
e
JOHN DEWEY

à memória dos ilustres sergipanos:

MANOEL LUIZ AZEVEDO DE ARAUJO
BRICIO CARDOSO
RODRIGUES DÓRIA
GRACCHO CARDOSO
e
HELVÉCIO DE ANDRADE
que tanto contribuíram para o ensino em Sergipe

aos insígnies Mestres e queridos Amigos:
ANÍSIO S. TEIXEIRA
e
FERNANDO DE AZEVEDO
pioneiros da reconstrução educacional no
Brasil

DEDICO ESTE LIVRO

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Em fevereiro de 1960, fomos convidados pelo Dr. José Augusto Bezerra de Medeiros, Presidente da Associação Brasileira de Educação, a integrar a Comissão Regional Bahia-Sergipe (*), incumbida de estudar, preliminarmente, do ponto-de-vista regional, os temas a serem debatidos na XIII Conferência Nacional de Educação.

Pretende sua Comissão Organizadora que o referido Conselho profunde os problemas da educação brasileira e organize uma escala de prioridades para os próximos cinco anos, com o propósito de "introduzir, no campo da educação, a idéia de planejamento, sem a qual iremos caminhando ao sabor das correntes".

Para a hierarquização dos problemas e a preparação de um plano de prioridades, como é óbvio, é indispensável o conhecimento da situação real dos sistemas estaduais de educação.

Destarte, encarregado de revelar a realidade educacional no Estado de Sergipe, escrevemos, de acordo com o temário da Conferência, os trabalhos: "Análise Quantitativa e Qualitativa do Sistema Educacional do Estado de Sergipe" e "Plano Geral de Prioridades para a Educação nos próximos cinco anos".

É o texto do primeiro trabalho, refundido e ampliado, que constitui a parte principal desta publicação. Quanto ao Plano de Prioridades, preferimos omiti-lo aqui, visto que a Secretaria de Educação, Cultura e Saúde está providenciando a organização de um Centro de Estudos e Pesquisas Educacionais, ao qual caberá, certamente, à luz de novas pesquisas e estudos, entro-

(*) A referida Comissão ficou assim constituída: Presidente — Professora Carmen Teixeira. Participantes: Professores José Antônio Nunes Mendonça (Sergipe), Luis Henrique Dias Tavares, Raimundo Mala e Nelson Sampaio (Bahia).

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sado nas diretrizes do Governo Estadual, recomendar uma ordem de preferência no encaminhamento das soluções aos problemas educacionais (**).

No que toca ao ensino fundamental comum, trabalhamos com os dados estatísticos definitivos mais recentes (1958), que nos foram fornecidos pelo Serviço de Estatística Educacional do Estado. No que diz respeito ao ensino dos níveis: médio e superior, servimo-nos de elementos relativos ao ano de 1959, colhidos nas publicações do Serviço de Estatística da Educação e Cultura, do Ministério da Educação e Cultura: "Sinopse Estatística do Ensino Médio — 1959" e "Sinopse Estatística do Ensino Superior — 1959".

Na elaboração deste estudo apoiamo-nos nos resultados da pesquisa que realizamos em 1956 para o Instituto Nacional de Estudos Pedagógicos (I.N.E.P.), expostos em nosso livro: "A Educação em Sergipe".

A educação vem sendo, nos dois últimos anos, objeto de inusitadas preocupações em Sergipe. Conforta-nos a certeza de que o nosso trabalho, acima mencionado, e a nossa luta na imprensa, não foram vementes lançadas em terra sáfara: germi-maram e estão frutificando a nova mentalidade que começa a surgir no Estado, na área da educação; o interesse que estão despertando os problemas do ensino, e as medidas que vêm sendo empreendidas para corrigir erros e suprir falhas e omissões.

Afirmou Anísio Teixeira que não temos faltado ao bom combate. Aqui estamos, mais uma vez, com "temperamento inovador" e "concepção otimista" do resultado de nosso empenho, presente na sublime batalha por uma educação melhor, mais justa e mais eficaz.

Não se veja neste livrinho mensagem pessimista. Cremos no desenvolvimento democrático da educação no nosso Estado

(*) O Centro de Estudos e Pesquisas Educacionais (CEPE) foi organizado por Decreto n.º 578, de 31/XII/60, tendo sido o Autor designado para Coordenador, dirigir-lhe os trabalhos.

7

e no Brasil, pois acreditamos na evolução e no progresso. Revelando a verdade, com isenção de ânimo e impessoalidade, sobre o nosso sistema escolar, agitando problemas, visamos a convocar os sergipanos para o bom combate: a luta sem tréguas pela reconstrução educacional que os sagrados direitos da criança e o desenvolvimento do Estado reclamam.

A educação é o instrumento primordial do progresso material e espiritual dos povos, o meio de realizar o melhoramento da natureza e da condição do homem, de assegurar a liberdade, de conquistar a democracia, de partilhar a todos os benefícios da ciência e da técnica, e de aperfeiçoar continuamente a cultura e a civilização.

O amor a Sergipe de amanhã, a Sergipe de nossos filhos e dos filhos de nossos filhos, deve infundir-nos maiores e mais eficientes esforços para a expansão e o aprimoramento da educação.

Aracaju, dezembro de 1960

José Antônio NUNES MENDONÇA

SUMÁRIO

ANÁLISE DO SISTEMA EDUCACIONAL DE SERGIPE

I — O ESTADO DE SERGIPE — Aspectos geo-econômicos. II — ENSINO PRIMÁRIO (1958) — Organização do ensino primário. Deficit da rede escolar. Universalização da escola primária. Fatores que mais concorrem para as deficiências do ensino. Evasão e repetência. Prédios e aparelhamento escolares. Atividades extraclasses e instituições escolares. O problema da disciplina. Pessoal docente e administrativo. O ensino normal. Financiamento da educação. Conclusões. III — ENSINO MÉDIO (1959) — Generalidades sobre o ensino de nível médio. Aspectos numéricos do ensino médio em geral. Ensino Secundário. Ensino Comercial. Ensino Industrial. Ensino Agrícola. Conclusões. IV — ENSINO SUPERIOR (1959) — Aspectos numéricos. Universidade para Sergipe

13

INTRODUÇÃO AO ESTUDO DO SERGIPANO

I — Características psicológicas. II — Usos, costumes e crenças. — III — Quadro étnico e relações inter-raciais. IV — Tipos de habitação. V — Atividades econômicas. VI — Condições de vida

51

ASPECTOS POLÍTICOS DO INDIVIDUALISMO SERGIPANO

67

APÊNDICE

INICIATIVA NO CEPE

73

TRECHOS DE ALGUMAS OPINIÕES SOBRE O AUTOR, O SEU LIVRO: "A EDUCAÇÃO EM SERGIPE" E OUTROS TRABALHOS

77

0895

ANÁLISE DO SISTEMA EDUCACIONAL DE SERGIPE

I — O ESTADO DE SERGIPE

Aspectos geo-econômicos

O Estado de Sergipe, cuja superfície equivale a 0,26% do território nacional, foi enquadrado pelo Conselho Nacional de Geografia na Região Leste. Mas, a sua situação física e econômica é semelhante à do Nordeste brasileiro.

O quadro das zonas geográficas e das áreas ecológicas e de cultura do Estado está por elaborar. As divisões em zonas, que têm sido propostas, não possuem base científica e não correspondem à realidade. A delimitação e a caracterização das áreas geográficas, ecológicas e de cultura é empresa obrigatória à formulação de programas racionais de política econômica, social e educacional.

Vítima da desigualdade de desenvolvimento do País, que apresenta diversos estágios históricos, múltiplas camadas culturais, demora-se o Estado na fase semicolonial, de atividades agropastoris, circunscritas à produção de subsistência e de matérias-primas.

Observam-se, todavia, anseios de desenvolvimento, que estão desencadeando promissora transição de fase.

Entre as "deficiências infra-estruturais", avulta a situação dos meios de transporte, que não favorece a circulação da riqueza e a industrialização. O assoreamento da barra do rio Sergipe e a falta de instalações portuárias dificultam o comércio de cabotagem e prejudicam, sobretudo, o comércio com o estrangeiro. A falta de pavimentação das estradas de rodagem e falhas da estrada de ferro que serve ao Estado estorvam e encrenecem o comércio por vias internas.

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A expansão da economia sergipana depende do melhoramento da produtividade dos bens primários, da recuperação das indústrias do açúcar e de tecidos, da intensificação da industrialização de produtos regionais, como o côco e, principalmente, do aproveitamento dos recursos naturais, máxime das reservas de sal-gema e de calcário, com a industrialização "in loco".

Dês que o processo de industrialização está, em grande parte, na dependência da importação de capitais, os quais não têm sido atraídos com os estímulos existentes, e do planejamento do Governo Federal, por intermédio da SUDENE, desfavorável, até agora, às reivindicações de Sergipe, devem os esforços do Estado, presentemente, visar à racionalização da agricultura, à melhoria da produtividade agrícola, pois os investimentos necessários a esta empresa demandam menores doses de capital.

O recôbro da agro-indústria do açúcar, mediante proteção à lavoura da cana-de-açúcar e organização de usinas centrais, e o reequipamento das fábricas de tecidos com o aperfeiçoamento da respectiva linha de produção reforçariam o setor secundário. Entretanto, as resistências à concentração da produção açucareira e a política desenvolvida pelo I.A.A., assim a falta de financiamento bancário à indústria de tecidos, não autorizam previsões otimistas.

Vale assinalar a necessidade de conquistarem-se condições que possibilitem o planejamento e a execução de programas promocionais do desenvolvimento econômico.

A educação para o trabalho e o progresso econômico é uma das condições que devem ser alcançadas, vista a inter-relação educação — desenvolvimento.

Consignamos, a seguir, alguns aspectos característicos da atual situação faseológica de Sergipe.

A população do Estado é predominantemente rural, como demonstram os resultados do Censo Demográfico de 1950:

Quadros	% s/ o total da população
Urbano	21,35
Suburbano	10,45
Rural	68,20

Do total de habitantes de 10 anos e mais, existentes em 1/VII/50, apenas 33,63% sabiam ler e escrever.

A população economicamente ativa, que representava 47,63% dos habitantes de 10 anos e mais, e 32,67% do total geral de pessoas presentes no Estado, estava assim distribuída :

Sectores	% s/ o total da pop. ativa
Primário	69,09
Secundário	10,75
Terciário	20,16

A participação de Sergipe na renda nacional, no ano de 1956, foi de 0,6% sobre o montante. Tiveram os setores acima referidos o seguinte comportamento na formação da renda territorial : primário — 39%, secundário — 14%, e terciário — 47% (1).

A renda "per-capita", em 1957, foi de Cr\$ 7 238,10.

Segundo estimativa do Laboratório de Estatística do IBGE, a população do Estado, no corrente ano (1960), é de 768 000 pessoas, correspondendo a uma densidade demográfica de 34,86 hab./km².

O parque industrial (unidades fabris com 5 e mais operários) apresentava, em 1º/1/1956, os seguintes aspectos numéricos :

Especificação	Resultados numéricos
Estabelecimentos industriais	312
Capital aplicado (Cr\$)	(*) 382 792 000
Operários existentes	12 652
Força motriz instalada em H.P.	(*) 22 477
Valor total da produção em 1955 (Cr\$) .	632 954 000

(*) — Resultados do ano de 1954.

Fonte : "Aspectos Econômicos de Sergipe", publicação da Federação das Indústrias do Estado de Sergipe, 1957.

(1) Fonte : Fundação Getúlio Vargas, "Revista Brasileira de Economia", dezembro de 1957.

Em 1958, a receita estadual foi de Cr\$ 289 965 025,20. Segundo cálculos efetuados pela Consultoria Técnica de Assuntos Econômicos e Financeiros, da Secretaria da Fazenda, Produção e Obras Públicas, no ano em apêço arrecadou o Estado em média, de cada habitante, Cr\$ 397,10 e dispendeu, com cada um, Cr\$ 391,30.

Provém a receita do Estado, quase toda, de impostos indiretos. Os tributos diretos contribuem com bagatela para a formação da renda estadual.

É pequena a capacidade tributária do sergipano. Depois, verifica-se, com intensidade, a evasão de impostos. Daí, a exigüidade da renda estadual.

Não dispõe o Estado, portanto, dos recursos indispensáveis para enfrentar planos administrativos que exijam grandes investimentos.

II — ENSINO PRIMÁRIO (1958)

Organização do Ensino Primário

Segundo dispõe a Lei Orgânica Estadual (Decreto-lei n.º 1 058, de 31/8/1946), o ensino primário fundamental seria ministrado em dois cursos sucessivos: o elementar e o complementar. Funciona, todavia, unicamente o elementar, num período de quatro anos.

O curso elementar articula-se (só teoricamente) com o jardim da infância, que o precede, e com os cursos de artesanato e os de aprendizagem industrial e agrícola.

O curso complementar, que existe apenas no dispositivo da lei, articular-se-ia com os seguintes cursos: ginásial, industrial, agrícola e de formação de regentes de ensino elementar.

Deficit da Rede Escolar

Existiam, no ano de 1958, 1 102 unidades de ensino fundamental comum, das quais:

Federais	Estaduais	Municipais	Particulares
1	519	440	142

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A matrícula geral, total, no ano de referência, foi de 62 524 alunos, assim distribuídos, segundo a dependência administrativa das unidades escolares :

Federais	Estaduais	Municipais	Particulares
50	35 806	17 060	9 608

Levando-se em conta a composição da população por idade, verificada no Censo Demográfico de 1950, ou seja o percentual de crianças de 7 a 12 anos, e a estimativa das pessoas presentes no Estado, em 1958, a população escolar teórica, nesse ano, teria sido de 121 585 crianças.

Destarte, 59 061 crianças teriam ficado à margem da escola. Em números percentuais, 48,57% da população escolar teórica não estariam usufruindo dos benefícios da educação fundamental comum.

Seria bem maior, aliás, esse déficit se tivéssemos levado em consideração a faixa de idade 7/14 anos, visto que grande parte da matrícula no ensino elementar é constituída de alunos com mais de 12 anos, em virtude da procura tardia da escola e da repetência.

Outrossim, atendessem as escolas as condições mínimas desejáveis quanto ao prédio e ao aparelhamento, à composição das classes (35 alunos) e ao período letivo diário (4 horas, pelo menos), muito menor teria sido o número de crianças escolarizadas. Aquêle número de matrículas foi alcançado com o sacrifício da eficiência do ensino : inúmeras escolas funcionaram em salas inadequadas, desamparadas de tudo, até de mobiliário; as classes apresentaram número excessivo de alunos e os grupos escolares, na Capital, mantiveram o abominável regime de três turnos diários.

Dados referentes à matrícula geral revelam que o Estado ofereceu oportunidades educacionais, no ensino fundamental comum, a 29,4% da população em idade escolar, e os municípios, a 14%. A escola particular atendeu a 7,9%.

Atribuindo-se um índice de capacidade de 50 alunos, em média (efetivo evidentemente não recomendável), para cada sala de aula, teriam sido necessárias a mais, em 1958, para escolarizar as 59 061 crianças que, provavelmente, ficaram fora da escola, 1 181 salas de aula.

Apesar do "sentido inteiramente abstrato", como observa o professor Lourenço Filho⁽²⁾, do cálculo da população escolar teórica "para o cômputo das crianças que não estejam frequentando escolas", pode-se asseverar que é enorme o déficit da rede escolar em Sergipe, cujas consequências são agravadas pela distribuição empírica das unidades e pela repetência.

Desta maneira, faz-se mister atente o Estado pela solução do problema, a fim de que possa cumprir, tanto quanto possível, a obrigação de dispensar a todos os sergipanos o mínimo fundamental de educação popular, de formação básica comum.

É manifesto que, sôzinho, pelo menos com os recursos orçamentários normais, não pode o Estado arcar com o onus da ampliação satisfatória da rede escolar. E não deve cuidar apenas disso. O problema comporta e requer, conjuntamente com essa medida, adotada em combinação com os municípios, outras providências que, visando simultaneamente a combater os males da reprovação, tornem mais econômica e viável a extensão das oportunidades escolares.

Referimo-nos à obrigatoriedade escolar, regulamentada a matrícula por idade, e à modificação do regime de promoções. Em outras palavras: matrícula compulsória aos 7/8 anos na série inicial do curso elementar, novos critérios de avaliação do rendimento escolar e outras práticas de promoção, menos seletivas, até que se consigam as condições necessárias para a adoção da promoção automática.

A promoção automática, que exige currículo e métodos de ensino adequados ao desenvolvimento da criança, e professores aptos, é medida apoiada em fundamentos válidos, e já adotada na Inglaterra e nos Estados Unidos, pela implantação da qual, no Brasil, se vêm batendo grandes educadores, sob a liderança de

(2) In "Tendências da Educação Brasileira".

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Antônio Teixeira. Sobre sistema de promoções, manifestou-se a Conferência Latino-Americana de Educação Primária Gratuita e Obrigatória, recomendando o estudo e a experimentação de "um regime de promoção baseado na idade cronológica do educando e em outros aspectos de valor pedagógico". (3)

Não se justifica o seletivismo da escola primária, que deve ser de educação básica para todos, universal e formadora.

Universalização da Escola Primária

Além do número insuficiente de unidades escolares, cumpre assinalar outra barreira à universalização do ensino: os níveis gerais de vida do sergipano, mormente nas áreas rurais, onde predomina a miséria econômica, de par com a miséria fisiológica e mental.

São baixos os níveis de vida do povo sergipano: a expectativa de vida é pequena; a alimentação, deficiente; a assistência médica, escassa; o coeficiente de mortalidade infantil, alto; o "mundo mental", exíguo; a técnica, paupérrima; a renda "per-capita", diminuta; o acesso aos bens da civilização, privilégio de pequeno número. A maioria da população vive em condições infra-humanas. Assim, a escola puramente intelectualista, ou simplesmente alfabetizante, não é reclamada, como coisa indispensável, por essa maioria que não dispõe de ensejos para aplicar aquisições desse tipo, e não é convenientemente orientada no sentido de utilizá-las como instrumentos para melhorar o trabalho, a produção e a saúde, como meio de recrear-se e tornar-se participante da civilização.

A atual tendência do ensino primário concorre, assim, para o desinteresse dos pais em prover à educação escolar dos filhos, ou em mantê-los na escola até a conclusão do curso elementar. A feição acadêmica do currículo, a preocupação exclusiva de alfabetizar e o vínculo com o ensino secundário, também este propedêutico, sem autonomia, insensível às necessidades de sua nova clientela e às imposições atuais da sociedade brasileira, deturpam

(3) Vide: "A Educação Primária Gratuita e Obrigatória", publicação do INEP, 1956.

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deveras a nossa escola primária. Dão margem a um ensino destituído de efeitos vitais, de sentido prático e de utilidade imediata; alheio da função econômica e social da educação popular.

Nas áreas rurais, pouca importância é atribuída à educação formal, apática à realidade ecológica, aos interesses, aos apuros, aos problemas e aos anelos dos "socii" e à vida da comunidade local. Dêsse modo, não se sentem os rurícolas estimulados a prescindir da ajuda precoce da prole, na busca dos meios de subsistência, para inscrevê-la ou mantê-la por muito tempo na escola. A maioria dos pais retiram os filhos da escola ao término do primeiro ano letivo, ou no segundo ano, mal aprendem as crianças a soletrar e a garantir.

Cumprir, assim, aticar aspirações de progresso e suscitar interesses educacionais. Urge seja a educação primária realmente eficaz para satisfazer necessidades práticas e imediatas, peculiares ao ambiente, e habilitar o indivíduo a reajustar-se a situações novas, advindas de possíveis deslocamentos para outros meios.

Precisa a escola primária de expandir-se da finalidade estritamente informativa ao escopo de contribuir, com autenticidade educativa, para o desenvolvimento econômico, o progresso cultural e a melhoria do comportamento humano e dos níveis de vida, no meio a que se propõe servir.

O atual sistema de ensino primário não constitui solução educacional pelo menos para 90% das crianças sergipanas que freqüentam a escola elementar, e não corresponde às necessidades sociais e aos anseios de desenvolvimento do Estado.

Para cada 100 alunos matriculados no curso elementar, em 1958, havia apenas 11 nas escolas de nível médio em geral, dos quais 8 na escola secundária (1.º e 2.º ciclos).

Em Itabaiana, onde há curso ginasial mantido pelo Estado, a proporção foi a seguinte: para cada 100 alunos matriculados no curso fundamental comum havia, no ano de referência, 5 alunos inscritos no curso ginasial. E existiam vagas no estabelecimento que ministra este curso.

Considerada ainda a evasão escolar, o número irrisório de conclusões de curso no ensino médio, deduz-se que estamos sacrificando, realmente, mais de 90% das crianças sergipanas, com uma escola primária vinculada às exigências do ensino de segundo

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grau, mormente do secundário, tão divorciado das realidades nacionais, das necessidades das massas e das novas tendências da sociedade brasileira.

Fatores que mais concorrem para as deficiências do ensino

Mesmo sob o ponto-de-vista seletivo e propedêutico, vem falhando a escola primária.

Entre os fatores que mais concorrem para as deficiências do ensino fundamental comum, considerado mesmo em relação aos fins intelectualistas, nomeamos os seguintes :

- a falta de qualificação profissional do pessoal docente e administrativo ;
- o desaparelhamento das escolas;
- o dia escolar resumido;
- as classes heterogêneas, no tocante ao "background" dos alunos e aos grupos etários;
- o número demasiado de alunos confiados aos cuidados de um professor que, nas unidades isoladas, tem o encargo de curar de diversas séries, simultaneamente;
- o regime escolar incongruente com as circunstâncias do meio natural e cultural;
- o desajustamento dos professores com o meio em que desenvolvem a atividade docente;
- a solidão da escola, minguada de relações com a família e os outros grupos sociais;
- a falta de assistência social ao aluno;
- as ingerências nocivas da política partidária na administração educacional.

Por outro lado, a multiplicação de turnos, nos Grupos Escolares da Capital, vem simplificando cada vez mais o ensino e tornando impraticável a missão educativa da escola primária, que exige "full time".

Evasão e repetência

A evasão escolar e a repetência são sintomas evidentes das deficiências da escola primária.

As elevadas proporções da evasão escolar nas áreas urbanas, como observa o professor J. Roberto Moreira (4), demonstram que a escola não é "sentida como necessidade real indispensável ao trabalho e à vida".

O tradicionalismo desfigurador do ensino fundamental comum, o caráter exclusivamente seletivo da escola primária, a falta de correspondência do currículo, dos programas e dos métodos de ensino com a experiência cultural, as aptidões e as possibilidades do aluno, o divórcio com as necessidades econômicas e sociais do meio, o despreparo e o desinteresse do professor, as interferências prejudiciais da política partidária, tudo isso tem grande responsabilidade nos insucessos do aluno, redundando-lhe em desalento e acordando, outrossim, o desânimo nos pais.

É contristador o quadro da deserção escolar no Estado. Em 1958, pela matrícula geral, estavam os alunos assim distribuídos nas diversas séries do curso elementar :

1ª série	2ª série	3ª série	4ª série
46 740	8 732	4 478	2 574

Em números índices :

1ª série	2ª série	3ª série	4ª série
100	19	10	6

A repetência, cujas implicações econômicas, pedagógicas, psicológicas e sociais são deveras graves, expressa-se também em números desoladores.

Em 1958, só 18 176 alunos foram promovidos, e apenas 1 961 concluíram o curso elementar. Logo, tão-só 20 137 alunos obtiveram aprovação. Tomando por base a matrícula efetiva total, isto é, a matrícula total no último mês letivo, que foi de 60 637 alunos, apuram-se somente 33,2% de aprovações. 69% da carga escolar a ser transferida para o ano letivo seguinte era constituída de repetentes, transeitos em alto prejuízo financeiro e em sub-

(4) In "Os Problemas do Ensino Elementar no Brasil", "Revista Brasileira de Estudos Pedagógicos", vol. XXVI — nº 54.

tração de oportunidades a grande número de crianças em idade escolar.

Vejamos o quadro de aprovações e reprovações por série, no ano de referência :

Séries	Aprovações	Reprovações	% de aprovações
1.ª	10 749	34 764	23,6
2.ª	4 612	3 792	54,8
3.ª	2 815	1 455	65,9
4.ª	1 961	484	80,2

Resultam a repetência e a evasão, principalmente, dos fatores : pauperismo, más condições de saúde, desvirtuamento da escola primária e ineficiência do professor.

O estado de pobreza dos pais, exigindo o trabalho do menor, fazendo-se responsável pela subnutrição da criança, causando-lhe desajustamentos e impedindo-lhe a frequência regular à escola : por doença, falta de roupa e de material escolar, etc., é causa prevalente da reprovação e da desistência.

As condições precárias de sanidade da criança conspiram contra o aproveitamento escolar. Apurou o Serviço Cooperativo de Saúde (órgão de cooperação entre o SESP e o Governo do Estado), na execução de um plano piloto de higiene escolar na Capital, no corrente ano (1960), a predominância de um estado anêmico entre os alunos examinados, e encontrou, em quantidade, casos suspeitos de tuberculose. Verificou, também, que "raras e felizes eram as crianças portadoras de apenas uma espécie de parasita intestinal". Isto na Capital, que dispõe de razoável assistência médico-sanitária e médico-social ! No interior, onde, por falta de saneamento, de higiene e de assistência médica, grassam, com mais intensidade, as doenças transmissíveis, comuns no Nordeste, a situação será muito pior, muito mais impressionante.

A conclusão a que chegou o Serviço Cooperativo de Saúde apoia o ponto-de-vista exposto no nosso estudo: "A Educação em Sergipe", quanto à conveniência de ser restaurada, em novas bases, devidamente aparelhada para a defesa eficaz da higidez

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dos escolares, a Inspeção Médica Escolar, tentada no Governo Pereira Lobo. (Está escrito no Relatório daquele órgão, relativo a 1960: "O bom senso mostrou-nos que era mais razoável transportar o médico para atender centenas de alunos do que centenas de alunos ao médico.")

Outra razão do malogro escolar e da deserção é o desvirtuamento da escola primária, por apêgo à tradição e à rotina; pelo caráter puramente teórico e enciclopédista do currículo; pelos programas extensos e rígidos, organizados sem atenção às diferenças individuais, às necessidades, aos interesses e ao desenvolvimento da criança, e ao tempo destinado à aprendizagem; pelas técnicas de ensino indiferentes aos fundamentos psicológicos da aprendizagem; pelos tipos tradicionais de verificação do aproveitamento do aluno, utilizados como instrumentos de seleção.

A ineficiência do professor por incompetência, desídia, inabilidade na direção da aprendizagem, relações inadequadas com os alunos, atitudes incorretas na aplicação das medidas de aproveitamento e na avaliação dos respectivos resultados, faz-se responsável, sobremaneira, pela repetência e pelo abandono da escola.

Merece considerada, também, como causa da evasão, na Capital e em algumas cidades do interior onde há ginásio, a pressa dos pais de submeterem os filhos a exames de admissão ao curso ginasial, logo alcançam êstes a idade permitida por lei (11 anos incompletos) e mediante a apresentação de mero atestado de "satisfatória educação primária".

Prédios e aparelhamento escolares

São contrastadoras as condições materiais das escolas sergipanas.

Em 1958, era a seguinte a situação da rede estadual de prédios escolares, conforme informação colhida no Departamento de Educação :

Grupos Escolares (inclusive os Rurais)	42
Escolas Reunidas	6
Escolas Isoladas	348
Escolas Rurais (Isoladas)	258

Predomina no Estado a escola isolada: péssimamente instalada, a maioria em salas de residências particulares, alugadas; desfavorecida de tudo: de espaço suficiente, luz, água, aeração e instalações sanitárias, inclusive do equipamento mínimo, mesmo para um programa desenvolvido de acordo com a superada filosofia educacional que condiciona o nosso sistema escolar.

Os próprios grupos escolares existentes funcionam em prédios inconvenientes, sem alojamentos suficientes, sem áreas próprias para recreios e esportes, e sem o mobiliário e o material didático imprescindíveis.

As escolinhas rurais, padronizadas, construídas com o auxílio federal, carecem de conservação e do devido aparelhamento.

Em nosso trabalho: "A Educação em Sergipe", frisamos: — "A falta de instalações apropriadas e de equipamento didático é uma realidade chocante na escola primária sergipense. Num programa de renovação, os problemas de instalação material e de equipamento didático das escolas teriam de figurar em primeiro plano, não se perdendo de vista:

a) que o problema das construções escolares não é questão apenas de arquitetura mas, principalmente, de técnica educacional e de economia, o que torna essencial, como ressaltam Ballesteros e Sáinz (in "Organización Escolar"), a participação dos educacionistas na elaboração dos respectivos planos e projetos;

b) que o material didático de fábrica deve ser reduzido ao indispensável, oferecendo-se recursos e estímulos para a confecção do material de ensino na própria escola, pelos alunos."

Não se pode cogitar de renovar o currículo e refazer os planos de estudo e, conseqüentemente, de modificar o trabalho escolar e a estrutura interna da escola sem a conveniente instalação e o devido equipamento das unidades escolares.

A transformação do currículo em função da nova filosofia educacional implica a adoção de outras técnicas de ensino e de diferentes práticas escolares, que exigem prédio, mobiliário e material apropriados, mormente equipamento para a sala de aula, com justeza considerada a parte vital da escola.

Por suas implicações no contexto escolar, não podem ficar à margem, num esquema de reconstrução educacional, a instalação e o aparelhamento das escolas. Assim como o edifício é a

"base física e preliminar para o programa educacional projetado", o mobiliário e o material didático constituem condições essenciais à eficiência do ensino.

Atividades extraclasse e instituições escolares

A ausência de atividades extraclasse, ajustadas às atividades comuns, e de instituições escolares é outra falha grave da escola primária em Sergipe. Não há nas escolas sergipanas atividades de auditório, excursões, campanhas escolares, exposições, jogos, orfeão, teatro escolar, jornal, etc. Nas poucas unidades que dispõem de biblioteca, esta não se integra na dinâmica escolar. Não é utilizado o cinema educativo. Tampouco funcionam instituições auxiliares da escola: nem sequer associações de pais e professores, cooperativas e pelotões de saúde.

O problema da disciplina

Procurando erroneamente solucionar a questão disciplinar, e cuidar da educação moral do aluno, as escolas sergipanas, em plena fase da disciplina imposta por coação, e da educação moral ministrada por prédicas, criam problemas para a criança e falham na sua missão de formar cidadãos conscientemente disciplinados.

Porque não apelam para o exercício das disposições sociais da criança e não procuram conduzir o aluno a situações propícias à conquista da autonomia humana, complicam as escolas primárias, ao invés de resolvê-las, os problemas da ordem, da disciplina e da aprendizagem, comprometendo, as mais das vezes, o futuro da criança.

Parece-nos oportuno transcrever aqui um dos comentários que, sobre o assunto, escrevemos e divulgamos na imprensa, sob o título: "Professores-Problemas".

Muito se há escrito sobre a criança-problema, bem assim sobre pais-problemas. Abundante é a literatura sobre a criança difícil. Pouco, muito pouco, entretanto, se tem dito sobre o professor-problema.

Assim como existe a criança-problema, com toda a gama de tipos característicos, há o professor-problema, o mestre desolusado, cujo comportamento pre-

judica deversos o aluno, criando situações incompatíveis com a aprendizagem e o sadio desenvolvimento da personalidade.

Discorrendo sobre relações humanas entre professores e alunos, Pierre Weil classifica os mestres, pelas suas atitudes, em três tipos principais: o professor sem atitudes (a que os psicólogos sociais apelidam de "laissez-faire"), o professor ditador e o professor líder. E, descrevendo-lhes o comportamento, assinala as reações correspondentes dos alunos.

Os dois primeiros tipos — o professor "laissez-faire" e o professor ditador — constituem, evidentemente, profissões-problemas. Ambas provocam nos alunos reações desfavoráveis à educação e ao rendimento do ensino.

É aliás em São Paulo a percentagem de professores ditadores: agressivos e violentos, incapazes de compreender e de aceitar emocionalmente as crianças, de quem tratam com tirania, utilizando, como prática habitual, ameaças e castigos. Muitos protegem até, nos alunos, os próprios conflitos emocionais. Tais professores concernem para que se aggrave o desajustamento da criança, originando sentimentos de revolta e de frustração, favorecendo atitudes de agressividade e de simulação, ou ocasionando a formação de hábitos de submissão passiva.

É tempo de exatarmos do professor, especialmente do professor primário, atitudes de compreensão e de aceitação da criança, afastando do magistério os incapazes de ajustamento psicológico à profissão docente.

Devem os professores, antes de tudo, encerrar o comportamento infantil como resultante de causas. Carecem compreender que as reações da criança têm raízes nas experiências passadas, são condicionadas pela situação presente e influenciadas, também, pelas expectativas do futuro. Precisam de persuadir-se que cada criança é condicionada de modo diferente por diferentes combinações de fatores biológicos e sociais, que lhe moldam o comportamento.

Compreendendo e aceitando a criança, seriam os professores levados a alterar a maneira por que julgam o procedimento dos alunos e, por consequência, suas relações com os mesmos.

Se o comportamento da criança resulta de causas, e se a criança — valor sagrado — é educável e poderá, qualquer que seja o seu procedimento atual, realizar destino útil à comunidade, então o professor no dever de esboçar-se em desenvolver a "autoridade verdadeiramente educadora", a que se refere Peter Petersen, e orientar convenientemente os alunos, não enjulgando ou desprezando nenhum deles, por avaria ou intolância.

Se o educador não deve cruzar os braços, como o faz o professor "laissez-faire", diante de atitudes incorretas do aluno, não lhe é lícito, também, como o faz o professor ditador, esconder a criança pelos seus maus hábitos. Impõe-se-lhe empreender trabalho paciente e perseverante no sentido de, investigadas as causas do desajustamento, atuar sobre estas.

Pode o professor redirigir as tendências do aluno, modificando o comportamento, levá-lo a adquirir novos hábitos e atitudes, se maniver com ele relações que lhe infundam sentimentos de confiança e segurança; se proporcionar à criança novas experiências, que lhe permitam compreender melhor o mundo e a criatu-

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mas; se levá-lo a viver os ideais e as virtudes para os quais lhe solicita a adesão, transformada a comunidade escolar em verdadeira "sociedade educativa".

Por outro lado, não deve o mestre perder de vista que os alunos, durante as diversas fases do respectivo desenvolvimento, enfrentam situações que podem ser denominadas "problemas de crescimento", cabendo ao educador ajudá-los, com simpatia e solidariedade, a enfrentar e a superar essas situações.

Quanto à aprendizagem, esforçar-se-á o professor por dirigirla segundo os respectivos princípios psicológicos, motivando-a de um modo adequado e dosando-a de acordo com as possibilidades efetivas do aluno. E não atribuirá, jamais, os insucessos escolares às deficiências dos escolares; ao revés, deverá culpar-se dos fracassos.

O problema da disciplina, que, em Sergipe, tanto aflige os professores e perturba a escola, deixará de ser problema quando se procurar compreender a criança, cercá-la de afecção, e modificar o ambiente escolar, dotando-o de condições favoráveis à socialização e de situações democráticas.

Pessoal docente e administrativo

Constitui o magistério questão vital em qualquer sistema escolar e em todos os níveis e ramos do ensino. "O êxito de um sistema educacional, escreveu com muita propriedade o professor I. L. Kandel ⁽⁵⁾, depende, em última análise, dos professores que o põem em prática."

Prevalece no Brasil, infelizmente, a concepção esdrúxula de que qualquer pessoa pode ensinar. Se vivo fora, verificaria Sílvia Romero ⁽⁶⁾ que ensinar é ainda no País, notadamente em Sergipe, um dos "refúgios da indigência nacional". Entre nós, parafraseando Shaw, quem não é alfabetizado, alfabetiza; quem nada sabe fazer, ensina; e quem não sabe ensinar, ensina a ensinar...

Militaram no ensino fundamental comum, em 1958, 1 727 professores (regentes e auxiliares) dos quais: 494 normalistas e 1 233 não normalistas, assim distribuídos, segundo a dependência administrativa:

(5) In "Uma Nova Era em Educação".

(6) Vide: Sílvia Romero, "Notas sobre o Ensino Público", in "Ensaio de Sociologia e Literatura".

Dependência administrativa	Normalistas	Não Normalistas	% de normalistas
Federal	1	—	100
Estadual	308	665	31,7
Municipal	31	421	7,3
Particular	153	157	49,3

O total de professores não normalistas, em termos percentuais, atingiu 71,39%, o que representa, sem dúvida, índice elevadíssimo de improvisação, e assume caráter de calamidade, pois esse professorado leigo, na sua maioria, é composto de semi-analfabetos, inaptos e desinteressados, que transformam o ensino num ensino faz-de-conta, e a escola primária numa dolorosa burla.

O número de professores que se diplomam anualmente é pequeno, em relação às oportunidades no mercado de trabalho. ⁽⁷⁾ E o nível de qualificação dos egressos dos cursos de formação de professores primários é baixíssimo, em vista das graves falhas e omissões no ensino normal, relegado à indiferença, à rotina e ao formalismo.

O magistério, principalmente o público, não desperta interesse, em virtude da má remuneração de seus cargos e do "status" atribuído ao professor. Demais, o acesso aos cargos e funções de magistério, no Estado e nos municípios, depende da influência política, e não da qualidade do candidato. Daí, a ínfima procura do ensino normal.

Em 1959, a matrícula inicial nos cursos de formação de professores primários foi de 127 alunos, e de 4 no curso de regente de ensino. Somente os Territórios de Amapá, Rio Branco e Rondônia apresentaram matrículas inferiores à registrada em Sergipe, nesse ramo do ensino médio.

A falta de processos de integração profissional (para os leigos) e de aperfeiçoamento (para os normalistas), eficientes e praticados em larga escala, não se opera o progresso profissional

(7) Em 1958, houve somente 33 conclusões nos cursos de formação de professores primários, e 4 no curso de regentes.

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do professor militante. (6) O próprio concurso do I.N.E.P., por meio de bolsas de estudo, não tem sido devidamente aproveitado pelo Estado, conforme demonstramos no Capítulo VII de nosso livro: "A Educação em Sergipe".

Desta sorte, não dispõe o professor de oportunidades para corrigir as deficiências de formação ou suprir, até certo ponto, a falta de preparação intelectual e profissional. Nem de ensejos para reformular a reflexão pedagógica, atualizar os conhecimentos, enriquecer a experiência e melhorar a didática. E não recebe nenhuma assistência, nenhuma orientação técnica. A própria inspeção escolar que, no mais das vezes, dentro no espírito e nos métodos tradicionais do ensino primário, orientava também, há muito tempo não funciona.

As funções de administração escolar são exercidas por elementos com precária experiência docente e sem especialização, não obstante revelarem alguns boa vontade, esforço e dedicação.

O ensino normal

Organizado de conformidade com o Decreto-lei federal n.º 560, de 2/1/1946, apresenta o ensino normal numerosas e graves falhas, que o tornam ineficiente.

A começar da mistura com o ensino secundário e do recrutamento dos candidatos aos cursos de formação de professores primários (duas séries anuais apenas), com currículo, programas, práticas didáticas e regime disciplinar inadequados, tudo se apresenta deficiente no ensino normal. E a sua atual organização não favorece qualquer esforço no sentido de imprimir eficiência à formação dos futuros mestres.

Faz-se indispensável, assim, ampla e bem cuidada reforma do ensino normal, levando-se em conta, principalmente :

(6) O Departamento de Educação despendeu, em 1958, segundo dados colhidos na Contadoria Geral do Tesouro do Estado, Cr\$ 77 223,70 com o aperfeiçoamento do professor primário, isto é, com a manutenção de um Curso de Aperfeiçoamento, instituído pelo Decreto-lei n.º 1 128, de 5/12/1946, que julgamos inócuo e ineficientíssimo.

- a) a revisão do currículo e dos planos de estudo, e a renovação dos métodos de ensino e do ambiente escolar;
- b) a seleção psicotécnica dos candidatos, constante de provas de conhecimentos, de aptidão e de personalidade;
- c) a organização do curso básico (de 1.º ciclo) independentemente do ensino secundário: em função da educação especializada do professor;
- d) a duração de três anos para o curso de formação de professores (2.º ciclo);
- e) o funcionamento do Jardim da Infância e do Grupo Escolar, anexos às Escolas Normais, como escolas de demonstração e prática;
- f) a instalação de cursos de especialização e de administração escolar;
- g) efetiva e rigorosa inspeção, orientação e fiscalização aos cursos normais particulares, no caso de prevalecer o regime de outorga de mandato;
- h) planos de emergência para a preparação do professor rural, aproveitando-se o prédio da Escola Normal Rural Murilo Braga, em Itabaiana, para a instalação inicial de um Curso Normal intensivo, em regime de internato gratuito, nos moldes da experiência realizada pelo Estado do Rio, no Município de Cantagalo⁽⁹⁾, experiência que se nos afigura mais modesta do que a de Minas Gerais.⁽¹⁰⁾

Financiamento da educação

As despesas com a educação distribuem-se entre a União, o Estado, os municípios e a iniciativa privada.

Em 1958, a União custeou uma unidade de ensino primário, manteve o ensino supletivo e dois ramos — o industrial e o agrícola — do ensino médio. E cooperou com auxílios pecuniários.

(9) Vide: "O Sistema Educacional Fluminense", publicação n.º 5, da CILEME, e Nunes Mendonça — "A Educação em Sergipe".

(10) Para o custeio do Curso, conjugam-se-lhe o Estado e os municípios. E a União poderia colaborar com recursos técnicos e financeiros.

rios, previstos na Constituição Federal, para o desenvolvimento do sistema estadual de ensino.

Despendeu o Estado com a educação, naquele ano, a importância de Cr\$ 43 044 585,90, ou sejam 21,25% da receita de impostos arrecadada. Essa despesa teve a seguinte distribuição, conforme dados fornecidos pela Contadoria Geral do Tesouro do Estado :

Departamento de Educação	Cr\$ 3 097 415,80
Estabelecimentos de ensino primário	22 853 116,80
Estabelecimentos de ensino médio	11 473 838,10
Estabelecimentos de ensino superior	1 818 573,20
Educação artística (Instituto de Música e Canto Orfêonico)	690 010,80
Biblioteca Pública	710 477,00
Subvenções, contribuições e auxílios	2 601 154,30

Os municípios gastaram apenas com o ensino primário.

Entidades particulares mantiveram, com as taxas de matrícula dos próprios alunos e "auxílios", "subvenções" e "suplementações" do poder público, unidades dos níveis: primário, médio e superior.

A falta de elementos disponíveis, deixamos de consignar as despesas realizadas pela União, pelos municípios e por entidades privadas com a educação, nos diversos níveis e ramos do ensino.

Com uma renda diminuta, que vem crescendo apenas vegetativamente, não pode o Estado fornecer suficiente e boa educação escolar, embora cumprindo, como o vem fazendo, o dispositivo da Constituição Federal que manda aplicar pelo menos 20% da receita tributária (de impostos) com a educação.

Essa quota, devidamente atendida, seria satisfatória, não fosse tão pequena a receita, e menos insatisfatória, houvesse melhor administração das despesas.

Pelo exame das Tabelas respectivas, na Lei de Meios, nota-se que o esforço do Estado, pôsto significativo em relação ao seu quadro econômico, se limita ao custeio dos serviços de educação existentes. E pouquíssimo é destinado a outros encargos que não os de pessoal. Em matéria de construções escolares, por exemplo, restringe-se o Estado a aplicar os auxílios federais que recebe por intermédio do I.N.E.P. As despesas com mão-de-obra excessiva absorvem quase todos os recursos. Não há contenção, nem equilíbrio.

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Acontece, ainda, que o Estado procura multiplicar oportunidades de educação pós-primária gratuita, no ramo secundário, procurado à guisa de meio para a ascensão social, ampliando desafortunadamente um ramo de ensino que deixou de corresponder às necessidades sociais, carecendo, assim, de reajustamento. E com isso está desviando grande parcela dos recursos públicos, em detrimento da educação de todos para a vida real e o trabalho; em prejuízo da educação popular, prioritária por excelência. (11)

Além dessas tendências, há dois outros males no financiamento público da educação: a mentalidade paternalista e a falta de planejamento.

Não se nota que a educação é, na verdade, um processo econômico. Não se atenta em que "o melhor investimento", como foi proclamado pela Segunda Reunião Interamericana de Ministros da Educação, realizada em Lima (12), é o que se faz com a educação, pois esta "possui o maior multiplicador cultural e econômico".

Releva substituir as idéias sentimentais e as atitudes paternalistas com a consciência do papel econômico da educação e do direito que todos têm à formação justa, segundo as aptidões e as aspirações de cada um, para os diferentes níveis e ramos de ocupação, tão diversificados nas sociedades modernas. E fundamentar as medidas e os gastos educacionais num planejamento racional.

É válida para todos os povos a advertência do professor Juan Montovani (13): "La democracia, entre nosotros, si quiere ser verdadera hay que concebirla sobre un Estado que organice con seriedad la vida creando condiciones cada vez mejores de existencia humana."

Sergipe, por outro lado, padece as consequências do isolamento, da disjunção de esforços e da dispersão de recursos, que tem caracterizado a participação das três esferas de governo:

(11) Vejamos, para melhor compreensão do assunto: Anilda Teixeira, "A escola brasileira e a estabilidade social", in "Revista Brasileira de Estudos Pedagógicos", vol. XVIII — n.º 57.
(12) Vide: "A Educação Primária Gratuita e Obrigatória", publicação do I.N.E.P., 1955, pág. 85.
(13) in "La educación popular en América".

federal, estadual e municipal, na empresa educacional, empreendimento que demanda, respeitadas a descentralização e a autonomia regional, comunhão de anseios, conjugação de forças, agregação de esforços, associação de recursos, ação coordenada.

Já nos idos de 1933, o sardoso Teixeira de Freitas ⁽¹⁴⁾ clamava contra o insulamento dos esforços do Poder Público (União, Estados e municípios) e da iniciativa privada no campo educacional, de que resulta uma "obra dispersiva, sem extensão e sem profundidade, alheia das condicionantes do meio físico e social, desprovida de virtualidade construtiva, confinada em compartimentos estanques..." E sugeria a articulação e a coordenação das "três ordens governamentais", a instituição do "sistema que ainda não temos".

No mesmo sentido se vem batendo Anísio Teixeira: "integração dos recursos de origem federal, estadual e municipal em uma só obra conjunta de educação" e "ajustamento das escolas às condições econômicas locais". ⁽¹⁵⁾

Conclusões

Afigura-se-nos inútil discutir se a educação é problema de super-estrutura, ou se o é mais de infra-estrutura. Se é exigência do desenvolvimento econômico, ou uma de suas causas.

Cremos na interdependência dos fatos sociais. Parece-nos ponto pacífico o "approach" educação — desenvolvimento, a relação de reciprocidade entre economia e educação.

Colocar a educação a serviço de nossas aspirações de progresso, como agente de mudança, na medida em que isto for possível, é tarefa histórica de nossa geração.

Para enfrentar tal empresa precisamos de fé racional na educação e de ação planejada. E quando preconizamos fé racional não excluímos o entusiasmo que nasce do coração e impulsiona, mais que qualquer outra disposição do espírito humano, os grandes empreendimentos. Não excetuamos mesmo o sentimento in-

(14) In "O ensino primário no Brasil".

(15) Veja-se, de Anísio Teixeira: "Sobre o Problema de Como Financiar a Educação do Povo Brasileiro", in "A Educação e a Crise Brasileira".

gênuo e heróico que pretende transferir "o coração em colunas mais fortes" e "a dedicação em ouro mais fino" do que "as colunas e o ouro das escolas suntuosas", como está na "Oração da Mestra", de Gabriela Mistral. "Sólo la fe en lo trascendente de la obra que se le confia dará al estadista en educación la fuerza necesaria para salir victorioso de las dificultades ingentes con que tropezará en su camino", afirmou o prof. Pedro Rossello. ⁽¹⁶⁾

Não desconhecemos que "a inércia, a oposição e a falta de recursos", como escreveu Solon T. Kimball, em relatório ao diretor do I.N.E.P. ⁽¹⁷⁾, "representam barreiras suficientemente ponderáveis para desencorajar até os mais valentes".

Mas alguma coisa deve e pode ser feita para sacudir a inércia, vencer a oposição, conseguir maiores recursos e estimular o "sentimento de urgência" quanto às reformas de que carecemos, fazendo, destarte, que o sistema educacional acerte o passo com a mudança social e as necessidades regionais.

Impõe-se que a política de educação seja orientada no sentido de:

- 1 — coordenação dos esforços educacionais aos planos de desenvolvimento econômico e social do Estado;
- 2 — ação planejada, de acordo com estudos ecológicos, demográficos, sociais e econômicos, na fixação das metas e na solução dos problemas de educação fundamental comum;
- 3 — prioridade de financiamento para a educação primária, e aplicação inteligente dos recursos, a fim de permitir a máxima rentabilidade;
- 4 — expansão da rede escolar, em cooperação com os municípios e precedida de cuidadoso planejamento para a distribuição de escolas segundo as necessidades reais, nas diversas áreas do Estado;
- 5 — reformulação do conceito de educação popular e coerente correção das distorções da escola primária;
- 6 — prédios adequados e aparelhamento para as escolas;

(16) Discurso proferido na inauguração do III Curso de Especialistas em Educação ("Pesquisa e Planejamento", boletim do Centro Regional de Pesquisas Educacionais de São Paulo, vol. 4, junho de 1950).

(17) "Revista Brasileira de Estudos Pedagógicos", vol. XXXIII — n.º 37.

7 — revisão do currículo, dos programas e dos métodos de ensino, de harmonia com a filosofia e o processo democrático da educação, e as modernas concepções da criança e da aprendizagem;

8 — ajustamento da escola rural ao meio natural e cultural, tendo-se como essencial: a) a seleção, o preparo e o treinamento do professor, considerada, sobretudo, a função de liderança que este terá de exercer; b) o reajustamento e o enriquecimento do currículo no sentido da vida rural; c) a motivação do ensino e a adequação do material didático, e d) a extensão da ação educativa da escola a toda a comunidade rural;

9 — ampliação da escolaridade do ensino primário, nos centros urbanos, mediante a instalação do curso complementar ao primário, de cunho pré-vocacional, e articulado com os vários ramos do ensino médio;

10 — treinamento e aperfeiçoamento do professor ativo por meio de cursos de integração profissional para os leigos, e de aperfeiçoamento para os normalistas;

11 — fomento ao ensino normal, mediante defesa profissional e valorização econômica do magistério (aproveitamento obrigatório dos diplomados em escolas normais oficiais nas vagas de magistério e salários iniciais superiores ao salário-mínimo local), elevação do "status" do mestre e, também, propaganda profissional;

12 — reajustamento e ampliação dos direitos e vantagens do professor, com o propósito de estimular o esforço e a dedicação profissionais;

13 — reorganização do ensino normal, com o fim de conferir eficiência à formação do educador primário;

14 — planos de emergência para a preparação do professor rural;

15 — regulamentação da matrícula por idade na escola primária, e revisão do sistema de promoções, esta com o fim de permitir o progresso contínuo do aluno;

16 — intensificação das relações entre a comunidade e a escola, e efetiva participação da família na obra educativa;

17 — assistência social escolar para nivelamento das oportunidades educacionais;

18 — afastamento das interferências prejudiciais da política partidária na administração educacional.

Vale ressaltar a necessidade de reivindicar maior cooperação financeira e técnica da União para a execução de programas de alargamento e aperfeiçoamento do ensino primário. E a conveniência de, unificadas as preocupações e dirimidos antagonismos e hostilidades, convocar os municípios para o esforço unívoco, o planejamento geral e orgânico da educação, por meio de convênios, previstos na própria Constituição do Estado, no seu artigo 153.

III — ENSINO MÉDIO (1959)

Generalidades sobre o ensino de nível médio

A educação de segundo grau, ou pós-primária, no seu aspecto técnico assim no tocante à sua organização, constitui problema fundamental dos povos modernos.

"O ajustamento dos programas e das estruturas do ensino pós-primário — adverte Roger Gal ⁽¹⁸⁾ — a um mundo que, conforme se nota, está em rápida evolução, é problema que tem de ser enfrentado com urgência por todos os países, seja qual for o respectivo grau de desenvolvimento."

Todos admitimos que a escolaridade comum deve ser dilatada, que deve ser universalizada a educação pós-primária. É exigência do desenvolvimento e da democracia. A dificuldade reside, como escreveu I. L. Kandel ⁽¹⁹⁾, "em definir o tipo de educação que deve ser ministrada no setor secundário ou pós-primário".

É ponto pacífico que a educação da adolescência oferece problemas mais complexos e mais graves que os da educação primária. No campo da educação de segundo grau são maiores as dificuldades e as resistências. Questões de ordem financeira, técnica, política, social e ideológica, interesses disfarçados e presunções mal fundadas se aliam para tornar tudo mais complicado.

(18) In "O ensino secundário no mundo moderno", "Crônica da UNESCO", vol. v, n.º 11.

(19) Op. cit.

Está arraigada no espírito do povo a preferência pela escola secundária, procurada imponderadamente como meio de promoção social, ou de manutenção de "status". Com exceção do comercial, que se vem expandindo, os demais ramos do ensino médio são desprezados pelas camadas populares, ávidas de ascensão social. O povo não percebeu ainda que a escola secundária, desarticulada com a nova estrutura social do País, ilude suas aspirações.

Além disso, há outros obstáculos a superar, várias dúvidas a desfazer e muita coisa a conciliar.

Foge, evidentemente, aos propósitos deste estudo a análise de tão importante problema, considerado vital para as necessidades atuais do País e para a estabilidade da sociedade brasileira.

Todavia, recomendamos ao leitor não familiarizado com a matéria os seguintes trabalhos: I. L. Kandel — "Uma Nova Era em Educação", Editora Fundo de Cultura S.A. — Rio (capítulos 5 e 8); Anísio Teixeira — "A escola brasileira e a estabilidade social", in "Revista Brasileira de Estudos Pedagógicos", vol. XXVIII — n.º 67; Jayme Abreu — "A Educação Secundária no Brasil", idem, vol. XXII — n.º 58; Gildásio Amado — "Tendências da Educação Secundária", idem, vol. XXIX — n.º 69, pág. 155. Trata-se de pequena bibliografia, para conhecimento geral do assunto.

Aspectos numéricos do ensino médio em geral

O ensino de nível médio em Sergipe contava em 1959 com 46 unidades, nas quais se encontravam matriculados, no início do ano letivo, 7 411 alunos, assim distribuídos segundo os ramos e os ciclos:

Ensino Secundário	4 773
Ciclo científico	334
Ciclo colegial	
Ensino Comercial	653
Pósco	453
Técnico	
Ensino Industrial	248
Edício	

Ensino Agrícola	194
Iniciação	15
Técnicas	
Ensino Normal	3
Regentes de ensino	127
Professores Primários	

No ano anterior (1958) houve 1 002 conclusões de curso nos diversos ramos do ensino médio, das quais :

Secundário em geral	712
Comercial em geral	151
Industrial (Básico)	21
Agrícola (Iniciação)	41
Normal em geral	37

Das 46 unidades de ensino médio, 24 eram de ensino secundário: 20 do ciclo ginasial e 4 do colegial (3 do curso científico e 1 do clássico); 7 de ensino comercial: 3 do curso básico e 4 do técnico; 7 de ensino industrial (1.º ciclo: básico e mestria); 3 de ensino agrícola: 2 dos cursos de iniciação e mestria e 1 do 2.º ciclo, e 5 de ensino normal: 1 do curso de regentes de ensino e 4 do curso de formação de professores primários.

Militaram em 1959 no ensino médio 580 professores, dos quais: 390 no ensino secundário, 91 no ensino comercial, 11 no ensino industrial, 52 no ensino agrícola e 36 no ensino normal.

As unidades de ensino médio encontravam-se assim distribuídas: Capital — 25 unidades, e Interior — 21 unidades.

Ensino Secundário

Dá-se em Sergipe o mesmo que em outras partes do País: o ensino secundário predomina no número de unidades e na matrícula.

No ano de 1959, mais de 50% das unidades de nível médio no Estado eram de ensino secundário. A matrícula inicial nos cursos secundários atingiu 77% da matrícula total no ensino de nível médio, com a seguinte distribuição :

Cursos	Total	1.ª série	2.ª série	3.ª série	4.ª série
Números absolutos					
Ginásio . . .	4 733	1 733	1 361	981	718
Científico . .	805	503	178	127	—
Clássico . . .	123	77	22	24	—
Números índices					
Ginásio . . .	100	100	79	55	41
Científico . .	17	100	35	25	—
Clássico . . .	3	100	28	39	—

Observa-se a desproporção entre a matrícula no curso ginásio e as matrículas nos cursos de segundo ciclo, e a queda de matrículas nas séries seguintes à inicial.

O primeiro fato corrobora a conclusão a que se tem chegado: que a escola secundária está sendo apenas secundariamente seletiva para cursos de nível superior. O segundo, evidencia a presença da evasão escolar.

Das 24 unidades de ensino secundário, existentes em 1959, 3 de primeiro e 2 de segundo ciclo foram mantidas pelo Estado. As demais, 17 do primeiro e 2 do segundo ciclo, por entidades privadas.

Examinando-se o Orçamento do Estado para o ano de 1958, prorrogado para o exercício de 1959, encontram-se várias subvenções à iniciativa particular no ensino secundário, inclusive à Campanha Nacional de Educandários Gratuitos, num total de Cr\$ 614 000,00, além de auxílios especiais, totalizando Cr\$ 48 000,00.

Na escola secundária, em Sergipe, estão presentes as mesmas falhas educacionais, os mesmos aspectos negativos verificados em todo o País. E não poderia ser diferente: a pobreza de instalações e de equipamento material, o espírito, o currículo e os processos didáticos são os mesmos. Propedêutico e seletivo nos cursos de nível universitário, desde o primeiro ciclo, não leva em conta a escola secundária as diferenças individuais e não alcança o objetivo que deveria ser colimado: desenvolver e orientar aptidões; enriquecer a experiência do educando e formar o cidadão para a

7

vida real, para os problemas da existência humana na civilização moderna, para a família, para as carreiras econômicas e políticas, dentro no sentido de liberdade, de responsabilidade social e dos demais valores morais e democráticos.

Como principais deficiências da escola secundária, apontamos :

- prédios e aparelhamento escolares precários;
- seleção defeituosa e duvidosa do pessoal docente;
- falta de consciência pedagógica e de formação profissional do professor;
- inadequação do currículo, pelo tipo de organização e pela sobrecarga do conteúdo;
- ensino verbalista e abstrato, através de métodos passivos, e em regime individualista e competitivo;
- preocupação exclusiva com os exames, efetuados pelo processo tradicional;
- ausência de orientação educacional;
- processos autocráticos de disciplina;
- administração escolar exercida por pessoas sem qualquer título de habilitação, e
- o mercantilismo e as preocupações estranhas e nocivas aos interesses do ensino, em muitos dos estabelecimentos mantidos por entidades privadas.

Na escola secundária, na qual se faz caso da quantidade, e não da qualidade dos conhecimentos ministrados, variam apenas os padrões seletivos, o rigor no peneiramento, na filtragem. Uns estabelecimentos funcionam como peneira de malha mais fina : exigem mais do aluno. Outros, como peneira mais grossa : quase nada exigem.

"Em lugar de dar aos moços que a freqüentam estímulos e informações que lhes permitam adaptar-se com êxito à sociedade a que pertencem, diz-lo Oliveira Júnior ⁽²⁰⁾, o curso secundário brasileiro tornou-se fonte de desilusões e desmoralização para aqueles que o seguem".

(20) "Doze Ensaios sobre Educação e Tecnologia", publicação da CAPES, 1956.

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Procede a dolorosa observação do professor Amaro Xisto de Queirós ⁽²¹⁾: "Um mço que termina o curso secundário, entre nós, está tão inapto para a vida como para prosseguir com consciência e eficácia os estudos universitários."

O problema do professor secundário em Sergipe é dos mais graves. Faltam, no Estado, condições e estímulos para a formação de quadros de profissionais idôneos e dedicados inteiramente ao magistério.

A Faculdade Católica de Filosofia, fundada mais com objetivo de prover o magistério secundário e o superior, não está concorrendo para a renovação e o enriquecimento desses quadros. Seja no tocante à cultura livre e desinteressada, à formação do cientista, do pesquisador nos vários ramos do saber, ou no que tange à preparação do candidato ao magistério, tem falhado a Faculdade de Filosofia, pois se limita a oferecer aos alunos "informação sobre a cultura, sem lhes propor um "sentido" dentro do qual essa informação encontre o seu lugar próprio". Vem conferindo títulos sem formar espíritos para as aventuras do pensamento, as conquistas científicas e espirituais, ou para a eficiência pedagógica, que não se pode confundir com o mero preparo didático, apressado e formal.

Aliás, sem resolver satisfatoriamente o problema de seu corpo docente, nenhuma Faculdade de Filosofia poderá desempenhar a triplíce função que é atribuída a essa instituição de educação superior: criar cultura, formar cientistas e especializar vocações para o magistério.

Encontramos no Estado dois tipos representativos do magistério secundário: o professor que tem a docência como profissão e o que faz da cátedra simples "bico". O primeiro, para conseguir sofrível padrão de vida, se vê forçado a lecionar em vários estabelecimentos, num corre-corre tremendo, das 8 às 22 horas, o que lhe acarreta permanente estafa física e mental. O segundo, absorvido nas tarefas da profissão principal, também não apresenta índice aceitável de eficiência.

(21) "Vocação e Destino das Faculdades de Filosofia", in "Revista Brasileira de Estudos Pedagógicos", vol. XXVII — n.º 85, pág. 196.

Ensino Comercial

Depois do secundário, o ramo mais procurado, entre nós, é o comercial. A matrícula inicial, no ensino comercial, representou, em 1959, 15% do total de matrículas no ensino médio.

Quanto à dependência administrativa, das 7 unidades que funcionaram em 1959, 2 eram estaduais e 5 particulares.

O ensino comercial, sem entrosagem com o meio social, sem articulação com o mercado local de trabalho e sem contactos com a comunidade, apresenta em Sergipe características idênticas às da escola secundária. Os mesmos déficits e falhas, "mutatis mutandis". É deficiente quanto à educação do homem e quanto à preparação do trabalhador para as diversas atividades específicas no mercado profissional. Nada de ensino funcional, de organização de "classes-empresas", de técnicas de trabalho e de processos de educação apropriados, de motivação profissional, de salas especiais destinadas à "praticagem", de orientação educacional e profissional.

Se as unidades mantidas pelo Estado são ineficientes, as particulares são exemplos típicos de ensino improvisado, com o fim exclusivo de exploração comercial.

Está presente, neste ramo de ensino médio, a evasão escolar.

Em 1959, a distribuição da matrícula inicial, segundo os ciclos didáticos e as respectivas séries, era a seguinte :

Ciclo Básico				Ciclo Técnico		
1.ª série	2.ª série	3.ª série	4.ª série	1.ª série	2.ª série	3.ª série
213	211	126	103	208	178	77

Ensino Industrial

A União mantém em Sergipe um estabelecimento de ensino industrial: a Escola Industrial de Aracaju, na qual funcionou, em 1959, 7 unidades de 1.º ciclo (Básico e Mestría). É um ramo de ensino pouco procurado. Falta-lhe "prestígio social". A sua

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clientela provém de origem social humilde, e é atraída mais pela cultura geral, ministrada nos seus diversos cursos, e pela assistência social.

Não corresponde o ensino industrial oficial às necessidades de preparação do fator humano para a indústria, no Estado. Nem está formando colaboradores conscientes da produção e do enriquecimento econômico da região. Não está desenvolvendo o nosso potencial humano para o progresso do Estado.

Como principais deficiências desse ramo de ensino, destacam-se:

- falta de recursos materiais, de instalações e de equipamento para o ensino técnico;
- falta de eficiência na formação intelectual e social;
- ineficiência do professorado, mormente dos professores de cultura técnica;
- currículos rígidos e sobrecarregados;
- inflexibilidade dos cursos e desajustamento dos mesmos com a realidade econômica da região, e
- falta de orientação técnico-profissional aos alunos.

É grande a evasão escolar no ensino industrial, como vemos abaixo, na distribuição da matrícula inicial por série, em 1959, no Curso Básico:

1.ª série	2.ª série	3.ª série	4.ª série
122	73	33	31

O SENAI mantém no Estado cursos de aprendizagem industrial, mais plásticos e mais engrenados com as exigências e situações da produção fabril, com as necessidades de mão-de-obra para a indústria.

Ensino Agrícola

O ensino agrícola é pouco expressivo em Sergipe como, aliás, em todo o País. Mais desprestigiado socialmente do que o industrial, sofre o impacto do preconceito existente sobre a agricultura.

Havia no Estado, no ano de referência, 3 unidades na Escola Agro-Técnica Benjamin Constant, mantida pela União, com a

matrícula de 209 alunos, assim distribuída, segundo os ciclos didáticos e as respectivas séries :

Inicição e Mostra		Técnico		
1. ^a série	2. ^a série	1. ^a série	2. ^a série	3. ^a série
115	79	4	11	—

A clientela do ensino agrícola, provinda das classes inferiores, é atraída pela assistência social, em regime de internato, proporcionada pelo Poder Público.

Ainda hoje, o estabelecimento que ministra esse ramo de ensino, localizado no Município de São Cristóvão, constitui, pelos aspectos da procura, ora uma espécie de instituição para menores desamparados, ora uma instituição de educação emendativa.

Conclusões

De relação ao ensino de nível médio, considerada a "déballe" entre o desenvolvimento econômico e este grau de ensino, "anquilosado por uma tradição social de preparo para classes privilegiadas", parece-nos acertada a adoção de um programa de educação para o desenvolvimento, que leve em conta, sobretudo:

- 1 — o ajustamento do ensino secundário às necessidades de sua nova clientela e às exigências sociais no presente estágio da evolução nacional;
- 2 — o fomento ao ensino técnico-profissional;
- 3 — a eficiente formação, ao lado da educação geral do indivíduo, de profissionais especializados para a indústria, o comércio e a agricultura, e o treinamento de operários qualificados;
- 4 — o devido equipamento e a modernização das escolas técnicas;
- 5 — a flexibilidade dos currículos e dos cursos técnicos;
- 6 — a substituição do ensino expositivo por técnicas específicas eficientes;
- 7 — o preparo eficaz e o aperfeiçoamento do pessoal docente;

8 — a Orientação Educacional e Profissional, bem assim a Orientação Pedagógica;

9 — a realização de investigações sobre o mercado de trabalho e de pesquisas para a apuração das necessidades de mão-de-obra nos vários setores que exigem trabalho qualificando e especializado;

10 — a articulação do ensino profissional com o meio, a comunidade e o mercado de trabalho;

11 — a criação de cursos que visem ao preparo de elementos para novas modalidades de ocupação reclamadas pela administração, pela produção e pela circulação da riqueza, ou previstas como decorrência do processo de desenvolvimento econômico regional;

12 — a multiplicação de cursos práticos de aprendizagem industrial, e a criação de um sistema de escolas artesanais, tão importantes para apoiar o desenvolvimento econômico do Estado.

Plenas de atualidade, as palavras de Horace Mann, dirigidas no século passado aos seus patrícios, são particularmente aplicáveis aos brasileiros: — "Americanos: se vos apontassem uma mina de carvão, capaz de render 10%, correríeis apressados a explorá-la; entretanto, há indivíduos capazes de dar 40, 50% ou mais, e deixais que eles cresçam a esmo, ignorantes, como coisa imprestável. Estais constantemente preocupados com máquinas e capitais; todavia, esquecei-vos de que a mais importante das máquinas e o maior dos capitais é o homem."

IV — ENSINO SUPERIOR (1959)

Existem 5 estabelecimentos de ensino superior em Sergipe, todos localizados na Capital: uma Faculdade de Filosofia, uma Faculdade de Direito, uma Faculdade de Ciências Econômicas, uma Escola de Química e uma Escola de Serviço Social.

Na Faculdade de Filosofia, a matrícula, no início do ano letivo de 1959, em a seguinte: Curso de Filosofia — 4, História e Geografia — 29, Letras anglo-germânicas — 12, Letras neo-latinas — 24, Didática (licenciados) — 10.

No mesmo ano, a Faculdade de Direito registava a matrícula inicial de 116 alunos; a Faculdade de Ciências Econômicas, de 49; a Escola de Química, de 34, e a Escola de Serviço Social, de 35.

O Estado mantém dois estabelecimentos: a Faculdade de Ciências Econômicas e a Escola de Química. Os outros são mantidos por entidades privadas.

De referência ao ensino superior, torna-se mister combater as improvisações, aparelhar as escolas existentes, melhorar o ensino e aprimorar o pessoal docente.

* * *

Cuida-se, no momento, da instalação da Faculdade de Medicina, iniciativa que vem contando com o apoio do Governo Estadual. E já se pensa na criação da Universidade de Sergipe.

Não obstante a longa antecipação, parece-nos conveniente a advertência acerca da idéia errônea, generalizada entre nós, de que uma Universidade pressupõe apenas aglomeração de institutos de ensino superior: sem unidade, sem integração das partes no todo, desarticuladas, sem coordenação, sem apoio num alto pensamento filosófico, científico e literário, numa larga concepção de vida e de cultura: destituída do espírito universitário, que é, acima de tudo, o "espírito de comunidade e interdependência do saber".

A fundação de uma Universidade implica a reforma na estrutura e no funcionamento das escolas de nível superior, a mudança no espírito e nos métodos do ensino, o trabalho de ajustamento para a constituição de um sistema, assente nos estudos comuns de cultura livre e desinteressada, na especialização intelectual.

É evidente que a formação de uma cultura básica, em alto nível, deve anteceder a toda especialização técnica.

As Universidades não devem visar à mera habilitação profissional, amoldadas com a rotina. Sua missão é bem mais elevada: originar, organizar, vivificar e irradiar a cultura; reconstruir intelectualmente a experiência humana; abrir novos caminhos; impulsionar a evolução do pensamento; incitar o poder criador da inteligência; intensificar e ordenar a vida espiritual, formar culturas verdadeiramente superiores nos diversos ramos do conhecimento, e conferir eficiência científica e técnica.

É nas Universidades, principalmente, que devem ser despertadas e estimuladas a curiosidade intelectual e a capacidade criadora do espírito humano, desenvolvidas as atitudes científicas e consorciados o pensamento com a ação, com a mira no desenvolvimento tecnológico e industrial.

A criação da Universidade de Sergipe demanda a organização de uma Faculdade de Filosofia, Ciências e Letras, consciente do seu papel e idônea para o desempenho de sua missão, fortemente impregnada do espírito de liberdade, de pesquisa, de crítica e de criação; imbuida nas idéias experimentalistas e revisionistas, própria, assim, para servir de alicerce e de centro ao sistema universitário.

Devemos aspirar a uma Universidade criadora e renovadora de idéias, formadora de espíritos e propulsora do progresso: que não descure o aproveitamento das vocações e dos valores, dispersos nas camadas populares; proporcione a todos o amparo e a assistência de que necessitam para estudar e vencer; estenda a sua influência a todas as classes e grupos sociais, distribuindo com o povo os benefícios do conhecimento, as vantagens do saber, as belezas da arte, as alegrias espirituais, os meios para o crescimento mental, a libertação, a maturação e o aperfeiçoamento do espírito, e a elevação da vida.

Uma autêntica Universidade, integrada na realidade social e nos valores e tendências suscitados pelos novos rumos da civilização humana e pelo desenvolvimento econômico, científico e técnico que se processa no País.

Uma Universidade viva, dinâmica, flexível, experimentalista e democrática: jamais um depósito de convicções, um armazém de conhecimentos, uma "cidadeela da esclerose mental".

Devemos lutar, enfim, por uma Universidade que possa, com eficácia, criar, elaborar, enriquecer, transmitir e difundir a cultura. Avigorar a fé na inteligência, o amor à ciência e a luta pela liberdade. Dirimir injustificáveis antagonismos, estereis insulamentos e nocivas hostilidades. Unir a teoria e a prática, o pensamento e a ação. Prestigiar a aplicação científica, fomentando outras atitudes mentais, incentivando a formação de ativa mentalidade técnica. Promover a revisão de valores, a socialização da cultura e a coordenação da vida intelectual. Dinamizar a cultura e trazê-la

7

para a vida. Formar homens capazes de exercer, conscientemente, a ação transformadora da pessoa humana sobre a sociedade, a que Bergson deu tanto relevo. Facilitar a eclosão de um novo humanismo, enraizado nas tradições liberais da humanidade, consentâneo com os valores emergentes da era científica e tecnológica, e fiel aos aspectos fundamentais da vida nacional. Cumprir, enfim, a sua missão, dentro nas perspectivas históricas do Brasil.

Que a futura Universidade de Sergipe, já presente nas cogitações dos idealistas, seja digna das esperanças daqueles que têm fé no futuro do Estado e da Nação.

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INTRODUÇÃO AO ESTUDO DO SERGIPANO

I — Características psicológicas. — II — Usos, costumes e crenças. — III — Quadro étnico e relações inter-raciais. — IV — Tipos de habitação. — V — Atividades econômicas. — VI — Condições de Vida.

I

Não é fácil distinguir, na complexidade de um caráter coletivo, os traços gerais que diferenciam a substância moral e o comportamento de um povo. Atingir a precisão, neste campo em que prevalecem o "fact-finding" e a tendência às generalizações apressadas, é difícil. "Há sempre, escreveu Alceu Amoroso Lima, uma grande dose de arbitrio e de modo de ver individual nessas sínteses de psicologia coletiva." É legítimo, portanto, o ceticismo com que são encarados quadros de tipologia social, ensaios sobre a "personalidade básica" (R. Linton e A. Kardiner) ou "modal" (Cora du Bois) de um povo, através da investigação de suas reações sociais e de cultura, de suas disposições fenotípicas, responsáveis pelo sistema de valores-actitudes predominante.

Enquadram-se as manifestações psicológicas do sergipano, em linhas gerais, nos traços comuns que singularizam o brasileiro do Norte. E não se afastam dos aspectos que, em toda parte, estremam os filhos do litoral e os do interior, e as populações urbanas e as rurais, sujeitos a influências diversas, que condicionam de modo diferente os núcleos secundários da personalidade.

O sergipano, litorâneo e da margem do Baixo São Francisco, não foge à caracterização do homem do litoral: é expansivo, loquaz, amante do novo, adepto da moda, propenso à mudança. Também o sertanejo de Sergipe mantém-se fiel ao tipo clássico do

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homem do interior: taciturno, desconfiado, cismático, místico, pachorrento, fanaticamente apegado à terra, arraigado à tradição, eminentemente conservador, hospitaleiro mas retraído.

É válida para o sertanejo sergipano a descrição que o escritor inglês, Gunninghame Graham (citado por A. Carneiro Leão, in "Panorama Sociológico do Brasil"), fez da energia, da resistência, da inteligência e do amor próprio do nordestino brasileiro. O sergipano do interior é, também ele, "enfaticamente o que o francês chama *"un mâle"* — um macho".

No Litoral e no Baixo São Francisco, apresenta o sergipano atitudes sociais do tipo ciclóide; no sertão, do tipo esquizóide, na classificação de Kretschmer.

Levando em conta a classificação de Ruth Benedict (*"Patterns of Culture"*, N. York, 1935), diríamos que o sergipano da praia e o ribeirinho (do Baixo São Francisco) se aproximam mais do tipo "dionisíaco", enquanto o do interior é mais "apolíneo".

Impetuoso, vibrátil, irreverente, indisciplinado, trabalhador mais imprevidente, exaltado nas suas opiniões, nas suas preferências, no seu partidarismo, nas suas afeições (jamais permanece no *"juste-milieu"*), estrênuo e obstinado na sua luta perene contra condições e fatores adversos, o sergipano é, sobretudo, um povo individualista.

O espírito individualista explica a contradição entre o sentimento de sergipanidade, fortemente inviscerado no sergipano de todas as camadas, e a falta de espírito público das classes dirigentes.

Todo o trabalho econômico que movimenta a vida sergipense tem sido feito na base do esforço individual. O sergipano viveu sempre desajudado e insulado. Luta sozinho: desassistido e sem hábitos de cooperação. E tímido, cresce arrimado no próprio esforço, sem sacar, para progredir, ao crédito incerto de rendimentos futuros.

Se, como já foi observado, em hábitos de vida e costumes, expressões linguísticas e prosódia, o sergipano assemelha-se ao baiano, em ânimo, podemos assegurar, equipara-se ao cearense. Ambos — sergipanos e cearenses — premidos por efeitos idênticos, embora oriundos de causas mais ou menos dispares, reagem com a mesma obstinação, enfrentando desamparados, mas corajosa-

mente, as vicissitudes da natureza. O sergipano, porém, ao contrário do cearense, possui acentuado sentimento de inferioridade, que não o leva à soberba ("erro por excesso no sentimento de nível, enfermidade da função estimativa", segundo a definição de Ortega y Gasset): fá-lo derivar para campos de atividades compensatórias, e torna-o vaidoso, por estratagemas de defesa, nas suas atitudes de valorização artificial. Trata-se, no entanto, de uma vaidade de aspecto positivo, revestida de espírito de emulação.

Trabalhador e pertinaz, é incomensurável a capacidade de luta e de relutância do sergipano. Desassistido, e mediante técnicas e instrumentos de trabalho primitivos, consigna ele o milagre do esforço e da obstinação, transformando em menses terrenos pobres, semi-áridos e castigados pela estiagem. Todavia, é um resignado, quando se vê em face de situações que a sua tenacidade não pode modificar.

Povo comedido, procura inverter o pouco economizado em pequenas indústrias de artigos de consumo, principalmente no ramo de produtos alimentares.

Faltam-lhe recursos e espírito associativo para maiores empresas; e não é afoito, dado a temeridades. Acredita mais no pouco certo do que no muito incerto. Não se arrisca, portanto, à incerteza das aventuras.

Não herdou o espírito arrojado do pioneiro lusitano que conquistou Sergipe no primeiro período de sua colonização: absorveu, possivelmente, a índole de outro tipo de colonizador português — moderado e sedentário — que veio em seguida, ou o feitiço de elementos outros, que aqui aportaram.

A ocupação holandesa não lhe deixou traços na formação: "foi uma hegemonia sem posteridade", como escreveu Felisbello Freire. No seu temporário domínio, o incursor neerlandês realizou, na Capitania, somente obra de devastação da riqueza acumulada em alguns decênios de colonização.

Prático por excelência, não se joga o sergipano à batalha das idéias: deixa a liça aos apaixonados de filosofias e regimens. As suas manifestações de ordem ideativa são, quase sempre, frutos da vida afetiva, e não produtos de atitudes mentais. Em política, por

exemplo, gravita em torno de pessoas e de emoções, jamais de idéias ou de objetivos definidos.

As escolas revelam-lhe a tendência para o cálculo. Mesmo o homem do povo costuma sempre apoiar a ação nos cálculos, a fim de não ver malogrado o seu esforço, gorados os seus planos.

Falta ao sergipano, entretanto, emancipação mental e espírito de perquirição e crítica. A colonização portuguesa, além de outros defeituosos antecedentes históricos, disseminou, na terra de Surubi, Aperipê e Baipeba, o misticismo, a superstição e os hábitos de submissão irracional, prejudiciais ao desenvolvimento de atitudes de livre exame.

Apesar disso, o sergipano é perspicaz : denuncia a intuição, a viveza d'alma, a argúcia no olhar esperto e penetrante.

Possui êle vigorosa imaginação, mas encara a vida com lógica e bom senso. As emoções sobrepõe os interesses. Raramente perde a calma. Quando se zanga, porém, torna-se violento e pode chegar aos extremos. Mas esquece rancores e perdoa sem dificuldade, principalmente se antevê lucros.

A mulher sergipana é devotada ao lar e ao trabalho. Leal e econômica, procura cooperar na manutenção da família, auxiliando o espôso em ocupações agrícolas ou comerciais, dedicando-se a atividades rendosas próprias, mormente a artesanatos, ou através de poupanças : manufaturando ela mesma a sua vestimenta e a dos filhos, etc.

Nos resultados de pesquisas sobre padrão de vida de grupos sociais importantes da população brasileira, efetuado pela extinta Comissão Nacional de Bem-Estar Social pelo método de amostragem, Aracaju sobressai, no Norte e no Nordeste, quanto à proporção de residências que dispõem de máquinas de costura.

O ideal da mulher sergipana é trabalhar e poupar para conquistar certa independência econômica : por isso, aos objetos de luxo prefere os instrumentos de trabalho.

II

Desdobra-se o Estado em diversas paisagens físicas, econômicas e sociais. (*) E apresenta várias camadas de estratificação cultural, como ocorre, de um modo geral, no Brasil. Encontramos em Sergipe áreas arcaicas, nas quais predominam os traços da "cultura de folk", e áreas modernas, nas quais preponderam os traços da "civilização". Nas próprias áreas modernas, notam-se camadas com características dos povos "pré-letrados".

São inúmeros (alguns prejudiciais), em todo o Estado, os traços e complexos de cultura que não se adaptam à realidade ecológica e não correspondem a necessidades regionais, econômicas e sociais, no atual estágio cultural: no Litoral e na Zona Canavieira, resíduos das duas estruturas, urbana e rural, em que se bipartiu a sociedade colonial; no interior, nas áreas do criatório, sobrevivências de padrões culturais ditados pelo tipo de organização econômica e social que ali se desenvolveu após a conquista e o povoamento da zona, com as entradas (ciclo das minas) e a fixação dos criadores de gado, dos sesmeiros e rendeiros (ciclo pastoril).

Como é natural, verifica-se no processo de mudança cultural ("cultural change"), ora em curso no Estado, desigual nas diversas áreas, "hiatos culturais", como a "décalage" entre o progresso tecnológico e a educação. Trata-se do descompasso no desenvolvimento dos vários segmentos de cultura, a que Ogburne denomina "demora cultural" ("culture lag").

Os usos ("folkways") do sergipano são simples e sóbrios: semelhantes aos que se observam no Norte e no Nordeste do Brasil. Alguns ainda antiecológicos: trajes, tipos de habitação, hábi-

(*) O quadro das áreas ecológicas e de cultura do Estado, ao lado das zonas geográficas, está por elaborar. As divisões em zonas, que têm sido propostas, não possuem base científica e não correspondem à realidade, mesmo sob os aspectos visados nas tentativas de delimitação e caracterização. O levantamento das áreas geográficas, ecológicas e culturais do Estado, confiado a uma equipe de especialistas (geógrafos, cartógrafos, antropólogos, economistas e sociólogos), é empresa de necessidade vital para a formulação de programas nacionais e estaduais de política econômica, social e educacional, bem como para a interpretação sociológica do Estado.

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tos alimentares, etc. Outros, puros, líricos, generosos, altivos e impetuosos, como muitos daqueles que integram o folclore sertanejo.

As atividades econômicas e a vida social são condicionadas pela rotina, máxime no campo, onde impera o prestígio da tradição.

Os solos, desgastados e esgotados, são granjeados por técnicas obsoletas. Dominam a "hoc-culture" e os processos primitivos de exploração da terra ("sistema de roças"). É usual o sistema de meação do trabalho, processo de relações econômicas da produção que favorece o proprietário da terra e june à miséria o meeiro-plantador.

Senhoreia em Sergipe o tradicionalismo. Persistem, ligeiramente modificados ou menos rígidos, os costumes ("mores") tradicionais.

Além da Capital, apenas duas outras cidades, Propriá e Estância, apresentam, no quadro geral do Estado, elevados índices de urbanização e industrialização, e começam a substituir as expressões tradicionais de vida com os estilos modernos.

É marcante, como já salientamos, o espírito individualista do sergipano. Não constam de seu sistema de hábitos as práticas de solidariedade voluntária, no esforço em demanda de interesses comuns. Não se incorporaram às suas tradições as formas espontâneas de cooperação e as associações de interesse coletivo. Vive ele isolado, no grupo familiar ou em pequenos núcleos, numa experiência de vida pouco eficaz, sem os proveitos e as alegrias da cooperação vicinal e da solidariedade organizada. Não conhece, senão através de formas aleatórias, as vantagens da união, da ação conjugada, da ajuda recíproca. Não obstante, possui imensa capacidade de simpatia humana: sabe compartilhar a dor do próximo, participar do sofrimento alheio, demonstrando, nos seus instantes de solidariedade sentimental, o que há de bom, de generoso e de belo na sua índole.

O mutirão, que recebe geralmente o nome de "adjunto" no Nordeste, e é conhecido no País sob tantas designações, somente em algumas partes do Estado é observado, assim mesmo de modo fortuito. Essa prática, que consiste, segundo Maunier (apud Gilberto Freyre, "Sociologia"), em "une assistance obligatoire et réciproque entre voisins pour que soient exécutés certains

travaux", dá-se em Sergipe somente entre pequenos lavradores, quando a cultura exige brevidade na colheita. O "batalhão" ou "adjutório", como é denominado no Estado esse uso que Plínio Ayrosa (v. "Termos tupis no português do Brasil") nomeia como "forma sedutora de cooperação", é também apelidado no "hinterland" sergipense para o tapamento de casas.

Sugestionado pelo "adjutório", no barreamento de uma casa, compôs o professor Antônio Carlos de Vasconcelos Lima interessante baão, cuja letra é a seguinte :

barreiro seco

barreiro, barreiro seco,
ô-ô-ô!
barreiro, barreiro seco,
ôgua!

Vem cá,
vem ligão,
vem, muleta,
trala ligão essa água
pra barreiro num secá.

tá tapada meu caso,
vamo embora terminô...
cava o barro, quelemonô,
ô vicôni, meu campado,
moia a guela dessa gente,
vá no pole da branquinha,
leve a cula, traga ranje
da batida da juaninha.

Ô campado, irrole os canga!
Ô campado, leucio a sôla!
Ô cava, ô môle, ô piza esse barro!
ô de lá, ô de cá!
Sentido no barreiro,
prá tapage num pará.

Nas famílias da antiga aristocracia rural prevaleceu uma semi-endogamia, inspirada em interesses econômicos. Ainda hoje é comum o casamento interfamiliar, responsável pela conservação

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dos grupos econômicos familiares que retêm a liderança política no Estado e guardam, até agora, certa fidelidade ao tipo patriarcal de família.

O poder político é controlado no Estado por grupos parentais, remanescentes do sistema patriarcal, e exercido por processos que conduzem à estabilização dos privilégios da burguesia latifúndio-mercantilista, à estagnação, ao parasitismo do Estado e ao agravamento dos problemas sociais.

A liderança política tem como principal fonte o clientelismo, de que resulta o Estado Cartorial — um dos "pontos de estrangulamento", como escreveu Hélio Jaguaribe (in "Condições Institucionais do Desenvolvimento", ISEB), do desenvolvimento político.

Ao patriarcalismo colonial, no plano político, sucedeu o "coronelismo", estado nos compromissos entre as forças econômicas decadentes e o poder público. Atuante ainda, o "coronelismo" é responsável, em virtude de sua função eleitoral, por uma política oposta à linha do desenvolvimento: de barganhas com as correntes retrógradas e decadentes da economia sergipense; contrária à dinamização do processo econômico.

Quanto à religião em Sergipe, as investigações censitárias alegam a supremacia absoluta do catolicismo, que se manifesta, nas camadas incultas, mesclado de superstições e práticas afro-indo-espíritas.

Nas áreas suburbanas da Capital e de algumas cidades do interior, os batuques, os cânticos e as danças, nos "terreiros" ("nagôs" e "caboclos"), traduzem o culto aos orixás africanos, aos fetiches incultos e aos santos católicos, num notável sincretismo religioso.

Os "pais-de-anto" e os "mediuns", estes no baixo espiritismo, são verdadeiros tipos de xamã.

O sentimento religioso do sergipano concentra-se mais nas práticas, nos ritos e nas festas. A religião católica assume a mesma feição acolhedora dos tempos coloniais: "doméstica, lírica, festiva, de santos compadres, de santas comadres dos homens, de Nossa Senhora madrinha dos meninos".

Nos últimos anos, as atividades da Igreja Católica transbordaram dos templos, extravasaram-se pela sociedade toda, infil-

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traram-se em todos os grupos sociais. O clero procurou adaptar-se ao atual sistema de vida. Voltou-se para a ação social, a educação, o jornalismo e a rádiodifusão. Procurou o proletariado. E está enfrentando os problemas religiosos e sociais dentro no espírito e nos preceitos das encíclicas de Leão XIII, Pio XI e Pio XII.

I I I

Apresenta a população de Sergipe imensa multiplicidade de híbridos. Como diria Silvio Romero, repetindo Quatrecages, "mais diversidades de tipos do que as variedades de gatos que habitam nossos telhados".

Variada e extensa miscigenação se operou no Estado, como ocorreu em outros pontos do País: verdadeiro "melting pot"; um dos maiores campos de assimilação étnica e social que já existiram, como disse Mendes Correia.

É tipo característico da população leucoderma de Sergipe o homem mediterrâneo, o indivíduo trigueiro, de cabelos e olhos escuros, braquicéfalo, de baixa estatura.

Partícipe na área sacarífera do Nordeste brasileiro, revela Sergipe, na composição étnica de seus naturais, elevada contribuição do estoque africano. Ao contrário, percebe-se pequena a contribuição do índio. Só em pontos dispersos do território estadual, no Oeste principalmente, e sempre de mistura com sangue afronegro, notam-se vestígios de sangue ameríndio.

A herança social do sergipano mostra numerosos traços de culturas africanas. Na esfera ergológica e na tecnológica, assim nas esferas imateriais da cultura, conservam-se traços e complexos do *homo afer*: do ramo sudanês e da bântu. Na língua, na prosódia, nos cantos e nos contos populares, na religião e na culinária está presente a influência do elemento afronegro.

Não existe preconceito racial em Sergipe. Mas a *côr* classifica ou desclassifica. Se não leva à segregação, produz diferenciações hierarquizantes, exerce efeitos estratificantes.

Como observa Jacques Lambert, em seu livro: "Os dois brasis", há "uma hierarquia de *côres*" no Brasil, e os mestiços

mais próximos do negro encontram obstáculos, embora não insuperáveis, para a ascensão social.

A elevação do "status" econômico atenua muito a discriminação por motivo de cor, mas não elimina totalmente os seus efeitos.

A negação do sentimento de cor no Brasil, afirma L. C. Costa Pinto (v. "O Negro no Rio de Janeiro"), é um estereótipo.

Os contactos raciais são realizados em bases de tolerância e as inter-relações revestem-se, quase sempre, de paternalismo por parte dos brancos. As uniões entre indivíduos de cor muito diversa são freqüentes apenas nas classes inferiores.

O sentimento de inferioridade racial leva grande parte de negros ao conflito "aberto" (Alport). É comum entre pessoas escuras o comportamento compensatório e as atitudes paranoídes. São facilmente observáveis, principalmente naqueles que conseguem vencer as barreiras, conquistando nível social elevado, as tendências ao ressentimento, ao excesso de amor próprio, à empáfia, ao despeito, ao menosprêzo, à ironia e à sátira.

O aprofundamento das etnias sergipanas e a divisão do Estado em zonas, por critérios antropológicos e sociológicos, bem assim a realização de extensas pesquisas em cada uma das zonas, abrangendo todas as camadas sociais e todos os aspectos geo-econômicos e antropológicos, são indispensáveis à compreensão de Sergipe e à interpretação de suas realidades histórico-culturais.

I V

Os tipos de habitação do sergipano são, geralmente, incondizentes com o clima e a higiene.

Nas áreas urbanas (inclusive na Capital, onde o panorama arquitetônico está sofrendo sensíveis modificações) preponderam as casas de duas águas — "unidas umas às outras como meninos em banco de escola pobre" — construídas com tijolo ou adôbre, piso de tijolo, com janelas e porta para a frente e para o fundo, comprido corredor comunicando os compartimentos, quartos sem janelas e sem aeração, salas de visitas e de jantar, cozinha, e privada separada do corpo da casa.

Nos arrabaldes e no quadro rural do Litoral, e em algumas áreas da Zona Canavieira, é típico o mocambo de taipa, estilo bântu; a casa de chão batido, coberta de palha de coqueiro, geralmente em forma de cangalha, com janela e porta de frente, sem instalações sanitárias e desamparada das condições mínimas de habitabilidade.

Nos subúrbios e no quadro rural das outras zonas predomina o mesmo tipo de casa, com a cobertura de telha.

No quadro rural da Cotinguiba, a casa-grande, de estilo colonial português, com grossas paredes e largas varandas, donde se avista a senzala, e, nas cidades, os sobrados e as casas assobradadas, também de arquitetura portuguesa, são, como escreveu Gilberto Freyre, "a expressão arquitetônica do patriarcalismo escravocrata".

V

A agricultura, como fonte de produtos alimentares e de matérias-primas, é o estio da economia sergipana, que demora no estágio agropastoril.

A maioria da população (68,20%, segundo os resultados do Censo de 1950) reside no campo. Da população economicamente ativa do Estado, 69,09% exerciam atividades no setor primário e apenas 10,73%, no setor secundário. Os restantes (20,16%) trabalhavam nos ramos do setor terciário.

A pesca, as culturas do côco da praia, da cana-de-açúcar (no Vale do Japarutuba) e do arroz (na margem do São Francisco), a criação de gado leiteiro e de corte, e a indústria extrativa do sal formam as principais atividades econômicas no Litoral.

A pesca é procedida em pequenas canoas, por processos rudimentares. Não há pesca organizada.

Os pequenos lavradores do Litoral estão sendo despojados de suas terras com a formação de latifúndios, destinados à cultura do côco.

Nas áreas úmidas, na chamada Zona da Cotinguiba, predomina a agro-indústria do açúcar. A lavoura canavieira, apesar de decadente, e a tradicional indústria do açúcar, em crise, concentrada

nos Municípios de Laranjeiras, Capela e Riachuelo, assinalam as áreas da Cotinguiba. Na entressafra da cana-de-açúcar, quando as usinas param, a maioria dos trabalhadores passam a executar serviços na lavoura.

As áreas do Baixo São Francisco são caracterizadas economicamente, no setor primário, pela pesca, pela orizicultura e pela pecuária.

A policultura e a criação e engorda de bovinos, no Oeste; o criatório do gado pe-duro e o cultivo do algodão e do arroz, no Sertão do São Francisco, são atividades básicas da Zona Sêca.

A indústria de tecidos, que é a mais importante de Sergipe, recruta mão-de-obra em 7 municípios do Estado: Aracaju, Estância, Maroim, São Cristóvão (Litoral), Propriá, Neópolis (Baixo São Francisco) e Riachuelo (Cotinguiba).

Ao lado das ocupações agrícolas, grupos familiares rurais dedicam-se, como trabalho complementar, a pequeninas indústrias de caráter doméstico e rural, de que é exemplo típico a "casa de farinha".

Quanto às atividades de artesanato, encontram-se no Estado os seguintes grupos: cerâmica, material de construção, artigos de vestuário, doces, artefatos de couros e peles, artefatos de palha, rendas de algodão, além de outros de menor tradição e de menos relevo.

VI

É baixo o nível de vida do sergipano. Domina no Estado o nível de pobreza.

Nos centros industriais, entre a população operária, as despesas com alimentação representam mais de 50% da renda familiar, conforme tem sido apurado em inquéritos sobre padrão de vida, inclusive o realizado em 1952 pela Comissão Nacional de Bem-Estar Social.

Na orla marítima e na beira do São Francisco, é vil o padrão de vida dos pequenos lavradores e dos pescadores, vítimas, quase todos, do etilismo.

Nas áreas canavieiras das bacias do rio Aragua e do Sergipe, constituídas das terras mais férteis do Estado, cobertas de mas-sapés, assim nas áreas pastoris das bacias do rio Piauí e do Aragua, campeia a miséria. A estrutura da propriedade rural, a concentra-ção fundiária deu origem ali ao tipo de organização semifundal, nutrida no trabalho escravo, de que a casa-grande e a senzala são o símbolo. Somente os donos de terras, os grupos familiares, as oligarquias rurais têm direito a um lugar ao sol...

Nas áreas do Oeste e do norte do rio Real, em algumas áreas do rio Aragua e na bacia do Vaza-Barris predomina o minifúndio. Nessas áreas, nas quais o sergipano se dedica à policultura, ao cultivo de cereais e de mandioca, e à criação de gado miúdo, há menos penúria. Mas, a irregularidade da precipitação pluvial, responsável por uma economia descontínua e instável, as terras de baixos índices de fertilidade, a falta de crédito, de orientação téc-nico-agronômica e de assistência ao lavrador, de defesa vegetal satisfatória, de proteção à saúde e de educação conveniente, e a ausência de hábitos de previsão tornam menores, posto que mais admiráveis, as vitórias do esforço e da tenacidade do sergipano.

Na área de Itabaiana, por exemplo, de produção diversificada, onde o solo, quase isento de matéria orgânica, é muito pobre, re-gista-se o prodígio do esforço. O homem, vencendo a natureza do terreno e levando vantagem ao atraso, plantou ali um celeiro que abastece de produtos horti-granjeiros a Capital do Estado e ou-tros mercados.

Lagarto, outro Município torrado de terra sem humus, im-põe-se também pelo finca-pé do homem. Caminhões carregados de rolos de fumo, o principal produto do Município, cortam as estradas de norte a sul. E tropas de burros varam os sertões baianos, até Curaçá.

Ambos os Municípios particularizam-se por pequenas proprie-dades, que resistiram surpreendentemente ao impacto de uma eco-nomia cíclica, resultante da irregularidade do regime das chuvas. Formou-se naquelas áreas uma espécie de socialismo agrário. A terra é da maioria: quase todos têm um pedaço de terreno e re-lativa independência econômica.

No Sertão do São Francisco, área pobre, de fraca densidade demográfica, desamparada de tudo, área que tanto concorre para

a economia do Estado com o criatório e a produção de cereais e de algodão, as secas periódicas castigam, levando homens válidos, ativos e laboriosos à indigência e ao êxodo.

Situado na área da fome endêmica, segundo a classificação do professor Josué de Castro, o Estado abriga uma população que padece de inferioridades e desequilíbrios fisiológicos e psicológicos por fome crônica.

A falta de resistência às moléstias infecciosas, a baixa média de vida e o alto coeficiente de mortalidade infantil no Estado têm na subnutrição uma de suas causas principais.

Os déficits alimentares, os padrões dietéticos deficientes manifestam-se em hipotrofias e em variegados quadros clínicos de doenças de carência, de grande incidência em Sergipe.

A dieta da maioria da população é paupérrima em proteínas, vitaminas e sais minerais. Cuscuz de milho, feijão, farinha de mandioca e pequenas porções de charque ou de carne-de-sol (carne de boi conservada com sal e desidratada ao vento e ao sol), constituem a ração usual do homem do povo. É ínfimo o consumo de leite e seus derivados, de ovos, frutas e verduras.

Nas próprias classes abastadas, ignorância e abstenções fazem-se responsáveis por um regime alimentar que, além de ecológicamente inadequado, não satisfaz cabalmente as exigências da nutrição humana.

Várias causas, de ordem econômica e social, concorrem para o estado de subnutrição do sergipano. Entre estas, nomeamos: o baixo poder aquisitivo da maioria da população, a pouquidade de produção alimentar, o desconhecimento dos fundamentos da dietética, os maus hábitos e os preconceitos.

Por falta de saneamento e por ignorância dos princípios elementares de higiene, grassam no interior as doenças transmissíveis, comuns no Nordeste, especialmente a amebíase, a esquistosomose de Manson, a ancilostomíase e a malária. Na Zona Canavieira, encontram-se os principais focos endêmicos da esquistosomose.

É minguada ainda a assistência médico-sanitária e médico-social em Sergipe. A ausência de medicina é problema fundamental que tem de ser enfrentado na elaboração de um programa de promoção humana para o sergipano do "hinterland".

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Apenas a população da Capital dispõe de razoável assistência médico-sanitária e médico-social, embora grande parte, por ignorância ou aversão, não lhe procure os benefícios, ou o faça tardiamente. As populações do interior carecem de higiene e de terapêutica.

O Serviço Cooperativo de Saúde, órgão de cooperação entre o SESP e o Governo do Estado, vem realizando, nos últimos anos, esforço digno de ser sublinhado. Em 1959, conforme dados colhidos no Relatório desse Serviço, 43% da população de 18 dos municípios sergipanos obtiveram apreciável proteção médico-sanitária.

Infelizmente, como foi ressaltado no mencionado Relatório, "em oposição tremenda ao trabalho de saúde pública", além da ignorância, "figura também o baixíssimo nível econômico dominante, fazendo que as melhoras programadas se constituam em tarefas acima das disponibilidades da região".

O pauperismo é, realmente, poderosa barreira ao saneamento de base e à higiene. E o subdesenvolvimento do Estado não permite a execução de programas adequados de engenharia sanitária e de educação popular.

Vivem as massas rurais ao desamparo, em "situação de miséria orgânica", como diria Rui Continho, e de miséria social. Representam enormes possibilidades humanas, minadas pela subnutrição, pelas endemias e pelo álcool; imensa virtualidade, imensurável fonte de energia, de resistência e de heroísmo, sacrificada, inutilizada, perdida por falta de assistência.

No painel rural, de desenhos melancólicos e de colorido patético, o trabalhador sergipano é expressão da miséria. Ele não vive propriamente: mangra. A alimentação é deficientíssima: serve apenas para entreter o estômago e evitar a morte por inanição. A habitação, servindo-nos da impressionante imagem de Monteiro Lobato, "faz rir aos bichos de toca". O vestuário consiste em calças e camisa de pano grosseiro, alpergatas rústicas e chapéu de couro, ou de palha entrançada. A medicina são as mezinhas e as medicações simpáticas. E o "mobiliário cerebral", recorrendo novamente a Lobato, "vale o do casebre em que habita". As horas de ócio são preenchidas com as cismas, o fumo, a bebida e a cópula.

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A civilização não alcançou ainda o meio rural. Chega até ali, como escreveu A. Carneiro Leão, de referência ao interior nordestino, "apenas nas suas manifestações exteriores: na exigência do fisco, na imposição da polícia, na apresentação de modelos, cuja cópia, ao invés de elevar, deturpa uma cultura original, máscula, promissora, sem lhe oferecer derivativos ou substitutivos conscientes e úteis".

A inexistência dos favores da civilização, o regime de trabalho e de vida, as técnicas obsoletas, as formas primitivas de relações econômicas da produção, o esforço penoso e mal recompensado, a insciência, as credices, a subnutrição, as endemias, a carência de proteção médica: sanitária, clínica e hospitalar, e a falta de conforto são realidades comoventes, que desvalorizam e deprimem o interior sergipense, rebaixando as suas populações ao nível dos povos "pré-letrados".

Um dos aspectos mais tocantes do nível de pobreza do sergipano é, sem dúvida, o trabalho prematuro do menor, responsável pelo ínfimo aproveitamento escolar e pela deserção da escola, especialmente no meio rural.

A ocupação precoce do menor, vinculada à miséria econômica dos pais, se conorre para desenvolver hábitos de poupança e atitudes de interesse econômico, acarreta sérios prejuízos de ordem individual e social.

A divisão sexual do trabalho infantil em Sergipe é similar à especialização de funções, segundo os sexos, entre adultos. Os meninos realizam tarefas típicas do homem, e as meninas, via de regra, dedicam-se aos trabalhos peculiares da mulher. Muitas vezes, porém, como acontece entre adultos, meninas invadem o campo masculino, executando serviços pesados.

Fato singular e triste observou o Autor em municípios rizicultores da margem sanfranciscana, onde as crianças são arrancadas às escolas, nas épocas da sementeira, do cacheamento e da colheita do arroz, a fim de livrarem as plantações dos passarinhos, que ameaçam devorá-las. Viu nas ipueiras, nas lagoas e nos baixios alagados, escolares a gritar e açoitar a funda: eram os "tangedores". Iniciam o trabalho quando o sol, despontando, clareia a terra; e extenuados recolhem-se a casa ao entardecer, quando sobre vem a penumbra da noite.

ASPECTOS POLÍTICOS DO INDIVIDUALISMO SERGIPANO

Nenhuma parcela do povo brasileiro é mais individualista, nenhuma apresenta mais baixos padrões de coesão social que esta: a que vive, luta e sofre nos 22 027 quilômetros quadrados de Sergipe.

Em nosso trabalho — "A Educação em Sergipe", ressaltamos, como traço marcante do caráter sergipano, o espírito individualista, o exagero desse individualismo negativo, não criador e sem conteúdo social — herança dos povos ibéricos, a que fatores mesológicos e o processo econômico-social no Brasil ofereceram condições favoráveis à respectiva sobrevivência.

Ressentimo-nos da falta de instituições de solidariedade social. Cabe-nos, talvez mais que às outras populações brasileiras, as observações de Oliveira Viana (in "Populações Meridionais do Brasil"): — Não praticamos, habitualmente, senão a solidariedade parental e gentílica; não vamos além da solidariedade de clã. São acidentais, entre nós, as formas de solidariedade instintiva, de cooperação espontânea; e artificiais e fugazes as formas organizadas, o que "prova a sua falta de base na psicologia normal do povo".

A falta de solidariedade social, de espírito de cooperação arrasta-nos a uma experiência de vida pouco eficaz, acentuando a rivalidade e o conflito.

Três aspectos, através dos quais, no campo político, segundo Rafael Altamira (in "Los elementos de la Civilización y del Carácter Españoles"), se manifesta o individualismo na Espanha, estão presentes em Sergipe com muita intensidade: nas práticas políticas e nos métodos de ação dos governos. E isso porque o individualismo nos leva a gravitar em volta de pessoas e de gru-

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pos, e não de princípios, idéias ou interesses gerais; e transforma os partidos em verdadeiros "clãs organizados para a exploração das vantagens do poder", incapazes de sintonizar com as aspirações do povo, com o qual mantêm apenas ligações episódicas, em bases demagógicas, por ocasião dos pleitos eleitorais.

A falta de solidariedade e de cooperação em função dos interesses coletivos, que dá feição pessoal às nossas lutas políticas, revela-se também nesta maltratada Província brasileira, como na Espanha :

— na preocupação dos governos (estadual e municipais) de apagar, ou abandonar as iniciativas de seus antecessores, mesmo quando constituem empresas de real vantagem para a coletividade; ou seja no narcisismo, a que atribuiu Artur Ramos (in "Aculturação Negra no Brasil") responsabilidade pela "descontinuidade administrativa", que se observa no País;

— na resistência dos governos à colaboração, digna e desinteressada, de adversários políticos em questões extrapartidárias e que, de fato, consultam os interesses comuns;

— no desaproveitamento dos valores humanos, salvo quando têm serviços partidários prestados, ou desfrutam do amparo de "pistolões", do que resultam: a evasão de nossas reservas humanas em busca de outros meios, e a ausência, por protecionismo, ou por falta nos quadros da situação dominante, de elementos especializados nas funções que exigem equipamento profissional.

Por outro lado — vale notar — as oposições procuram dificultar a ação dos governos, em detrimento das conveniências do Estado.

Os governantes em Sergipe não encarnam as instituições, não representam a autoridade, não são publicolas, nem agentes do bem-estar coletivo. Procedem nas práticas administrativas como representantes de grupos, visceralmente ligados à vida dos partidos e aos proveitos personalistas, mesmo nas medidas que atingem as necessidades do povo, às quais imprimem abominável sentido de paternalismo eleitoral. Converte-se a administração

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pública, por conseguinte, numa "máquina de guerra com que uma parte da sociedade combate incessantemente a outra", como escreveu João Francisco Lisboa (Obras, vol. 1). Daí, a reação, a resposta, a represália das oposições; o seu propósito de desprestigiar os governos, de podar-lhes os meios de ação e obstar-lhes as realizações.

Tais manifestações de nosso individualismo retardam-nos o desenvolvimento, dão margem aos erros e às omissões que tanto prejudicam as comunidades sergipanas, impedindo iniciativas fecundas, e furtando ao Estado e ao povo recursos em barba, colaborações vantajosas e cometimentos benéficos.

Estimular diferentes tendências, vencer o excesso de individualismo, mediante educação para a democracia, o desenvolvimento e o bem-estar comum, é tarefa que reclama execução, a fim de que possa desabrochar nas novas gerações "o espírito de cooperação e de amor ao próximo, traduzido em termos de serviço".

Carece a escola sergipana adotar o processo democrático da educação, a fim de preparar o indivíduo para o exercício dos direitos que a Democracia — como regime político e como forma de vida — a todos assegura, e o cumprimento dos deveres que ela exige de todos. É necessário substituir o trabalho escolar individual e o regime competitivo, que exacerbam o individualismo e produzem tantos males, com as atividades em comum, o trabalho em equipe e as práticas democráticas, e enriquecer a escola de situações sociais, para que possa esta desenvolver nos alunos hábitos e atitudes de cooperação, solidariedade, responsabilidade, iniciativa, retidão e tolerância.

Formar o cidadão, e inculcar-lhe o ideal de contribuir para o progresso e a melhora social, o interesse em participar do esforço comum contra o atraso, a miséria, a fome, o privilégio, a injustiça, a exploração da mulher, a ignorância e a enfermidade é objetivo precípuo da educação para a Democracia, o desenvolvimento e o bem-estar geral.

APENDICE

0952

INICIATIVA NO CEPE

Para que tenham êxito as tentativas de reconstrução educacional do Estado, afigura-se-nos imprescindível como medidas preliminares : a organização da administração educacional em bases racionais, para que possa desempenhar funções de pesquisa, previsão, planejamento, organização, direção, coordenação e controle, promovendo o desenvolvimento equilibrado e harmônico do sistema escolar; e a classificação das áreas educacionais, firmada no conhecimento do quadro geográfico, ecológico e cultural do Estado.

O Centro de Estudos e Pesquisas Educacionais (CEPE), pela criação do qual tanto lutamos, poderá abrir novas perspectivas à administração educacional. Urge que se proceda também ao levantamento das áreas geográficas, ecológicas e de cultura, a fim de possibilitar a determinação das áreas educacionais do Estado.

Uma das nossas primeiras preocupações na direção do CEPE fôra o levantamento em apêço. Neste sentido, encaminhamos ao ilustre titular da Secretaria de Educação, Cultura e Saúde a Exposição de Motivos n.º 2, cujos termos são os seguintes :

Aracaju, 30 de janeiro de 1961

Senhor Secretário :

O quadro das zonas naturais e das áreas ecológicas e de cultura do Estado está por elaborar. A divisão em zonas fisiográficas, feita pelo Conselho Nacional de Geografia, do I. B. G. E., não possui lastro científico e não corresponde à realidade, mesmo

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sob o aspecto visado na tentativa de classificação. Não pode, por isso, servir de base a estudos e planejamentos.

2 Em nosso livro, "A Educação em Sergipe", clamando contra as falhas das divisões naturais que têm sido alvitradas, assinalamos a necessidade de levantar-se o mapa ecológico e cultural do Estado. Também o professor Bonifácio Fortes, em trabalhos divulgados, vem mostrando a importância de uma classificação que atenda às realidades geográficas, econômicas e sociológicas do Estado. Aliás, todos os estudiosos dos problemas sergipanos, inclusive V. Ex.^a, que é dos mais lúcidos e abalizados, reconhecem a necessidade de cuidar-se do assunto com a devida seriedade e o aconselhável sentimento de urgência.

3 Sabemos que o levantamento das áreas geográficas, ecológicas e de cultura é empresa vital para a formulação de programas racionais e eficientes de política econômica, social e educacional. Com acerto, referindo-se à necessidade de estremar, sob critério antropológico e sociológico, áreas ecológicas e de cultura, ao lado das áreas naturais, afirma Gilberto Freyre (in "Problemas Brasileiros de Antropologia", 1.^a edição, pág. 59): "... enquanto não se empreender com seriedade científica essa delimitação necessária, quase tudo que se fizer entre nós de política social e de econômica interregional será obra precária e flutuante."

4 As áreas naturais, ecológicas e de cultura, devidamente caracterizadas, são "norteadoras de uma obra de educação realista e eficaz", como escreveu o professor A. Carneiro Leão, no seu livro: "Panorama Sociológico do Brasil", edição do Centro Brasileiro de Pesquisas Educacionais, 1958, pág. 175. Da delimitação e caracterização dessas áreas depende a fixação das áreas educacionais, indispensável à elaboração de programas para a regionalização da escola, a adequação do ensino às exigências econômicas e às realidades locais, como fator de melhoramento do trabalho, da produtividade e da saúde; e, conseqüentemente, para a coordenação dos esforços, no setor da educação, aos planos de desenvolvimento do Estado.

5 Além disso, o levantamento em apreço é imprescindível para o conhecimento e a interpretação de nosso Estado, e possibilitará

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ao Governo a formulação de planos eficientes e racionais para o
aceleramento do desenvolvimento econômico regional.

6 A demarcação das mencionadas áreas demanda pesquisas especiais e estudos sistemáticos. É trabalho que deve ser empreendido com rigor metodológico por uma equipe de especialistas: geógrafos, antropologistas, sociólogos, agrônomos e economistas.

7 Ciente dos propósitos de V. Ex.^a à frente da Secretaria de Educação, Cultura e Saúde, propomos-lhe a designação de uma comissão composta de um geógrafo, um antropologista, um sociólogo, um agrônomo e um economista para, sob a supervisão deste Centro, proceder ao levantamento das áreas naturais, ecológicas e de cultura do Estado.

8 Enquadra-se a medida que estamos propondo nos objetivos do CEPE, de conformidade com o item I, do art. 2º, do Decreto n.º 578, de 31/12/1960. Por isso, e em virtude de não contarmos ainda com os meios indispensáveis de ação, apelamos para uma solução, que se nos afigura exequível.

9 Não dispondo a Secretaria de Educação, Cultura e Saúde de dotação para despesas dessa natureza, sugerimos, visto que se trata de estudos intimamente ligados ao planejamento do desenvolvimento econômico do Estado, entendimentos com o CONDESE, no sentido de pleitear que esse órgão se responsabilize pelo financiamento do projeto, pois conta o mesmo, no Orçamento do Estado para o corrente exercício, com Cr\$ 1 000 000,00 (um milhão de cruzeiros) para "estudos, projetos e levantamentos econômicos", na verba 0.46 — 8.55.4.

10 Admitindo-se a gratificação de Cr\$ 10 000,00 (dez mil cruzeiros) para cada membro da comissão, a ser paga depois de concluído o trabalho, e reservando-se a importância de Cr\$ 20 000,00 (vinte mil cruzeiros) para despesas outras, como sejam: aquisição de material, e gratificação a um cartógrafo para a confecção de um mapa ecológico e cultural, de acordo com as conclusões da Comissão, importará a execução do projeto em apenas Cr\$ 70 000,00 (setenta mil cruzeiros), quantia evidentemente insignificante, em confronto com a magnitude da empresa.

11 Reconhecemos que a gratificação de Cr\$ 10 000,00 (dez mil cruzeiros) não representa remuneração condigna de trabalho de natureza técnico-científica, e tão relevante. Mas, confiamos na compreensão, no desprendimento e no sentimento de sergipanidade dos técnicos sergipanos, que saberão, prazerosamente, oferecer à terra natal uma quota de esforço e sacrifício.

12 Dispensa-se o CEPE de aventar nomes para a constituição da comissão que ora sugere, deixando V. Ex.^a inteiramente à vontade para escolhê-los entre os elementos que possuam os requisitos indispensáveis ao cometimento.

Convicto de que a matéria merecerá de V. Ex.^a carinhosa acolhida, apresentamos-lhe na oportunidade

Respeitosas Saudações

a) José Antônio NUNES MENDONÇA
Coordenador do CEPE

A presente Exposição de Motivos foi encaminhada pelo sr. Secretário de Educação, Cultura e Saúde ao Conselho do Desenvolvimento Econômico do Estado de Sergipe que, pelos seus órgãos competentes, opinou favoravelmente à concessão do financiamento pretendido, mediante acordo a ser firmado com o CEPE, pelo qual este se obrigará a executar o seu Plano, previamente apresentado, e a enviar ao CONDESE as suas conclusões.

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TRECHOS DE ALGUMAS OPINIÕES SOBRE O AUTOR, O
SEU LIVRO: "A EDUCAÇÃO EM SERGIPE" E OUTROS
TRABALHOS SOBRE EDUCAÇÃO

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"Ausente Brasil, semente agora posso felicitar pelo seu livro e pela feliz repercussão vem tendo. Afetuoso abraço

ANÍSIO TEIXEIRA
(Telegrama)

"Venho acompanhando, com o interesse natural, os seus estudos e os seus trabalhos sobre a educação em Sergipe. Batendo-me, como sabe, pela regionalização e, mais, pelo localismo de toda verdadeira obra educacional, não posso deixar de sublinhar o que significa o seu esforço, a sua experiência e a sua crescente competência nos problemas de educação do seu Estado."

ANÍSIO TEIXEIRA

"O seu livro, bem construído e bem pensado, escrito na base de cuidadoso levantamento da situação educacional em Sergipe, vale a pena ser lido por todos com a atenção que merece. Eu o li com o maior prazer e proveito. Mais do que um relatório ou de que simples "tentativa", como o qualificou na sua modestia, é realmente uma lúcida e preclara "análise, interpretação e crítica de um sistema estadual de educação". A linguagem, clara, corajosa, sem meias palavras, mas também sem caráter polêmico, quando nessa ou naquela página se anota uma crítica, é sempre para ventilar abusos, erros e omissões. Está, pois, de parabéns."

FERNANDO DE AZEVEDO

"Lembro-me bem das palavras com que me referi ao seu trabalho "A Educação em Sergipe". Os que me lê a gentileza de mandar, agora, confirmaram a excelente impressão que do autor me deixara a leitura daquelas páginas. Eu os li todos atentamente. Mostram eles, mais uma vez, a lucidez, segurança e objetividade com que estuda os problemas educacionais."

Muitas graças e preceitos sobre problemas de educação, segurança na maneira de colocá-los e um lúcido esforço na procura de suas soluções, eis o que mais admira nos comentários que me enviou. Continui a combater o bom combate, que é o da educação nacional. Nós outros — eu e os de minha geração — já nos estamos despedindo das lutas em que nos empenhamos. Mas, confortados, vocês subordino mantê-los, até a vitória final."

Todos os recortes do jornal "O Nordeste", de que é redator-chefe, eu os juntei, para guardá-los, ao primeiro livro que me veio de suas mãos."

FERNANDO DE AZEVEDO

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"...trabalho honesto, buscou, de fato, o conhecimento objetivo do meio e do estado do ensino para, partindo dessas realidades, planejar em bases sólidas, dentro dos bons princípios da pedagogia e da administração educacional. Sômente por esse caminho é que será possível levar a educação no Brasil a nível alto e eficiente."

CELSO KELLY

Professor de Sociologia da Faculdade Nacional de Filosofia e Membro do Conselho Nacional de Educação

"Recebi com alegria e agrado profundamente desvanecido o seu belo trabalho sobre "A Educação em Sergipe". Lio com a maior atenção e lamento não ser especialista no assunto para, autoritadamente, declararme encantado pelo seu amor ao terra natal, pela argúcia com que atinge os pontos vulneráveis do sistema educacional sergipano e pela admirável cultura geral que demonstra a cada passo.

Aplaudo a sua restrição, pois entendo que só assim, com franqueza e honestidade, é que se combatem erros e se traçam rumos.

Felicito-o sinceramente pela clareza de seu espírito de didata, pela força irrefragável de seus argumentos e, principalmente, pelo amor à terra sergipana."

Prof. PLÍNIO AYBOSA

Da Faculdade de Filosofia, Ciências e Letras, da Universidade de São Paulo

"O que li no "A Educação em Sergipe" não é tese nem exposição scolástica que a falsa técnica ensina de quadros, esquemas e gráficos para demonstrar o notado, exibir o público e provar o lógico, numa disponibilidade manifeste e cretina. É, antes, um ensaio vivo e ágil, saudável, sonoro de vibração, debatendo, sugerindo, expondo com uma clareza matutal de argumentação humana e emocional, numa força comunicante de persuasão, o mural palpante, a paisagem total do problema, fundamentado nos raiões mais profundos e documentais.

O seu estudo é uma visão panorâmica onde a voz do jovem mestre orienta e explica. Quem nos dêa que esse exemplo made in Sergipe crescesse a frutificasse na "amada terra do Brasil I"

LUIZ DA CÂMARA CASCUDO

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"Ótimo estilo. Crítica corajosa e decisiva; em alguns pontos, até paralisante. Ótimo domínio da teoria pedagógica. Grande preocupação com os problemas do ensino primário e normal, o conhecimento de planos e ações gerais indicados para tais questões."

Prof. PAULO DE ALMEIDA CAMPOS
da I. N. E. P.

"Acabo de receber seu livro — "A Educação em Sergipe", que vou ler com o interesse que merece o assunto, a capacidade crítica e a cultura do seu autor."

A. CARNEIRO LEÃO

"... o autor escreve bem; é lógico e corajoso em suas críticas."

Prof. JAIME ABREY
Coordenador da Divisão de Estudos e
Pesquisas do Centro Brasileiro de
Pesquisas Educacionais

"... A Educação em Sergipe revela altas qualidades de professor e educador."

Prof. JOSÉ CARLOS MELO SOUZA
Diretor da CADES — MEC

MUNES MENDONÇA, professor e escritor sergipano, publica, pela Livraria Regista Ltda., de Aracaju, um longo estudo sobre a educação sergipana, no qual analisa e interpreta o sistema educacional do seu Estado. Fundado em pesquisas complexas e minuciosas, A Educação em Sergipe é trabalho do mais alto interesse para o estudo dos problemas educacionais brasileiros."

ADALMER DA CUNHA MIRANDA
(Boletim Bibliográfico Brasileiro
n.º 2 — vol VII)

"Apresento-lhe cumprimentos pelo trabalho."

CLOVIS SALGADO
Ex-Ministro de Educação e Cultura

"Em tão valiosa obra, estamos certos de encontrar dados de real interesse para os nossos trabalhos."

Prof. ELOAH NIBEIRO HUNZ
Diretora do Centro Regional de Pesquisas
Educacionais do Rio Grande do Sul

"... sua obra "A Educação em Sergipe", certamente há de prestar excelente serviço à causa da educação em seu Estado."

ROLAND CORNISIER

Diretor Executivo do Instituto Superior do
Estados Brasileiros

"Quero expressar as minhas felicitações por tão brilhante obra, que vem enriquecer, ainda mais, a literatura nacional."

LUIZ FERREIRA GUIMARÃES

Presidente do Sindicato dos Jornalistas
Profissionais do Rio de Janeiro

"Valeado em bom estilo, constitui a obra um valioso trabalho de crítica serena mas incisiva, abordando os problemas gerais de ensino primário e normal com largo conhecimento de causa e apontando a solução mais adequada ao assunto."

O trabalho do Prof. NUNES MENDONÇA é, em si, um verdadeiro plano de reforma do ensino em Sergipe, e, assim, constitui valioso subsídio aos estudos e projetos administrativos que visam a equacionar e resolver o problema educacional naquela unidade federativa."

REGISTRO CULTURAL, "Revista AEC",
Órgão da Associação dos Empregados no
Comércio do Rio de Janeiro

J. MOREIRA DE SOUZA agradece o ensino que lhe deu de ler o seu artigo — "Em Defesa da Escola Pública" — publicado no "O Nordeste", manifestação oportuna, vigorosa, vibrante e segura de um ponto de vista que é de quantos se batem, no Brasil, por essa "atêlica democracia", desejada por Walt Whitman, tão bem lembrado no trabalho em apreço."

(J. MOREIRA DE SOUZA: professor, diretor
de Inquéritos e Pesquisas, do I.N.E.P.)

"Pelo que escreveu sobre o projeto de Diretrizes e Bases, passou o professor Nunes Mendonça a merecer não só a admiração, mas também a confiança de quantos se batem, nesta Pátria, por uma educação que não constitua privilégio dos ricos."

ABELARDO ROMERO

Ex-Professor do Colégio Pedro II. Escritor.
Poeta.

"A EDUCAÇÃO EM SERGIPE", de Nunes Mendonça, não constitui uma surpresa para mim, mas a legítima confirmação dos seus brilhantes dotes de talento e de erudição. E não é só! A confirmação, também, daquele desassom-

bro, daquela coragem de divergir, de não ficar subordinada a velhos e surrados tabus culturais. Um livro de márito. Um livro que sangra horizontes, que abre perspectivas a um anquilosado problema contemporâneo."

MÁRIO CARRAL

Da Academia Sergipana de Letras

"... você, que tem clareza de gênio e gosto de santo, merece de todos nós mais do que admiração; merece veneração e respeito."

FLORENTINO MENEZES

"Carta Aberta ao Prof. Nunes Mendonça"

(Florentino Menezes: Sociólogo. Da Academia Sergipana de Letras. Palestra)

"O professor Nunes Mendonça, nome já consagrado nas letras sergipanas, é um cientista e, como cientista, colheu fatos e os trata com objetividade e isenção de ânimo. "A Educação em Sergipe", como trabalho de pesquisa, de observações e de conclusões é, sobretudo, orientador, e constitui colaboração importante para qualquer governo que pretenda, realmente, enfrentar com seriedade os problemas educacionais."

ANTÔNIO GARCIA FILHO

Secretário de Educação, Cultura e Saúde,
Diretor da Faculdade de Medicina de
Sergipe. Da Academia Sergipana de
Letras

"Estudioso do assunto, tendo vivido ao encontro de Mestres que se dedicam à instrução em todos os seus ciclos, está Nunes Mendonça nas condições de expor teses, conduzir inteligências, dissecar sobre o que se há feito no setor que labora, criticar o que está mal orientado e mostrar diretrizes a serem seguidas por aqueles que têm a missão de ensinar."

"... os meus aplausos ao provento escritor que tem, já, para consagrá-lo, o magnífico ensaio sobre o poeta Walt Whitman."

ZÓZIMO LIMA

Da Academia Sergipana de Letras

"Estou apreendendo-me em escrever estas linhas a fim de parabenizar o ilustre ensaísta pela obra séria, enxuta e, acima de tudo, honesta que realizou."

Se a pesquisa e o estudo focassem outras Estados mais venturosos (ou menos desafortunados), se tivessem como cenário São Paulo, Minas ou Rio Grande do Sul, então alcançaria ressonância e louvores."

"... Posteriormente farei um trabalho crítico ao seu livro que é, já, proclamo antecipando, obra de análise em que o seu olho clínico enxerga e aponta erros

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de uma educação em que o esforço dos homens de boa vontade, mas de pouca visão, não consegue vencer as dificuldades e tropeços de uma economia atrasada, quase colonial e semifeudal, de agricultura arcaica e desprestigiada."

SENHAS DÓRIA

Da Academia Sergipana de Letras

...

"... Melhor destino terias lá fora, com o teu talento, com o brilho de tua inteligência aqui tão combatida e quase asgada!..."

Que o teu espírito continue, caro Nunes, no trabalho engrandecedor do pensamento, produzindo, num desacato ao arrol maldito, frutos de eternidade, que são os teus livros. É o teu destino, até cairás nas águas do Rio da Morte, como o "varalão", de Humberto de Campos, e contigo a pena com que escreves na candidez do papel — mármore do pensamento — as páginas que são a tua alma tão transbordante de luz nas andanças da beleza mortal."

FERREI RIBEIRO

Da Academia Sergipana de Letras

("Carta Aberta a Nunes Mendonça")

...

"A sua tese, meu caro prof. Nunes Mendonça, para mim desta moeda se ilustra: no conhecimento integral da matéria e no mais sincero zelo de advertência aos poderes públicos do Estado."

CLODOALDO DE ALENCAR

Da Academia Sergipana de Letras

...

"Em 1956 escreveu o Prof. NUNES MENDONÇA e publicou em 1958 um livro que pretendia revelar a situação global do ensino elementar em Sergipe. Era o resultado de uma pesquisa planejada. "A EDUCAÇÃO EM SERGIPE" tem o alto mérito de focalizar o "sistema estadual de educação" em seus aspectos legal, administrativo, político, pedagógico, social, e alguns problemas cruciais de sua dinâmica.

Qualquer que sejam as deficiências a apontar e as discrepâncias entre as idéias do autor e do leitor, — este é um livro de leitura obrigatória para todo aquele que deseje ter uma visão de conjunto do ensino primário em Sergipe. É ponto de partida fatal para novas pesquisas."

JOSÉ AMADO NASCIMENTO

Professor, Economista, Autor de ensaios sobre filosofia, sociologia e literatura.

...

"A Educação em Sergipe", do Professor Nunes Mendonça, foi dada à luz da publicidade com esmero e esforço e é um trabalho que não só honra o seu

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autor como revela inteligência, cultura, espírito cívico e amor pelas causas de sua terra, tendo por isso que produzir bons frutos."

A. ÁVILA LIMA

Professor, Advogado, Jornalista (Salvador).

...

"De láda parte têm chegado as mais honrosas referências acerca do recente livro de Nunes Mendonça — "A Educação em Sergipe". O jovem e muito lúubre educacionista remexeu fundo a água, que vai demorar a assentar...

Investigação, método, boa-vontade, integral respeito pela verdade, e, sobretudo, um talentoso desenvolvimento da matéria, convertem esse livro caríssimo e oportuno em um indispensável, um básico elemento de estudo e de consulta, não somente para técnicos e professores, mas também para o público, sacorçado como um todo.

... as páginas que a inteligência aguda de N. M. sua arte de dizer o que pensa, lá perderem a secura de ordinário notada em trabalhos do gênero, e que lemos como se lá um romance, dos interessantes.

Ora, o momento é este, de ler e aprender do livro enérgico e veraz do mais arguto e hábil dos sergipanos que colocaram a questão da Educação em seus justos termos (sendo que N. M. a colocou, também, em "ponto de vista" para uma atualizada análise, e procura de soluções, se houver interesse por parte dos governos e dos corpos docentes)."

PIRRO

(Pseudônimo de J. M. Fontes — Escritor, Jornalista, Poeta)

...

"O seu livro não pode ser considerado simplesmente um compêndio especializado, nem apenas um libretto panfletário: É um grito de desespero. Quando V. estuda a situação do sergipano, a Dor e a Angústia são personagens nas entrelinhas."

LUIZ CARLOS FONTES DE ALENCAR

Professor, Jornalista.

...

"O primeiro capítulo de "A Educação em Sergipe" é fundamental. Trata-se de organizado estudo de Antropogeografia Sergipana, escrito à maneira dos grandes mestres possibilistas, como P. Vidal de La Blanche, Jean Brunhes, Max Sorre e De Mustmann, e outros. Nunca se escreveu, até então, páginas tão sérias e precisas, onde há experimentado conhecimento de economia e sociologia sergipanas.

... "A Educação em Sergipe" vale como tese científica para a reconstrução de Sergipe."

IVO VELLAME

Professor

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... já conhecíamos a capacidade intelectual e a profunda cultura de que é portador o Catedrático de Pedagogia, Professor de Fundamentos Sociais da Educação e Assistente Técnico do Instituto de Educação Rui Barbosa, que é o prof. Nunes Mendonça, portador, ao mesmo tempo, de elevado espírito de civismo e defensor intempestivo dos desprezados da sorte.

... E ninguém até hoje desenvolveu com tanta clareza ou demonstrou com tanta beleza de expressão a nossa situação física e demográfica: o clima, o solo, o subsolo; os nossos hábitos, costumes e crenças; as nossas características psicológicas e outros aspectos de nossa vida e do nosso meio.

O livro do prof. J. A. Nunes Mendonça não deverá figurar apenas nas bibliotecas particulares; ele merece figurar nas salas e nas Secretarias de todas as repartições públicas do Estado, porque, de acordo com o José Maria Farias, quando se refere aos "assuntos pedagógicos" do autor, dizemos nós: -- Todo o livro servirá para GOVERNO DOS GOVERNOS...

FRANCISCO SILVEIRA DEDA
Comissão do Ensino, Jornalista

...

"... A EDUCAÇÃO EM SERGIPE -- trabalho que honra o magistério nacional."

JOÃO RODRIGUES BATISTA DE MATOS
Secretário do Centro Sergipano no Rio de Janeiro

...

"Sua obra, realizada no livro "A Educação em Sergipe", singulariza-se especialmente pela simplicidade com que demonstra a sua polímatia cultural.

Chegamos, mesmo, a acreditar ser "A Educação em Sergipe" apenas uma das modalidades ligadas da capacidade científica e literária do invulgar jornalista e professor sergipano."

JOÃO SANTANA
Crítico, Jornalista

...

"... o magistral trabalho que elaborou o situa muito justamente no rol das melhores e mais abalizadas mesuras."

ANTÔNIO CONDE DIAS
Jornalista

...

"... sua obra, "A Educação em Sergipe, tem-me deliziado, e esclarecido sobre a nossa estimada terra natal."

ERALDO LEMOS
Intelectual, Jornalista

"Os pequenos e anônimos professores interioranos lhe somos gratos, na expectativa sublime de que sua pena continue a escrever para Sergipe, para o Brasil e para o mundo, o fruto de sua inteligência de escola."

JOSÉ DA SILVA ROCHA
Professor no Interior da Bahia

"Nunes Mendonça publicou o seu muito bom trabalho que é "A Educação em Sergipe", livro planeteiro de pesquisas educacionais em nossa terra."

("Literatura — Livros e Autores", direção
de Bonifácio Fortes e Alberto Carvalho,
"Gazeta do Sergipe" — 22-3-1959)

"Pela indiscutível autoridade do autor nesses assuntos, as autoridades terão uma colaboração preciosa no plano da reforma elaborado pelo professor Nunes Mendonça."

("A Noite", do Rio — 10-2-1956)

"Estatista, crítico, camilista e creolista de médio, o prof. Nunes Mendonça vem elevando o nome de Sergipe na esfera do pensamento e da arte. E suas qualidades de espírito e de coração o recomendam à admiração e ao respeito dos seus patriotas, principalmente dos humildes, que não esquecem a sua situação na Assembleia Legislativa, onde lutou com tenacidade por sua terra e por sua gente."

("Correio de Aracaju" — 21-1-1958)

"Graças ao belo trabalho: "A Educação em Sergipe", muito apreciada aqui no Ministério."

AUGUSTA FIGUEIREDO
Inspetora Escolar, Secretária Executiva
da Comissão de Assistência às Fundações
Educativas — M.E.C.



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cos e despeitados, no intuito de des-
prestigiá-lo perante a opinião públi-
ca. Mas o Impávido Mestre e forma-
lita esmaga os seus detractores, as-
tutando, como sempre, uma alma
pura, uma consciência limpa e um
grande coração.

Muito se têm escrito sobre a sua
personalidade e sobre a sua atuação
nas letras provincianas. Todos lhe
aplaudem o profícuo labor em prol
do engrandecimento de nosso patri-
mônio cultural. O seu livro, intitula-
do: "A Educação em Sergipe", que
mereceu os melhores elogios e a con-
sagração da crítica autorizada do
País, é atestado vivo e eloquente do
fecundo trabalho intelectual do Mes-
tre sergipano, na seara da ciência.
Quem quer que manuseie esta obra,
encontrará, nas suas páginas, estu-
dos sérios e profundos sobre o nosso
meio e sobre a educação em nosso
Estado. "A Educação em Sergipe"
é livro de consulta indispensável a
quantos se interessam pelos proble-
mas sociais e do ensino em nossa
terra.

E, assim, o Professor Nunes Men-
dança vai trilhando os caminhos lu-
minosos da inteligência e da cultura
que lhe reservou o destino, certo de
que, um dia, a posteridade saberá
fazer-lhe justiça.

Os seus inimigos gratuitos, os
maus e os invejosos, os que procu-
ram tirar-lhe o estímulo e o prestígio,
o negar-lhe o estanhado amor da
causa pobre, continuando envoltos
na sombra da mesquinhez, mergu-
lhados na mediocridade da alma, e
merreio no anonimato.

Os homens de bem, os que sabem
fazer justiça e aplaudir o mérito, o
estêrço, a perseverança, a cultura e
a inteligência, não de apólar sem-
pre o Professor Nunes Mendança, na
sua luta sublimar em prol do nosso
desenvolvimento cultural e em defesa
dos grandes ideais humanos.

"Pode a nuvem amparar o brilho
de uma estrela; mas a nuvem passa,
e a estrela fica."

EUNALDO COSTA

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0967

NUNES MENDONÇA - VALOR GENUÍNO E ORIGINAL

Num Estado onde gente publicamente inculta se mete a fazer obra "cultural", a ação pioneira de Nunes Mendonça no campo do ensino vai demostrar a ser compreendida, ainda mais a ser aplicada.

Jornalista com grande espírito de síntese, boa verve e agudeza, educador moderno, cronista, poeta de ritmo livre, orador seguro e vivo, crítico destemorado das artimanhas políticas e dos erros administrativos, criou, de logo, muitos admiradores e muitos inimigos também.

Nem se embrevece com os primatas, nem se arrocia dos seguidores. Mas pelo simples fato de ser independente, está condenado a não tomar a dianteira como os ineducados que adulam e se agacham para vencer. Homem do idêntico próprio, e com o coração de expô-la, causa mal-estar aos "conservadores", os que vivem pelos outros, e suprem a incapacidade mental mediante a obediência aos ditames cediços, subalternos pelos anos, que acabaram por sepultá-lo.

Em certos círculos, que se supõem esclarecidos, quando são apenas mesquinhas, ao falar-se no nome de Nunes Mendonça, ensinam como de outras inteligências do mesmo alto quilate, só se lembram de apresentar tochas, defeitos, que, quase sempre, só existem na mentalidade tocha e no julgamento tendencioso, perverso, dadas condições de maledicências e calúnias. Nunca se alude à atividade pedagógica, jornalística, intelectual, do jovem e já quando representante da cultura nova do Serapipe, visto não amoldar-se à forma estreita da "cultura" e das ambições provincianas, vive distanciado dos auto-suficientes detentores dos poderes públicos, que, de ordinário, se sentem mal na companhia das pessoas espiritualmente superiores. Um dia, porém, o valor e a utilidade da preciosa contribuição educacional do nosso intrépido conferencista encontrando o reconhecimento, o apoio, os aplausos que merecem. As nulidades, tanto políticas como "culturais", passam, caem no esquecimento, reduzidas a zero as suas falsas benemerências... Quem tiver mérito, e amor à verdade, sobreviverá na memória das gerações futuras.

J. M. FONTES
("O Nordeste", de 12-9-59)

NUNES MENDONÇA — grande luz torturada e prisioneira na terra triste.

FREIRE RIBEIRO

0968

AIR PRIORITY

UNCLASSIFIED

(Security Classification)

DO NOT TYPE IN THIS SPACE

832.00/6-3061

FOREIGN SERVICE DESPATCH

FROM : Amembassy RIO DE JANEIRO

1194

JUL - 6 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

June 30, 1961

REF : CERP C-2

55 For Dept. Use Only	ACTION REC'D	DEPT. IN P O OTHER	1-2 B/CEA-1 EUR-5 FE-4 PER-2 RBP-1 INR-7 ARA-4 E-7 ICA-4 CIA-10 TAR-2 TR-3 FRA-3 XMR-4 DLF-7
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SUBJECT: MONTHLY ECONOMIC SUMMARY - MAY 1961 40C-4 USEA-10

OSD-5 Army-6 Navy-4 NSA-4

Summary: AGR-10 INT-9 LAB-8

The conclusion of credit negotiations with the United States highlighted economic developments during May. The new credits plus deferred debit payments, extended to assist the new Brazilian Government in its financial stabilization program, were accompanied by further changes in foreign exchange regulations. The cruzeiro exchange rate on the free market strengthened during the month, and there was some slowdown in the rate of cost of living increase. Trade missions to Communist bloc countries and Soviet Russia issued optimistic reports on increased trade prospects. Meanwhile, industrial and merchandising levels were maintained in most lines.

Finance:

Brazilian Finance Minister Clemente Mariani visited the United States in May for the conclusion of negotiations which resulted in approximately US\$1.5 billion of financial assistance for Brazil, including some \$600 million in new credits and \$900 million of deferred debt payments. Participants in the aid are the U.S. Government, the International Monetary Fund and private banks. In addition, agreements with various European countries and Japan were expected to provide an additional \$500 million of assistance, bringing the total to \$2 billion.

The financial picture for the month of May was characterized by a firming of the cruzeiro on the free market, indications of tighter credit and a slowdown in the rise of the cost of living. Though figures are not yet available for May, appeals on the part of business organizations to loosen credit tend to indicate that credit had again become tighter as it had in April.

Swearer, with contributions by
EJBash, BNGoldstein, JDSaahra, UNCLASSIFIED
JKrizey, DPMann, LKellouz, SEmiliano.

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JUL 24 1961

0969

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(Classification)

Page 2 of
Encl. No. 1194
Disp. No.
From Rio de Janeiro

Of particular interest was the circulation of Bank of Brazil import and export letters in increasing numbers. The volume of outstanding import and export letters, including both those issued under SUMOC Instruction 192 and 204, increased from Cr\$29.1 billion at the end of April to Cr\$ 47.1 billion at the end of May. Effective interest on these letters remained at about 30% on a per annum basis, with a very slight decline noted toward the end of May.

On May 22, SUMOC issued Instruction 206 increasing from \$20,000 to \$50,000 the weekly limitation on purchase of convertible currency per firm and reducing from Cr\$100 to Cr\$80 per export US\$1 earned which exporters must accept in Bank of Brazil export letters. It was also announced that this compulsory purchase of export letters would be reduced by Cr\$20 per US\$1 each month until eliminated. The Finance Ministry explained that this action was made possible by an unusually good response of free market exports to the new foreign exchange regulations, the volume of such exports having reached US\$90 million in May.

In addition, banks which had previously been required to deposit the total cruzeiro equivalent of forward exchange purchases are now required to make only a 10% deposit. This factor plus Instruction 206 tended to ease credit somewhat. To further ease the credit pinch, the Ministry of Finance also announced a speedup in disbursements of budgetary obligations amounting to some Cr\$16 billion in May and promised the utilization of funds from the coffee account to finance harvesting on a short term basis.

Notwithstanding these moves to ease credit, businesses complaining of the tight credit situation became more vocal at the end of the month demanding more drastic action. More particularly, the elimination of Import letters was demanded by many groups.

Also during May (May 12) SUMOC Instruction 205 was issued setting forth a new coffee policy for the remainder of this crop year and crop year 61-62. Essentially the new policy specifically describes types of coffee which may be exported and prohibits exportation of other types. In addition, producers of exportable grades will receive more than under the previous policy while the support prices for non-exportable grades will be lowered.

During May, paper money issued increased by Cr\$4.0 billion or 1.8% over the level of outstanding currency in circulation as of the end of the previous month. For the comparable period of 1960 the corresponding figures were Cr\$2.8 billion and 1.7%.

UNCLASSIFIED

0970

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 1194
From Rio de Janeiro

The cost of living index as reported by the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 1.7% for May, 1961. This compares with 4.3% for the preceding month.

The average check buying rate in the free market for May was Cr\$264.27 which compares with Cr\$276.65 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$186.47 and Cr\$189.89.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$281.62 to the \$1 and then fluctuated between a high of Cr\$281.62 and Cr\$260.20 on May 15. The closing rate on May 31 was Cr\$264.17 and the average for the month Cr\$270.46.

Trade and Industry

Merchandising and industrial production levels during the month of May were approximately the same as for the preceding month, with local business sources reporting generally good levels in spite of complaints about tight credit. There was general agreement that the Government's anti-inflationary and stabilization measures were having effect, notably in a much reduced rise in the cost of living and the firming of the cruzeiro on the free market. It was felt, however, that it would take more time for these policies to show their full effect.

During this period plans for industrial and trade expansion continued. The Brazilian Trade Service (Serviço de Propaganda e Expansão Comercial do Brasil - SEPRO) which replaces the Brazilian Trade Bureau and is now a part of the Brazilian Foreign Service, has begun operations in New York under Eurico Penteadó, Minister for Economic Affairs with the Brazilian delegation to the United Nations. The offices are those formerly occupied by the Trade Bureau at 551 Fifth Avenue.

In the field of industry interest was focused on petroleum, electric power and heavy machinery developments. There were indications that the distillation unit at the Duque de Caxias refinery, nearing completion near Rio de Janeiro, would be tested and ready for operation within two or three months. At the same time there was some questioning of the economic soundness of the Petrobrás projects for a refinery at Belo Horizonte and for a

UNCLASSIFIED

0971

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 1194
Disp. No.
From Rio de Janeiro

Rio-Belo Horizonte pipeline. It was argued that while it remains imperative to increase refining capacity, a refinery at Belo Horizonte might be competing uneconomically for the same general market with the Duque de Caxias refinery.

The issue of nationalization of private oil refineries as well as of distribution and retail facilities of petroleum products (including service stations) does not appear to be urgent at the present time. Petrobrás and National Petroleum Council heads have testified before the Petroleum Investigating Commission of the Federal Congress that nationalization could be carried out only after many high priority projects are completed and when funds and personnel become available. Petrobrás has begun to consider with Federal District officials the possibility of renting or purchasing lots for its own gasoline stations. As regards existing privately owned stations in the Federal District, no final decision has yet been reached. Petrobrás appears to be giving highest priority to increasing refining capacity, establishing petrochemical industries, and to more intensive prospecting and research.

In the field of electric power, proposals for financing equipment for the Urubupungá project in São Paulo State, the largest electric power project yet contemplated in Latin America, are being considered. While preliminary proposals from the European Common Market appear very favorable, a Japanese proposal to supply equipment in exchange for iron ore has caused officials of the project to visit Japan for further study of the offer. It was also reported that a group of Iron Curtain countries, coordinated by Czechoslovakia, are planning to make a proposal.

Congress has sustained the legislation creating the Federal electric power monopoly, Eletrobrás, and the law will be enacted in the form in which it was signed by President Quadros on April 25, 1961. It is still not possible to know what the full functions of Eletrobrás will be in the fields of power generation and distribution.

The incipient tractor industry is awaiting issuance of regulations which will spell out the programs to be undertaken by the recently created Executive Group for the Agricultural and Road Construction Machinery Industry (GEIMAR), in conjunction with the Executive Group for the Heavy Machinery Industry (GEIMAPE), both under the parent Executive Group for the Automotive Industry (GEIA). According to some informed sources there is a present need in Brazil for 150 to 200 thousand tractors, in addition to the 70 thousand now in use, of which it is estimated at least 30 thousand are in

UNCLASSIFIED

0972

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 1194
From Rio de Janeiro

need of major overhauls. This substantial market for tractors will very likely not become a reality, however, until an adequate credit and financing system, for which legislation is now being enacted, is set up to enable an increasing number of farmers to purchase tractors and other farm machinery.

Labor:

May Day is an occasion for a day off rather than any notable labor activity in most of Brazil, including Rio. The Communists attempted to hold a major demonstration to which they gave a great deal of publicity, but only about two thousand persons were present, of which a good percentage were onlookers. Later in the month, a newly-organized anti-Communist labor group, the "Free Workers Democratic Resistance," held its first mass meeting in Rio's Maracanazinho Stadium with a crowd of some five or six thousand persons, of which a good percentage were believed to be students and teachers.

No strikes of significance were reported during the month of May, and it was also a month during which very few new wage settlements were announced, as practically no annual wage agreements expire in May.

Agriculture:

The Government issued instructions for marketing the 1961/62 coffee crop which radically changed past coffee policies. This new program, embodied in IBC Resolution 172, 188, and 189, and SUMOC Instruction No. 205 issued May 12, 1961, is designed to encourage the production of only good quality coffees through remunerative ~~shipping~~ ~~priority~~ support prices, shipping priority, free transit and other facilities and to lead owners of marginal uneconomical plantations, producing lower grades of coffee, to eradicate their trees through a relatively low support price for coffees classified as unexportable. The results of these measures will be to slow down the flow of low grade coffees into IBC's warehouses and consequently cut down the costs of supporting the coffee program. Land available after eradication of old uneconomical coffee trees is expected to be planted with more remunerative crops for which the Government is guaranteeing high minimum prices. The new policy will consider the "expurgo" (waste) coffees worthless and they will be eliminated from IBC warehouses. The coffee program will be self-supported through a special fund to be raised by the retention by the Bank of Brazil of US\$22.00 earned from every bag of coffee exported.

UNCLASSIFIED

0973

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. 1194
Disp. No.
From Rio de Janeiro

(This amounts to about half the current price).

The new policy has been generally well received by the coffee trade and coffee growers who can now convert at the free rate foreign exchange above \$22 received for each bag exported, whereas previously they had to accept the fixed rate of Cr\$90 for every dollar earned.

Coffee exports during the month of May 1961 were 1,139,314 bags compared to 1,531,141 bags exported during the month of May 1960. Total coffee exports for the current marketing year (July 1, 1960 through May 30, 1961) were 15,098,313 bags compared to 16,613,917 bags exported during the same period of the last coffee marketing year.

International Trade Developments:

Reports from the Dantas Trade Mission to Eastern Europe claimed success on a grand scale, with agreements having been reached totaling more than US\$2 billion during the next five years, in addition to approximately US\$500 million in credits. The agreements drawn up by Dantas and his host countries will be studied by a specially constituted Work Group, charged with the task of integrating the accords and protocols into the Brazilian economy, production and trade. It is widely expected that as a result of the Work Group's study, the levels of trade called for in the agreements will be considerably deflated and reduced to more realistic levels.

In Moscow, the Brazilian Executive Commission for the Exchange of Products of Brazil and the Soviet Union (CEBRUS) concluded a month of negotiations, undertaken in accordance with the provisions of the Brazil-USSR Trade Agreement of 1959. A double protocol, signed by the Commission's head--Paulo Leao de Moura--provides for the establishment in Moscow and in Rio de Janeiro of permanent commercial missions, limited to ten persons; a Soviet industrial exhibition in Rio during 1962; an increase in the limit of "technical" (swing) credits from US\$4 million to US\$8 million, and an increase in the outside limit of credits to US\$80 million. In addition, agreements were signed calling for an increase in Brazil-USSR trade to US\$40 million from the not quite US\$30 million reached during 1960. Another joint meeting of the Brazilian and Soviet Executive Commissions will be held in Rio in January 1962.

Preliminary discussions during May between Brazilian officials and a Communist China Commercial Mission visiting Brazil optimistically forecast an increase of trade between the two countries approximating the US\$50 million level; these negotiations will be

UNCLASSIFIED

0974

UNCLASSIFIED
(Classification)

Page 7 of
End. No.
Dep. No. 1194
From Rio de Janeiro

continued when a Brazilian mission visits Communist China in the near future.

During the period under review, an Argentine delegation arrived in Brazil to enter into mixed Argentine-Brazilian Trade Commission negotiations designed to expand trade between the two countries, in accordance with the resolution made during an earlier meeting in Uruguaiana between Presidents Quadros and Frondizi. Among agreements reached was that of cancelling, effective September 1, of the Argentine-Brazilian bilateral payments account now in force (because of the trend towards larger imports by Argentina of Brazilian goods and the small supply of Argentine wheat in the current season, it is expected that the present large balance in favor of Argentina will be substantially reduced in the course of the next twelve months). It was also agreed that special committees of Argentine and Brazilian government representatives and businessmen be constituted to consider ways of increasing trade in manufactured goods between the two countries.

On May 2, 1961, six of the seven member countries of LAFTA (the Latin American Free Trade Association) deposited at the Uruguayan Ministry of Foreign Affairs the instruments of ratification of the Treat of Montevideo. In accordance with the statutes, LAFTA will become operative thirty days after the deposit of the instruments of ratification, and the Permanent Committee will be established sixty days later--August 2. Negotiations on the first round of tariff reductions are scheduled to begin in Montevideo the end of July.

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

Enclosure: *att 1*
Economic Indicators

UNCLASSIFIED

0975

UNCLASSIFIED
(Classification)

Page 1 of
End. No. 1194
Desp. No. 1194
From Rio de Janeiro

ECONOMIC INDICATORS

Cost of Living in Rio de Janeiro
(1948=100)

1960	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	899	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	621	534	660	700	824	725	2.8
May	818	528	631	552	682	699	826	725	-
1961									
Jan.	976	654	705	642	846	905	997	866	2.1
Feb.	987	655	712	647	856	936	997	876	1.
March	999	682	721	663	871	974	997	891	1.8
April	1047	759	732	682	871	1014	1030	930	1.4
May	1058	775	741	690	886	1014	1061	943	1.4

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (US\$1,000,000)

Imports	Jan.	Feb.	Jan-Feb.	Jan.	Feb.	Jan-Feb.
Total	127.7	103	230.7	100%	100%	100%
USA	32.1	34.6	66.6	25.1	33.6	28.9
Western						
Europe	42.7	36.	78.7	33.4	35.	34.1
Middle						
East	8.4	4.7	13.1	6.6	4.6	5.7
C.B. *	6.8	4.4	10.3	4.7	4.3	4.5

a)-revised *)- C.B. refers to the Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Com.China, Rumania, USSR, Albania and Bulgaria

Exports	Jan.	Feb.	Jan-Feb.	Jan.	Feb.	Jan-Feb.
Total	82.1	98.7	180.8	100%	100%	100%
USA	32.2	41.6	73.8	39.2	42.1	40.8
Western						
Europe	25.9	38.	63.9	31.5	38.5	35.3
Middle						
East	.8	.7	1.5	1.	.7	.8
C.B. *	5.3	3.9	9.2	6.5	4.	5.1

Source: Economic and Financial Statistical Service, Ministry of Finance

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0976

AIR POUCH		UNCLASSIFIED (Security Classification)	DO NOT TYPE IN THIS SPACE
FOREIGN SERVICE DESPATCH 492		832.00/6-3061	
FROM :	Amoengen São Paulo	DESP. NO.	492
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	DATE	June 30, 1961
REF :	CERP C - General Interest		JUN 30 1961

20 For Dept. Use Only	ACTION ARR-5	DEPT. N RM/R-2 REP-1 INR-7 ICA-4 E-7
	REC'D 7-5-61	OTHER CIA-10 USIA-10 NSA-4 OSD-5 ARMY-4

SUBJECT: Biweekly Economic Review, June 16 - 29, 1961

INDEX

1. New Directors of Paulista Railway Take Office R. E. Cahn
2. Businessmen Press for Easier Credit R. E. Cahn
3. Resumption of Orange Exports to European Markets A. D. Ventura
4. Frozen Meat Exports Resumed A. D. Ventura
5. Local Company Exports Automatic Lathes A. D. Ventura
6. São Paulo Industries to Participate in Floating Exhibition A. D. Ventura
7. Bids at São Paulo Special Import Auctions Close to Minimum A. D. Ventura

1. New Directors of Paulista Railway Take Office

Following the expropriation of the shares of the Paulista Railway (item 1, despatch 452, June 2) the São Paulo State Government overcame several judicial moves of the outgoing directorate, and has now put in its own directors. The new directors are: José Ermirio de Moraes, president (important São Paulo industrialist, head of Votorantim group); José Edgard Pereira Barreto (attorney general of the State); Francisco Betim Passalunghi (engineer in charge of Paulista shops at Rio Claro); Ruben de Mello (specialist in lumber industry); and Fernando Gasparian (head of São Paulo textile industry association).

2. Businessmen Press for Easier Credit

Money has become increasingly tighter in São Paulo and businessmen have become more vocal in their demands for relief. SUMOC instruction 207 of June 8, which temporarily reduced obligatory bank deposits with the monetary authorities and provided for some "extra limit" rediscounting of industrial

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(see index for contributors)	
ACTION ASSIGNED TO NAME OF OFFICER & OFFICE SYMBOL	ACTION TAKEN DATE OF ACTION DIRECTIONS TO RM/R

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0977

UNCLASSIFIED
(Classification)

Page 2 of
End. No.
Desp. No. 492
From Amcogen São Paulo

paper, afforded some relief. This, however, was considered insufficient, and ten days later there was renewed pressure for further relief. The Commercial Association appealed to São Paulo banks to provide additional credit by resorting to more rediscounting. The industrialists, however, were the most vocal. The São Paulo Federation of Industries sent a committee to Rio de Janeiro to appeal to the Minister of Finance, and on June 27 the press reported that the Minister had assured the committee that by the end of June further relief would be provided.

3. Resumption of Orange Exports to European Markets

Exports of oranges from Santos to European markets, which had fallen off sharply when federal judicial authorities suspended an injunction against payment of the 5 percent merchant marine tax (see item 4 of despatch 452 of June 2), have now been resumed following a presidential order of June 26 suspending collection of the tax from orange exporters until the higher courts decide whether or not it should be paid.

4. Frozen Meat Exports Resumed

Exports of frozen meat from Santos, suspended since September 1960 due to domestic shortages, have now been resumed. So far in June, two shipments to European markets have been made, the second consisting of 50 metric tons exported to Italy.

5. Local Company Exports Automatic Lathes

Máquinas Agrícolas Romi S. A., of Santa Bárbara d'Oeste, S. P., a large manufacturer of automatic high-speed lathes, announced the signature of contracts to the value of US\$1.5 million, for the export of its lathes to West Germany and Mexico over a period of three years. The company, which has already exported some of its lathes to England, is now planning to export its products to Australia, Italy, and Spain.

6. São Paulo Industries to Participate in Floating Exhibition

A floating exhibition aboard the training ship "Custodio de Melo," which is to leave soon, on a voyage around Africa, is being organized by officers of the Federation of Industries of the State of São Paulo (FIESP), together with representatives of the Foreign and Navy Ministries. The exhibition, organized at the express wish of the President of the Republic, is aimed at developing Brazilian trade with African nations. The FIESP Foreign Trade Department has already received numerous applications from São Paulo companies that wish to display their products.

UNCLASSIFIED

0978

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 492
Desp. No. Amcongen São Paulo
From

7. Bids at São Paulo Special Import Auctions Close to Minimum

After the high bids at the first two auctions of promises for import license to import luxury goods at São Paulo (see item 1, despatch 470 of June 16), bids for the US\$20,000 purchased at the June 27 auctions dropped to an average of Cr\$674.50 a US\$1.00. This is close to the minimum permissible bid of Cr\$662.80 a US\$1.00 for that auction.

For the Minister Consul General:

Scott C Lyon
Scott C. Lyon
American Consul

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Mr. Penah

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FOREIGN SERVICE DESPATCH

FROM: Consulate PORTO ALGERE

1

TO: THE DEPARTMENT OF STATE, WASHINGTON

July 5, 1961

REF: CERP Requirements: Section C, Item 2

55 For Dept. Use Only	ACTION REC'D	DEPT. OTHER
7/12	7/12	7/12

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - June 1961

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

SUMMARY:

The weather in June was changeable, with a cold spell hitting the State. Rains were reported beneficial to crops and pastures. A large rice crop announced this year, with an estimated exportable surplus of 384,000 metric tons of milled rice. IRGA's (Rio Grande do Sul Rice Institute) current rice prices are considered too high for either international or domestic markets. Federal Government financing of rice crop is announced to amount to 65 million for the current season. Discussions are under way concerning the marketing of the new 1961-62 Rio Grande do Sul wheat crop. Wheat arrivals under Plan 486 are expected in Rio Grande do Sul early in August. The recurring problem of wool consumption and exportable surplus will be discussed by Rio Grande do Sul wool-growers and Rio Grande do Sul mills. State authorities appear to be seriously concerned over beef-and-mutton diseases. Retail sales in June were reported spotty. Late arrival of cold weather has had adverse effect on sales of winter apparel. Some improvement is reported in local collections, but interior collections continue slow trend. Higher amount of Rio Grande do Sul soybeans was released for export. Iron Curtain Rice was reported during the month. The U.S. dollar free market price was weakened somewhat over previous month. Exchange rate for imports in the special category were reported in June with high spot bid for U.S. dollars. Money was slightly tighter and financial conditions reported toward the end of the month. Relations remained friendly, although cost of living in Porto Alegre increased 15.10 percent from January through June. Discussions are under way for transportation

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0981

UNCLASSIFIED

(Classification)

Page 2 of

Encl. No.

Disp. No. 1

From PORTO ALEGRE

of the GERS into a mixed company. Short-duration power rationings continued during June.

1. AGRICULTURAL DEVELOPMENTS:

Rice - After subtracting 1,450,000 bags for use as seed, the current rice crop for Rio Grande do Sul is expected to yield 17,550,000 fifty-kilo bags of rough rice. This figure is equivalent of 9,945,000 sixty-kilo bags of milled rice, added to which is a carryover from previous years of 3,244,000 bags, which includes the 2,000,000 bags taken up by CACEX (Foreign Trade Department of the Bank of Brazil).

According to IRGA (Rio Grande do Sul Rice Institute) disposal of the 13,189,000 bags of milled rice, representing the sum of this year's crop and the previous carryover, would be as follows: 2,435,000 bags for consumption requirements of Rio Grande do Sul, 4,000,000 bags for the remaining domestic consuming centers, and 6,754,000 bags for international markets.

The following are minimum prices set by the Federal Government and by IRGA for a 60-kilo bag of milled rice:

	Bank of Brazil	IRGA
Short grain	Cr1,456	1,725
Medium grain	1,592	1,926
Long grain	1,701	2,020

The general feeling is that the Federal Government's prices are reasonable, while IRGA's are too high for either domestic or international markets. IRGA will now receive \$2 billion in Federal financing out of an expected total of \$5 billion for this season. Some sources are of the opinion that in view of its high prices, IRGA will require up to \$3 billion to be able to buy all of the rice offered to it this season.

Wheat - According to the press, discussions are under way between local millers and a representative of Serviço de Expansão do Trigo (SET) concerning the marketing of the new 1961-62 wheat crop of Rio Grande do Sul. Millers do not agree with the creation of a National Wheat Institute, nor a higher extraction percentage, nor an increase in percentage of mixture used in wheat flour. Millers also are opposed to a distribution scheme including the consuming needs of different areas. However, millers are in favor of creation of a National Wheat Development Bank, and a sole price for imported and domestic wheat in Brazil.

Early in August additional United States wheat arrivals under PL-480 are expected at the ports of Porto Alegre, Pelotas and Rio Grande. According to the press, shipments scheduled for Porto Alegre

UNCLASSIFIED

0982

UNCLASSIFIED

(Classification)

Page 3 of
Encl. No. 1
Desp. No. 1
From PORTO ALEGRE

will amount to 22,900 metric tons; for Pelotas, 2,300 metric tons; and for Rio Grande, 1,300 metric tons. Press reports indicate that Argentine, Uruguayan and Brazilian geneticists will meet in Pelotas and Porto Alegre shortly to coordinate efforts to obtain new varieties of disease-resisting wheat. This meeting is a result of Frondizi-Quadros cooperation agreement signed at the recent Uruguiana meeting.

Wool- It is reported that a delegation of Rio Grande do Sul woolgrowers will discuss shortly with São Paulo textile mills problems relating to domestic wool consumption needs and exportable surplus from Rio Grande do Sul, in an effort to overcome difficulties occurring after each wool crop.

Hoof-and Mouth Disease - It is reported that a credit of \$25.5 million has been opened by the State Government on behalf of the State Secretariat of Agriculture to combat the hoof-and-mouth disease in Rio Grande do Sul. Vaccines produced locally by a Dutch method known as "Frenkel" will be used. Local authorities expect to be able to increase the State's beef production and intensify exports by effectively combatting this disease.

28th National Livestock and Its Derivatives Exposition: This annual exposition will be held in Porto Alegre, Parque Menino Deus, on August 20-31, 1961. Rio Grande do Sul State Secretariat of Agriculture is responsible for organizing the exhibition, which is the principal affair of its kind in Rio Grande do Sul.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

According to trade sources retail sales in June have been somewhat spotty, reports varying from decreased turn-over as compared to same month last year, to marked increases in both cruzeiro and physical volume. The late arrival of the cold weather has had some adverse influence on sales of winter apparel. Retailers have indicated some improvement in local collections, although interior collections continue their slowing trend. With Federal funds for the rice harvest yet to enter this market, wholesale activity continued slow.

Comparative figures of total sales for May 1961 (latest figure available) and April 1961, and May 1960, are as follows:

(In thousands of cruzeiros)

May 1961	April 1961	May 1960
30,460,820	26,711,750	21,853,366

(Source: Budget Bureau, State Treasury)

The higher sales figures may be somewhat misleading because they are due in large part to commodity price increases attributable to recent exchange reforms, rather than any marked rise in physical volume.

UNCLASSIFIED

0983

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Desp. No. 1
From: PORTO ALEGRE

Protest of trade bills for May 1961 (latest figure available) amounted to \$13,628,826, as compared with \$9,016,504 for April 1961, and \$14,237,963 for May 1960.

3. FOREIGN TRADE:

Soybeans - It is reported that 50,000 metric tons of Rio Grande do Sul soybeans have been released this year by the Federal authorities for export. Exporters stated that due to declining world prices in the second half of the year soybeans should have been released earlier.

Beef for Czechoslovakia - According to the press, Engineer Vlastimil Burina, a representative of Czechoslovakia, is said to have submitted a proposal for consideration of the Rio Grande do Sul Meat Institute for shipment of Czech tractors in exchange for beef. The Consulate will report further details when available. This proposal is in addition to recent Czech purchases of beef from Rio Grande do Sul (See Consulate's despatch No. 61, June 6, 1961).

Importation from Poland - The Polish flag ship "Slowacki", owned by the Polskie Linie Oceaniczne, arrived in Porto Alegre on June 4, bringing 660 metric tons of general merchandise for the local market, including farm implements, road building machines, printing machine, hydraulic press, malt, wire, etc.

Montevideo Treaty - A trade mission from Rio Grande do Sul visited Uruguay late in June to contact Uruguayan commerce and industry leaders, with a view to studying the possibilities of importing Uruguayan commodities and exporting Rio Grande do Sul manufactured products, under the Montevideo Free Zone Treaty.

Coffee Contraband - According to the press, a considerable amount of coffee is being smuggled from Rio Grande do Sul to Argentina. It is reported that the border towns of Uruguaiana, Itaqui and São Borja situated in the western part of the State, have been used for this illicit trade. Authorities believe that the coffee shipments originate in the states of São Paulo and Paraná, and are brought by trucks to Rio Grande do Sul.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Schools in Factories - Local industry leaders are concerned over the implementation of Federal Decree No. 50423 which obliges factories throughout Brazil employing over 100 workers to install schools for the workers and their children. This decree will be put in force shortly.

Management Seminar - The 8th Management Seminar was held in Porto Alegre from June 15 through 17, promoted by Point IV (USOM) and the Faculty of Economic Science, University of Rio Grande do Sul.

UNCLASSIFIED

0984

UNCLASSIFIED

(Classification)

Page 5 of
Encl. No. 1
Desp. No. 1
From PORTO ALEGRE

The discussions were focused on the current inflation problems and its effects on the State's economy and on local business and manufacturing firms. An encouraging local response was received and the lectures were delivered by prominent local University professors, businessmen, and Dr. Octavio Bulhoes, the Director of SUMOC. Participants paid a moderate fee. (see Consulate's despatch No. 65 of June 21, 1961.)

5. TRANSPORTATION AND COMMUNICATIONS:

Port of Porto Alegre - It has been noticed that during June the movement in the local port dropped considerably. Local port authorities stated that such a decline has not occurred in years. As coastwise shipping transportation is tied up with red tape and extra charges, a considerable amount of freight is apparently diverted to truck transportation.

Lebanese Ship - For the first time a Lebanese flag freighter docked in Porto Alegre in June. The ship is owned by a Greek company, and the cargo brought by the ss. "Carnation" consisted of 1,600 metric tons of fertilizer (phosphate) from Tunisia. No Rio Grande do Sul products were taken by this boat.

6. FINANCE:

Exchange - The free market cruzeiro strengthened somewhat during June, averaging \$262.50 per U.S. dollar (check buying rate) against \$271.77 in May 1961.

On June 13 the import auctions for special category dollars were resumed here by SUMOC. The amount of US\$6,200 was offered and sold, agios reaching a minimum of \$332.10 and a maximum of \$336.00 per dollar. Agreement-dollars in the amount of 9,800 were also offered, but no purchases were made.

Money Conditions - After having gone through a period of extreme tightness, when commercial banks were virtually closed for loaning operations, money is reported to have eased slightly, partly as a result of SUMOC Instruction 207, which lowered compulsory deposits from commercial banks with the Bank of Brazil. However, the last few days of the month have seen renewed tightening, and as protection against withdrawals for income tax payments and renewed import activity, banks are keeping loaning operations to a minimum.

Banks Increase Capital - It is reported that two Rio Grande do Sul banks, Banco Nacional do Comercio and Banco Agricola Mercantil, increased their capital. The first, from \$350 million to \$700 million, and the second, from \$300 million to \$400 million. There are reportedly 500 commercial banks, including branches, operating in the state of Rio Grande do Sul, the majority of them (77) being established in Porto Alegre.

UNCLASSIFIED

0985

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. 1
Desp. No. 1
From PORTO ALEGRE

Porto Alegre Municipal Government - The local mayor Loureiro da Silva is making an effort to obtain a loan from the Inter-American Development Bank (IADB) to improve the local water supply and sewage system, which is considered outgrown. Negotiations are under way and prospects are reported encouraging. The amount required by the mayor is estimated at \$1.5 million. A loan is also being negotiated by the local municipal government from the IADB for the construction of residential blocks worth \$450 million.

Curitiba Meeting - Governors of the states of Rio Grande do Sul, Santa Catarina and Parana held a meeting in Curitiba, Parana, on June 15, to discuss the formation of a Regional Development Council for the Southern States, and an Economic Development Bank for the Southern States, following preliminary discussions held at the Florianopolis meeting (see Consulate's despatch No. 53 of April 6, 1961). President Quadros has approved the Governor's resolution, which will now be submitted for approval by the Legislative Assembly of each of the states concerned.

New Secretaries Appointed - State Deputy (PTB) Leocadio de Almeida Antunes has been appointed by Governor Brizola as State Secretary of Economy to replace State Deputy (PTB) Siegfried Heuser, who resigned recently. State Deputy (PTB) Victor Issler, State Secretary of the Treasury has been replaced by Gabriel Obine (PTB) former RGS State Attorney in Rio de Janeiro, upon resignation of the Issler.

7. LABOR:

Management-labor relations remained relatively quiet during the month under review. According to statistics released by the Retirement and Pension Institutes the cost of living in Porto Alegre increased 18.40 percent from January through May, 1961.

8. MISCELLANEOUS:

State Electrification Program - Under the terms of the contract signed recently by Governor Brizola with the Bank of Brazil, financing will be granted for development of the State Electrification Program provided the State Electric Power Commission (CEEE) is transformed within 90 days into a mixed enterprise, ownership to be divided between the State Government with controlling interest, and private interests. Debate over this change in CEEE is continuing in the State Legislative Assembly.

Power Rationing - Short duration power rationings were continued in June in different sections of the State, although plentiful rainfalls occurred during this period. It appears that CEEE has endeavored to supply demand in excess of its current power production capacity; rationing will undoubtedly continue until a balance between capacity and consumption is achieved, an unpredictable state of affairs.

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0986

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Page 7 of
Encl. No. 1
Desp. No. 1
From PORTO ALEGRE

Visits of Ambassadors - Early in June, Uruguayan Ambassador Ferrer Serra, and Swiss Ambassador Dominice, made short visits to Rio Grande do Sul. Late in the month the Belgian Ambassador likewise paid a visit to this State. With the exception of the Uruguayan Ambassador, the others came on official business and called on local authorities and commerce leaders. The Swiss Ambassador stated that his country would like to increase its imports of Rio Grande do Sul products, especially meat and tobacco. The Belgian Ambassador exhibited particular interest in Rio Grande do Sul's plans for the development of its coastal area.

Percy Warner
Percy Warner
American Consul

cc. Amembassy RIO

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0987

AIR POUCH

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832-00/7-561

FOREIGN SERVICE DESPATCH

FROM : Amcoengen, São Paulo

DESP. NO. 3

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 5, 1961

REF : CERP C - General Interest

JULY 7, 1961

5-5 Encl. Dept. Use Only	ACTION REC'D	DEPT. IN F OTHER					
			REP-1	END-7	AKA-4	E-7	ICA-11 PER-2
	7/18		CIA-10	TAR-2	TR-3	*FAB-3	XMG-4 DUE-7

SUBJECT: São Paulo Quarterly Review - Second Quarter 1961

*AGA-10 INT-7 *AB-8 OSD-5 army-8
NAVY-4 NSA-4 DOC-4 USEA-10

SUMMARY

Business continued good. Auto production dropped in April but recuperated when maximum permissible weekly exchange purchases were raised again to US\$50,000 and assured sufficient exchange for imported materials. Money became progressively tighter. The sale at below face value of Bank of Brazil notes given to importers provided a high yield to purchasers and drained funds previously channelled to other securities, causing a drop in stock and share quotations. Credit eased a little in June but not as much as desired. European, Japanese, and Czech firms indicated interest in supplying equipment on credit to the Urubupunga power project. Import restrictions were eased. Orange exports were suspended pending a tax decision. East Germany is planning an industrial exhibit in São Paulo. Port movement at Santos is down. Shares of the Paulista Railway were expropriated. Tenders were called for rendering São Paulo city telephone service. Agricultural prospects were good, with fairly large coffee, corn, and sugar crops. Rains, however, adversely affected the cotton harvest. The São Paulo Agrarian Reform made some progress. There were some wage increases. The only important strike was that of the Paulista Railway employees, which triggered the railroad's expropriation.

BUSINESS ACTIVITY

Wholesale and retail trade during the second quarter of the year continued good. Ad valorem sales tax revenue, which had risen to Cr\$7.8 billion in March, remained at the March level in April and then soared to Cr\$8.9 billion in May. Manufacturing activity, with few exceptions, also held up to past satisfactory levels. Production was cut back somewhat in the automotive industry in April, because of the uncertainty of replacing imported materials in sufficient quantity, but most plants resumed normal production in May when the weekly limit of foreign exchange purchases for imports was again increased to US\$50,000. Some manufacturers outside the automotive field reduced production in anticipation of a possible decline in consumption that has not yet materialized. The rate of inflation diminished somewhat. The cost of living at the end of

1/ Free market exchange rate was about 254 cruzeiros per U. S. dollar in late June 1961.

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(See last page for contributors)

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0988

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Page 2 of

Encl. No.

Disp. No. 3

From Amcongen São Paulo

May was 15.6 percent above the December 1960 level, but the increase in May over April was only 1.5 percent.

FINANCE

Money became progressively tighter in São Paulo during the second quarter of 1961. An important contributing factor was the greater need of funds by importers to cover the purchase of 150-day Bank of Brazil notes which they are obliged to buy under SUMOC instruction 204, in a cruzeiro amount equivalent to the foreign exchange they purchase. Furthermore these notes, as well as those given exporters, were admitted for sale on the São Paulo stock exchange and drained off funds which prior to then had been channelled to other securities. The Bank of Brazil notes were being sold at about 10 percent below face value, dependent upon date of maturity, and have been yielding to the buyer the equivalent of around 31 percent a year. As a result trading in stocks, shares, and bank acceptances declined and quotations fell.

The Federation of Industries complained of hardships because of tight credit, and impending unemployment. The São Paulo Commercial Association claimed discrimination when in June SUMOC instruction 207 permitted "extra limit" rediscounting of industrial paper (duplicatas), maintaining that commercial paper (duplicatas) should be given equal treatment. The other provisions of SUMOC 207 (temporarily reducing obligatory bank deposits with the monetary authorities) were welcomed by all in São Paulo as a step towards easing credit, but it was questioned whether that was enough to afford the needed relief.

As competition was pushing installment sales beyond reasonable limits, with no down payment etc., the trade determined to do some self-policing. Through the Club of Retail Shop Directors the trade agreed to demand at least a 10 percent down payment and not more than 24 installments in the sale of household goods. Agreements also were being concluded on the terms for selling other goods.

The Urubupungá hydroelectric power project on the Parana river was prominently in the news through preliminary soundings to obtain financing for the purchase of equipment. The European Common Market was reported as prepared to grant financing of US\$100 million, with 30 percent available for expenditure on equipment made in Brazil. Directors of the Centrais Elétricas Urubupungá went to Japan to examine a Japanese proposal to finance and supply equipment, and it was reported an offer would also be made by Czechoslovakia.

- 2/ On July 1 SUMOC instruction 208 provided means for additional easing of credit by further reducing, temporarily, obligatory bank deposits with the monetary authorities, and by exempting some transactions from the purchase of the 150-day Bank of Brazil notes.

UNCLASSIFIED

0989

UNCLASSIFIED

(Classification)

Page 3 of

End. No.

Disp. No. 3

From: Ameongen São Paulo

FOREIGN TRADE

Importers were relieved when the permissible weekly foreign exchange purchases for imports was again increased to US\$50,000. This measure came in time to prevent the development of a shortage of essential imports. Fertilizer and insecticide imports were resumed early in June, when foreign exchange was made available for that purpose for the first time since the suspension of foreign exchange auctions on January 31. The quotas assigned for imports of fertilizers and insecticides in 1961 are equal to 80 percent of the average allocated for importation in 1959 and 1960, with imports to be made 60 percent from hard currency countries and 40 percent from soft currency countries.

In June exchange was also again made available for the importation of unessential or luxury goods, through auctioning of promises of import licenses that subsequently must be backed by the purchase of foreign exchange on the free exchange market. The weekly US\$20,000 was taken up in São Paulo for imports from hard currency countries. So far, however, there has been little demand for these license promise certificates for imports from soft currency countries.

São Paulo exporters of oranges were concerned at a suspension, by federal judicial authorities, of an injunction obtained by them from the lower courts against payment of the 5 percent merchant marine tax. Contracts covering substantial exports of oranges were signed with European consumers before the federal court's suspension of the injunction and, in order to fulfill their commitments, exporters wished to ship the fruit, exempt of tax, while the court determines whether or not it must be paid. On June 26, the President of the Republic acceded to a request of the Governor of the State of São Paulo to suspend collection of the tax from orange exporters, until the higher courts reach a decision in the matter.

The East German Republic plans to hold an industrial exposition at Ibirapuera Park in São Paulo. No date has as yet been set for the exposition. The East Germans intend to exhibit technical equipment, machine tools, agricultural machinery, generators, and newspaper printing machinery.

Three foreign trade missions visited São Paulo during the quarter. These were: a five-man party from Communist China (May 17 - 21); the nine Argentine members of the Joint Brazil-Argentina Economic Development Commission (May 30 - June 2); and a party of eight businessmen and government officials from the Mexican State of Baja California, travelling under the sponsorship of the Mexican Federal Government to countries that are members of the Latin American Free Trade Association (June 6 - 10). Each trade mission studied

5/SUMOC Instruction 208 of July 1 eliminated the exchange subsidy (cost of exchange rate) up to then accorded fertilizer, insecticide and some other imports, and the imports now are made at the free market rate. This does not eliminate the need for import quotas because of special customs duty exemption accorded these items.

0990

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Page 4 of
Encl. No. _____
Disp. No. 3
From Amcongen São Paulo

possibilities of expanding trade with Brazil.

NEW INVESTMENTS

The following new investments were made or announced in the second quarter of 1961:

Refinações de Milho, Brazil, a subsidiary of American Corn Products Inc., laid the cornerstone, in May, to a new corn processing plant at Mogi Guaçu, S. P., which, together with its other plant in São Paulo, will constitute the largest corn processing organization in the world outside the United States.

Cobrasma-Rockwell Eixos S. A. CRESA, a manufacturer of forged wheels and axles, raised its capital from Cr\$720 million to Cr\$850 million. The increase was subscribed by Rockwell-Standard Corporation, of Gary, Indiana, which is a minority shareholder (42 percent) in CRESA.

Indústria e Comércio Beretta S. A., the São Paulo subsidiary of Fabbrica D'Armi P. Beretta S.p.A. of Brescia, Italy, received equipment and machinery valued at US\$122,225 from its parent company to expand its facilities for the manufacture of shotguns, revolvers, pistols, and ammunition. The Italian firm had previously invested US\$220,800.

Falk do Brasil S. A. - Equipamentos Industriais of São Paulo received machinery and equipment valued at US\$107,642 from the Falk Corporation, of Milwaukee, Wisconsin, for the production of heavy gear drives. The total investment of the company, whose factory will be inaugurated in September, now comes to US\$230,000.

Eaton S. A. - Indústria de Peças e Acessórios, a São Paulo auto valve manufacturer, received US\$40,000 of equipment, and is doubling its production of valves. The local company is associated with Eaton Manufacturing Corporation of Richmond, Indiana. The company also received tappet equipment and is starting the manufacture of tappets.

TRANSPORTATION AND COMMUNICATION

Port movement at Santos was considerably lower during the first five months of 1961 than during the corresponding periods of 1960 and 1959. Figures released by the customs authorities indicate that incoming traffic had already dropped in 1960 by 12 percent from that of 1959. The decrease in traffic in and out of Santos is attributed to recurrent port congestions and inadequate dock equipment.

The latest port congestion at Santos, which started in February, showed signs of improvement early in May. The shipping conferences therefore cancelled the 25 percent surcharge which was to have gone

UNCLASSIFIED

0991

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. 3
Disp. No.
From: Amcogen São Paulo

into effect on May 15 on cargo shipped out of Santos to the United States and Europe. The 25 percent surcharge on European cargo destined to Santos, however, went into effect, while the surcharge on cargo from the United States was reduced temporarily (until July 16) to 15 percent. All surcharges are to be raised again to 25 percent in the event of a further port congestion. According to local shipping companies, another congestion appears to be slowly building up again at Santos.

A spokesman for the Continental Owners Management Ltd. of Panama announced in May that the company is considering operating a regular steamship line from Santos to Budapest, Hungary, without transshipment of freight. The itinerary of the line would be: Santos, Rio de Janeiro, Istanbul, Braila, Belgrade, and Budapest.

The São Paulo State Government expropriated the Companhia Paulista de Estradas de Ferro on June 1, when company workers went out on strike (see Labor). Actually, the State Government expropriated the company shares, and it is expected that the corporate structure of the railway as an independent company will be maintained.

Before the Companhia Paulista de Estradas de Ferro was expropriated, it was announced that the company would build and operate a branch line to link the Campinas International (Viracopas) Airport with the city of São Paulo.

Following a Presidential instruction, repair work is actively being carried out on the federal highway linking São Paulo with Curitiba. Prolonged heavy rainfall has hampered paving operations, and a three kilometer stretch still remains unpaved, while another two kilometers have still to be graded. The highway, therefore, is not yet open to traffic.

The city of São Paulo published in April a call for tenders for rendering the city telephone service. Bids will close on October 30, 1961. The law required that this announcement be published in New York, Paris, London, Rome, Tokyo, Bonn, and other cities abroad.

AGRICULTURE

Agriculture appeared headed for a good year, with plentiful harvests and prospects of remunerative prices.

A fairly large coffee harvest is anticipated--estimated at approximately 13,500,000 132-pound bags of beneficiated coffee in the State of São Paulo, compared with about 8,700,000 bags for last year's crop and 15,609,000 bags the year before. Prices resulting from the new Federal regulations are expected to be remunerative, especially for the higher grades which form a large part of São Paulo production. However, there is anxiety as to how the new and complicated regulations will work out in practice, particularly in

UNCLASSIFIED

0992

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(Classification)

Page 6 of
Encl. No. 5
Disp. No. 5
From Amcongen São Paulo

view of the government's intention of refraining from direct support buying of the crop until March 1, 1962. Doubts are also expressed that the new setup will do much to solve the long run problem of overproduction, unless the government takes further measures to encourage elimination of unproductive plantations.

Prices for other major crops generally rose early in the quarter, but dropped considerably around early June in the face of abundant harvests. The drops were, however, less than usually has occurred in past years at this season. This was attributed in some quarters to the new official policy of making commodity loans direct to producers, including small ones, rather than to middlemen. There was evidence in June that official agencies were in fact following such a policy, although apparently financing producers at a fairly low percentage of the value of the commodities. Producers, although they had received loans sufficient to meet immediate needs in getting crops harvested, were said to be gradually selling their holdings when they needed cash.

The cotton harvest, now ending, has been adversely affected by heavy rains and wilt disease. Nevertheless, producers have received prices averaging about fifty percent higher than last year, despite considerably lower quality. The harvest in São Paulo is expected to total about 167,000 metric tons of lint cotton, compared with 181,574 tons last year. Faced with large supplies of low-grade cotton, for which there is little local demand, the Federal government authorized exports of low-grade cotton from southern Brazil, where São Paulo is the major producer.

The São Paulo sugar harvest, which started late in the quarter, is expected to be large, with production of 26,000,000 132-pound sacks authorized, (44.4 percent of Brazil's total) compared with 23,500,000 last year. Local producers hope to surpass even this figure if an additional quota for exports to the United States is granted beyond the 336,474 short tons already allocated to Brazil.

This year's corn crop is now estimated at 29,000,000 sacks of 132 pounds, compared with 22,200,000 the previous year. The expected surplus having failed to materialize, talk of possible exports has subsided.

The meat and fattened cattle markets were steady from the beginning of 1961 until late in June, when there was a seasonal rise. Officially sponsored plans for export and for cold storage had remarkably little effect on prices, partly because the amounts to be exported or stored are small compared with supplies during the current flush season.

The São Paulo Agrarian Reform made some progress. Expropriation of the Fazenda Capivari in Campinas was decreed, so as to divide the farm into 84 lots for disposal under the Agrarian Reform, and a notice was published inviting interested parties to apply within

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0993

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No. 3
Disp. No. 3
From Amcogen São Paulo

30 days for the purchase of lots from the land division of the Santa Helena farm at Marília. The Agricultural Expansion Fund called for under the Plan of Action also was established and is to be co-ordinated with the Agrarian Reform.

LABOR

The most significant economic development on the São Paulo labor scene during the second quarter was the expropriation of the Paulista Railway on June 2. The expropriation was triggered by a strike on June 1 which tied up the entire road. The strike came off shortly after the Federal Government declined to participate in a subsidy to the Paulista Railroad which would have permitted it to meet a 30 percent wage increase awarded by the Regional Labor Court. Immediately after the expropriation the State Government signed a one-year wage agreement with the Paulista local union of railroad workers which provided for a bonus of Cr\$1800 a month for each worker; an increase in family allowances from Cr\$450 to Cr\$1000 a month for each child and other fringe benefits.

During the quarter left-wing trade union leaders sponsored meetings and kept up a relentless criticism of SUMOC 204 which radically modified the existing exchange system and sparked a sharp increase in the cost of living. However, a union research department which is under left-wing influence admitted that the pace of the increase in the cost of living slackened considerably during the month of May.

Some employers, in spite of the fact that most wage agreements do not reopen until September or October, granted wage increases to offset the increase in the cost of living. Paper workers in the capital and the interior of the State were granted wage increases of 15 percent.

Unemployment rose somewhat in the automobile industry. There were layoffs reported in April, especially by Willys and Mercedes Benz. However, the situation improved in May.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

Contributors:
R. E. Cahn : Business Activity, Finance
S. C. Lyon : Agriculture
A. D. Ventura : New Investments, Foreign Trade, Transportation
J. F. Shea : Labor
Enclosure: Statistical Annex

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0994

STATISTICAL APPENDIX				
	First Quarter	April	May	Cumulative Total 5 months
Revenue of State of São Paulo from Sales & Consignment Tax (billions of cruzeiros) ^{1/}				
1961	20,617	7,854	8,874	37,345
1960	14,137	5,058	5,709	24,904
Total State Revenue from Taxes (billions of cruzeiros) ^{2/}				
1961	23,162	9,151	9,817	42,130
1960	16,378	6,043	6,475	28,896
Electric Power Consumption of Industry in State of São Paulo (millions of kWh) ^{3/}				
1961	1,005	353	356	1,714
1960	870	312	301	1,483
Motor Vehicle Production in State of São Paulo (in units)				
1961	24,085	12,166	12,848	59,099
1960	25,545	8,713	9,629	43,887
Petitions in Bankruptcy in City of São Paulo (in numbers) ^{4/}				
1961	153	62	68	283
1960	207	59	57	323
Petitions for Creditors' Agree- ments in City of São Paulo (in numbers) ^{4/}				
1961	24	5	6	35
1960	17	5	8	30
Notes Protested in City of São Paulo (in numbers) ^{5/}				
1961	13,958	4,971	4,969	23,898
1960	13,867	4,298	4,869	23,034
Notes Protested in City of São Paulo (billions of cruzeiros) ^{6/}				
1961	340	128	129	597
1960	278	94	138	510

Page 1 of 1
Doc. No. 1
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0995

Page 2 of 3
 End No. 1
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Cost of Living Index:
 Statistical Dept. of the
 City of Sao Paulo (weighted
 average: Base 1951 - 100)

First Quarter	April	May	Cumulative Total 5 months
Mar.			
1961	824	863	
1960	615	630	

Percent Increase
 since January 1
 15.6
 11.5

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9996

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Page 3 of 1
End. No. 3
Disp. No. 3
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Notes

- 1/ Revenue figures are based on a sales and consignment tax rate of 4.2 percent.
- 2/ Excluding accounts computed at year end.
- 2/ 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/ Date 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.

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PRIORITY		FOREIGN SERVICE DESPATCH		832.00/7-561	
FROM : Embassy RIO DE JANEIRO		DESP. NO. 8		JULY 15 1961	
TO : THE DEPARTMENT OF STATE, WASHINGTON.				JULY 15 1961	
REF : CERP C-1				7-31-61	
20 For Dept. Use Only	ACTION REC'D 7-17-61	DEPT. IN P OTHER	ARMY-5 NAVY-20 AIR-16 ARMY-35 NAVY-20 COM-12 YR-3 FRB-3 XMB-4 HAB-8 AGR-10 DAF-7		
SUBJECT: <u>BIWEEKLY ECONOMIC REVIEW (Period June 17-30, 1961)</u>					

I N D E X

1. Brazil Moves Toward Single Exchange Rate
2. Efforts to Limit Federal Expenditure in 1961
3. Agricultural Credit Program Gets Underway
4. President Quadros Inaugurates Krupp Foundry Plant
5. Petrobras Authorized to Construct Maritime Terminal at São Sebastião, São Paulo State
6. Telegraph Companies and Employees Accept Compromise Wage Settlement
7. Increase of Trade with Cuba
8. Coffee Statistics

§ § § §

1. Brazil Moves Toward Single Exchange Rate

On July 1, Finance Minister Clemente Mariani announced issuance of SUMOC Instruction No. 208 whereby all imports will hereafter take place at free market exchange rate although import licenses will continue to be sold separately for certain "special" imports in the small amount of \$70,000 weekly for U. S. dollar imports and \$110,000 weekly for imports in inconvertible currencies. (UNCLASSIFIED)

Comment: As a result of Instruction 208, Brazil has almost liquidated the extremely complex multiple exchange rate system which was in effect until a few months ago. The only important exception to its present single rate system derives from the fact that coffee exporters must deliver approximately \$2 per bag to the Bank of Brazil, without compensation, although they may sell all foreign exchange receipts in excess of that amount in the free exchange market. (UNCLASSIFIED)

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BUREAU OF
INTER-AMERICAN AFFAIRS
JUL 18 1961

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Page 2 of

Encl. No.

Disp. No. 8

From RIO DE JANEIRO

2. Efforts To Limit Federal Expenditure In 1961

President Quadros has issued a decree intended to limit Federal expenditures in fiscal year 1961. The decree which establishes minimum cuts for the budget appropriations of each of the Ministries and Federal Agencies subordinate to the Presidency, calls for cuts in an approximate total of Cr\$40 billion to be distributed as follows: Ministry of Transportation and Public Works, Cr\$15.5 billion or 18.6% of the total appropriated in the budget; Ministry of Health, Cr\$4.151 billion or 30%; Education and Culture, Cr\$6.052 billion or 21.6%. The three Military Ministries suffered a combined cut of Cr\$3.801 billion, which represents a 6.6% cut of the total appropriated.

The respective ministries are to submit new financial plans based on the cuts for approval of the President. Alterations in the financial plan may only be made with presidential approval. (UNCLASSIFIED)

Comment: The economy plan will not necessarily mean that total budgetary expenditures will be Cr\$40 billion less than the Cr\$303 billion appropriated, since extra budgetary expenditures may still be made under Art. 48 of the accounting code.

An additional feature of the decree of interest is the requirement that subsidies and grants to hospitals, universities, etc, must be made in June, July or August. Presumably this is an effort to assure for credit reasons, a more even disbursement of federal expenditures which are usually characterized by heavy expenditures late in the year.

(OFFICIAL USE ONLY)

3. Agricultural Credit Program Gets Underway

In carrying out President Quadros' promise to make agriculture credit more readily available to the farmer, the Bank of Brazil has raised the limitations on credit to farm owners and tenants to Cr\$200,000 and Cr\$140,000 respectively and has gotten underway its first "mobile credit units" to carry out these credit operations directly with farmers. The mobile units will inform farmers of the availability of credit, the conditions under which it is available, and process applications.

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Page 3 of
Encl. No. 8
Disp. No. 8
From RIO DE JANEIRO

Comment: Previous credit ceiling for agriculture loans to both proprietors of farms and tenants was CR\$100,000. However, in the past, less than 1% of agriculture credit available actually was loaned to farmers, the remaining going to brokers, distributors, etc. presumably because the farmer was unaware of availability of credit. The mobile units, consisting of jeep station wagons, are designed to inform the farmer and assure a greater flow of credit to the hands of the farmer.

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4. President Quadros Inaugurates Krupp Foundry Plant

On June 17, President Quadros inaugurated the new Krupp foundry plant (Krupp Metalurgica Campo Limpo S. A.) at Campo Limpo, São Paulo State, in a ceremony attended by Governor Carvalho Pinto of São Paulo, the German Ambassador, and Mr. Alfred Krupp of the Krupp firm of Germany. Having both German and Brazilian capital, the plant, which is already in production, will provide parts for the automobile industry particularly for tractors, farm and road building machinery. Employing 1,600 workers and having an area of 150,000 square meters, the installation is one of the best equipped and most modern foundry plants in Brazil. It will use special steels of mainly national production. The German Ambassador said that this installation represented the largest foreign investment of the Krupp firm in recent years. President Quadros had been active in encouraging Krupp to make this installation while Governor of São Paulo State. In his remarks at the ceremony, President Quadros stressed Brazil's desire for foreign investments of the type Krupp was making, and said Brazil would similarly welcome with open arms other capital, whatever its origin, given the noble ends it pursues.

(UNCLASSIFIED)

Comment: Though Krupp originally planned to install a locomotive plant in São Paulo, the rapid development of the Brazilian automobile industry and a great demand for parts led the firm instead to construct a foundry plant. The President of GEIA (Grupo Executivo da Industria Automobilística) stated at the ceremony that present consumption of forged parts in Brazil is 100,000 tons per year while national production is only 20,000 tons.

(UNCLASSIFIED)

5. Petrobrás Authorized to Construct Maritime Terminal at São Sebastião, São Paulo State

President Quadros recently signed a decree authorizing Petrobrás to construct and operate a maritime terminal for petroleum in the São Sebastião channel near Santos. The head of FRONAP (Frota Nacional de Petroleiros) states that the new facilities are needed because the port of Santos is unable

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Page 4 of
Encl. No. 8
Desp. No. 8
From RIO DE JANEIRO

to handle large tankers and its congestion has increased costs and hindered an adequate supply for the increasing demands for petroleum products in the São Paulo area. FRONAP now has 42 tankers and monthly transports one million tons of crude petroleum, 300 thousand tons coastwise and 700 thousand tons from abroad.

(UNCLASSIFIED)

Comment: With construction of the installation at São Sebastião, Petrobrás will have three large maritime petroleum terminals, one being at Bahia (Madre de Deus) and another, now undergoing tests, in Guanabara State (supplying the Duque de Caxias refinery under construction).

(UNCLASSIFIED)

6. Telegraph Companies and Employees Accept Compromise Wage Settlement

Following lengthy negotiations, telegraph companies and their employees accepted a compromise wage settlement proposed by the Ministry of Labor. Wages of employees presently earning less than Cr\$14,500 per month will be increased by 34%, while those of employees who now earn more than Cr\$14,500 will be increased by 24%. The agreement, which is national in its coverage, specifies that companies will deduct a portion of July's wages from each employee, whether unionized or not, and turn the money over to the local telegraphers' union. This is a new type of provision for wage agreements in Brazil. The Ministry of Labor is also seeking to conciliate a wage dispute between the "Light Group" and some 45,000 employees in Rio and São Paulo.

Continued public statements by the Minister of Labor that he favors the negotiation by unions of wage increases for members only has reportedly caused quite a few non-union Light employees, as well as many non-union telegraphers, to join local unions. However, existing laws apparently prevent or make difficult such agreements.

(UNCLASSIFIED)

7. Increase of Trade with Cuba

On the basis of a personal report submitted by Federal Deputy Wilmar Orlando Dias, recently returned from a visit to Cuba, President Quadros has ordered the Ministry of Industry and Commerce to constitute a "work group" to study the possibilities of increased trade between Brazil and Cuba. The group which will also consider the feasibility of having a Brazilian industrial exposition in Havana, is to be headed by the Minister of Industry and Commerce and to have representatives from the Ministry of Foreign Relations.

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Page 5 of
Encl. No. 8
Desp. No. 8
From RIO DE JANEIRO

Lloyd Brasileiro, the National Pine Institute, the Bank of Brazil and private industrial and commercial concerns.

Although the report of Deputy Dias has not been published, an article in *Jornal do Brasil* on June 8 mentioned the report and indicated some of its content. Specific trade proposals reportedly made to Brazil include a \$12 million dollar monthly Cuban quota for purchase of Brazilian products, willingness to accept cruzeiro payment for Cuban exports, and use of Brazilian shipping not only for Cuban-Brazilian trade, but also for Cuban trade with Communist China. Cuba would import from Brazil motors, refrigerators, timber, replacements parts and lard, in addition to dyes and textiles which are now furnished to Cuba by Japan; Cuba would sell nickel, copper, chrome, zinc and lead.

(UNCLASSIFIED)

8. Coffee Statistics

Coffee exports during the month of June 1961 totaled 1,028,343 bags, compared to 1,313,325 bags exported during the same period last year.

Total coffee exports for the current marketing year (July 1, 1960 through June 30, 1961) were 16,126,656 bags compared to 17,927,242 bags exported during the same period last year.

(UNCLASSIFIED)

For the Ambassador:

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributions:

Item 1 - HKMay
Item 2 - WBlomayer/JKrisay
Item 3 - JKrisay

Items 4, 5 - SHWeaver
Item 7 - BAGoldstein
Item 8 - VAschenberger

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JUL 9 1961

FOREIGN SERVICE DESPATCH

FROM : Amconsulate Recife

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 8, 1961

REF :

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	1 N F O OTHER
	ARR-4	AM/A-2 IN-7 REP-1 E-3 ICA-11
	7/19	CEA-10 COM-10 TR-2 TR-3 FRB-3 XMB-4

SUBJECT: Furtado Economic Development Plans
HEW-5 WHA-2 Army-4 Navy-4 NSA-4

During a visit with Celso Furtado just prior to his departure en route to Rio de Janeiro and Washington to discuss the five year development program of SUDENE (Superintendencia do Desenvolvimento do Nordeste), he said that the program contemplated the expenditure of 256 billion cruzeiros (almost 1 billion dollars) in the northeast of Brazil (largely from the state of Maranhao through that of Sergipe) during the next five years, and that the plans called for about \$75 million for the purchase and importation of necessary machinery and equipment.

He intends to discuss especially this latter requirement during his visit to the United States this month. He assured me that his plans were concretely formulated and sufficiently detailed and well organized on a project basis to permit their ready consideration at Washington and subsequently their prompt implementation on a gradual basis.

Major headings of expenditure contemplated under the plans include road development and construction as fundamental to economic activity that now is impeded by the difficult transportation problems that confront the area, with 89 billion cruzeiros estimated for expenditure during the five year program; the resettlement of 105,000 families (8,000 during first year) from congested and unproductive agricultural areas to western Maranhao State under a colonization scheme, 19 billion; electric power development, 17 billion; community water development, 17 billion; other land-community development, 25 billion; education, 8 billion; food distribution and storage, 6 billion; improvement of the textile industry, 6 billion; housing construction, 6 billion; and other urban development, 6 billion.

During his visit at Washington, it is suggested that he be queried with respect to the extent to which State Governors have been consulted in the formulation of development plans (Pres. D-67 of June 50, 1961) and the extent to which their views and positions will be taken into account in the implementation of projects. The cooperation of the governors (9 of whom are members of the Deliberative Council of SUDENE) would do much to contribute to the effective and successful implementation of projects and of the program as a whole.

cc: Amemb Rio de Janeiro (2)

A. Rabida, ear

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JUL 12 1961

FOREIGN SERVICE DESPATCH

FROM : Amconsulate Recife

8

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 8, 1961

REF :

Date, location
EST/18/1/Whitson - June 7-31-61

20 For Dept. Use Only	ACTION REC'D	DEPT. IN FO OTHER
7-19-61	ARA-4	RM/R-2 INR-7 P-3 Cu-5 ICA-11 B/FAC-5 CIA-10 USIA-10 NSA-4 ASD-5 Army-4 Navy-4 Air-6

SUBJECT: Visit with Dr. Gilberto Freyre

During a two-hour visit at the home of Dr. Gilberto Freyre, the noted Brazilian sociologist and lecturer and author, I asked whether he considered the local situation to be as critical as sometimes portrayed in the U.S. press. He said that he thought the situation here is definitely exaggerated, and that while it certainly is serious and demanding of the utmost attention by those who can contribute to the solution of basic problems, it appears that the attention of the U.S. news industry has been directed to northeast Brazil as a result of the Szulc articles in the New York Times last October, and that this attention is in some respects counterproductive as it has served to elevate Francisco Juliao from regional to national and international stature. We agreed that it would be desirable if the U.S. press paid somewhat less attention to the area and especially to Mr. Juliao. Dr. Freyre indicated that he does not regard the latter nearly as formidable as presented in the U.S. press, and that the Brazilian authorities probably are capable of containing him quite well. I pointed out that when I was in Ecuador, the position of Mr. Marmel Araujo had been weakened effectively when the Ecuadorean press and radio agreed not to mention his name.

With respect to Cuba, Dr. Freyre said that he regarded the situation there essentially as a security problem both for the United States and for the Western Hemisphere. He said that he thought the U.S. would have to deal with the problem primarily in its security context and with or without observation of the principle of non-intervention and with or without reference to the position of the OAS. I made no comment on this subject except to ask what he thought the U.S. should do.

Dr. Freyre said that he plans to visit Europe and possibly Africa, and that he has been asked to lecture at a number of universities in Europe (as well as still more in the United States). I pointed out to him that the research facilities at the Universities of Accra and Kampala were well developed and that if he goes to Africa he might like to visit these centers. He (and his wife) seemed highly pleased with their recent trip to the United States.

cc: Amemb Rio de Janeiro (2) AMERICAN AFFAIRS

JUL 24 1961

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AARabida/sar

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FR SAO PAULO

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TO :	THE DEPARTMENT OF STATE, WASHINGTON.				
REF :	GERP Section C-3				
20 For Dept. Use Only	ACTION COM-120 REC'D 7-20-61	DEPT. N F O OTHER CIA-10 TAR-2 TR-3 FRB-3 YMB-4 AGR-10 HAB-8 INT-7	SUBJECT: ECONOMIC SUMMARY FOR JUNE 1961 DAF-7 USIA-10 NOC-4 NSA-4 OSD-5 ARMY-6 NAVY-4		

I SUMMARY

Agricultural growing and harvesting conditions have been excellent, causing price reductions which are seriously hurting farmers. General credit tightness is preventing coffee processors from acquiring the expensive equipment needed to upgrade Paraná's low quality coffees. None of the new '61-'62 crop is moving yet through Paranaguá, although shipments of high quality Paraná coffees are already being made through Santos.

Wages are jumping 30%-50% at this mid-year contracting season. Internal dissension in labor's "unity" movement makes any important strikes in Curitiba extremely unlikely this year. Cost of living in May went up only 1% in comparison with a January-April rise of 22%.

The federal government will subsidize Paraná Cr\$14 billion over the next five years for construction and maintenance of a basic paved highway net. TELEX service between Curitiba and the rest of Brazil's southern and central capitals should be functioning by the end of September. The system will have 72 channels.

Severe credit restrictions are slowing all but the biggest retail traders. Some important wholesalers and capital goods firms are on the verge of dissolution. Direct imports from overseas have virtually stopped. Earliest credit relaxation may come in August when the State Bank begins to pay off Cr\$500 million in back debts. General relief not due for at least another 90 - 120 days after that.

Massive building projects planned for Paraná over the next five years should provide excellent opportunities for American experts, either in the form of capital goods shipped to local contractors, or in the form of direct bidding for construction contracts.

cc: AmEmbassy, Curitiba (2) SR

REPORTER ERewell:bb		CLASSIFIED UNCLASSIFIED	
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AUG 1 1961

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Page 2 of 5
Encl. No. 1
Disp. No. 1
From AmConsulate, Curitiba

II AGRICULTURE

ideal

This year's extremely mild winter has produced growing and harvesting conditions for Paraná's major crops, coffee, beans, rice, corn and wheat. Except for coffee, however, which still has the economic means to command prime treatment, Paraná's rural economy is in the strangle-hold of its ancient nemesis, lack of transportation and few storage facilities. One result of this is that the price of rice has dropped from Cr\$13.00 to Cr\$9.00 per kilo in the past year, a period in which prices in general have increased nearly 50%. The pinch on Paraná's farmers is intensified by general credit restrictions.

The Paraná government is still seeking some way to alleviate the immediate (and temporary) hardships of SUMOC Instruction 205 which depressed the price of low quality coffees which make up about 65% of the '61-'62 crop's, 18 million bag production. High grade coffee could be extracted from Paraná's low grade if expensive processing machinery were available, but general credit shortages make it impossible for Paraná processors to acquire such machines immediately. As of July 7 none of the new coffee had been exported from Paraná-gua, but Curitiba dealers report that most of Paraná's "Santos-4" and higher is being sent to Santos, for export because of higher prices and easier terms there. This hurts the Paraná economy in general.

Brazil's hand-to-mouth wheat policies continue to keep Paraná's wheat-based industries (e.g. bread, pastes) off-balance. Another imminent shortage developed in late June when a ship destined to unload 9,000 tons in Paranaguá and Antonina was diverted elsewhere. Paraná consumes about 10,000 tons per month, and has a native production of only about 15,000 tons per year.

SOURCES: Personal conversations and observations.
All local press.

III - INDUSTRY

Development of an iron-mill in Paraná's backwater port of Antonina is being pushed by the state government as part of a general program of industrial development and economic diversification. The State Planning Office (PLADEP), the Federation of Industries and the University of Paraná are cooperating on the basic studies now under way. The mill would produce 100,000 tons of pig iron each of the first five years, 200,000 tons annually after that. Reportedly there are 5.6 million tons of proven reserves containing 35% iron. Total estimated reserves are 10 million tons. Reduction would be with charcoal. The bulk of the plant's 4,000 employees would come from the large unskilled, under-employed labor force now living in the area. Even if all studies are favorable, construction could not begin before 1963.

COMMENT: Unless there have been recent advances in iron production of which the reporting officer is unaware, it would seem that basic significant iron output on charcoal energy (anticipated availability of electricity is a minuscule 15,000 kva) would be uneconomical. The

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Page 3 of 5
Encl. No. _____
Disp. No. 1
From AmConsulate, Curitiba

small size of the reserves also would discourage major industrial developments in Antonina. In addition, very expensive port and channel improvements will have to be completed before there is adequate transportation. ... In spite of these doubts concerning the economic feasibility of an iron mill in Antonina, it is quite possible that expansion of the existing ore-extraction industry (currently sends about 6,000 tons per month to São Paulo) would be very worth while.

SOURCES: Personal observations and conversations.
All local press.

IV - LABOR

Wages were increased for tannery workers (50%) and telephone workers (between 30% and 50%), all effective June 1, 1961. The consulate has requested a 30% increase for its employees).

The Paraná Confederation of Unions is in the throes of an ideological struggle, which is weakening the unions' power to assist one another in wage demands. Consequently, most contract renewals are taking place on a company-by-company and union-by-union basis, and there is very little chance of any significant strikes this year.

Paraná cost of living marches on, but at a slower rate. The state statistical office (whose figures are useful only for comparison with previous years because of technical weaknesses in sampling) announced a 22% rise from January through April, with an additional 1% rise in May. Interurban bus fares increased 17.5% in June, bringing the total increase to 30% since January, 1961.

SOURCES: Personal conversations.
Estado de Paraná, June 14.
Ultima Hora, June 28.

V TRANSPORTATION AND COMMUNICATIONS

Highways

Paraná has reached an agreement with the federal government in which the latter will finance \$44 billion worth of highway construction in the state over the next five years. Heart of the plan is the construction (and/or completion) of paved trunk roads across northern Paraná (Guaíra to São Paulo border), across southern Paraná (Foz de Iguaçu to Paranaguá), connecting northern Paraná to southwest Paraná, northern Paraná to southeast Paraná (Apucarana to Paranaguá) and southeast Paraná to northeast Santa Catarina (Curitiba-Joinville-Florianópolis). The state will be responsible for construction and maintenance of all these roads except the Foz de Iguaçu-Ponta Grossa stretch which is to be built by the Army. Maintenance is to receive much more emphasis than in the past. Federal funds will be given to the state in a direct subsidy.

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Page 4 of 5
Encl. No. _____
Disp. No. 1
From AmConsulate, Curitiba

The new ER-2 (Curitiba-São Paulo) is open on a precarious basis for light vehicle traffic, depending on the weather. Most cars have to be towed by bull-dozers through one three kilometer stretch. Opening to heavy traffic on a reliable, permanent basis is months away. In the meantime, the federal government has agreed to pave the Paraná portion of the old ER-2 to provide a reliable alternate route to the new highway. The reason is that even when completed, the new highway will be subject to landslides, and there are practically no access roads to the new highway which would permit useable detours along the way.

Telephone and Telegraph

Seeking a solution to the telephone impasse between itself and the local IT&T subsidiary, the Curitiba government has invited public bids for the installation of another 10,000 telephone lines. Reputedly Polish and Hungarian technicians are now surveying the present system in preparation for an offer, and a Danish and a national firm (Ericsson) are also planning to bid. In the meantime the existing telephone company has a tiger by the tail -- it doesn't know how to increase its phone service to meet city demands, and doesn't know how to let go of its present position without being wiped out.

Construction of TELEX lines between Curitiba and other capitals in southern and central Brazil is proceeding at full speed, and the new service should be inaugurated within another three months. Curitiba will have circuits for 72 simultaneous transmissions, and local businesses are already clawing for permission to rent the precious lines.

Electric Energy

A federal work group has been set up to do basic engineering studies on the hydro-electric potential of Salto Grande on the Paranapanema river in northeast Paraná. Extension of the Capivari thermo-electric system from Santa Caterina's Itajaí valley to Curitiba also has been approved. Both of these measures, especially the Salto Grande project, would give tremendous impetus to the industrialization of southeast Paraná.

VI FINANCE AND COMMERCE

Federal credit restrictions are having stiff impact in Paraná, and the recent so-called relaxations contained in SUMOG Instruction 208 so far have had no significant effect here. Several important Curitiba banks are still cutting back their credit lines. Even prime customers are receiving small and inadequate percentages of credits previously promised, and as the pinch has spread throughout the financial system, substantial responsible firms have defaulted on very large payments due. The situation is worse in northern Paraná which is suffering also from the effects of the new IBC regulations, and Curitiba private commercial banks are refusing any new credits to that area until the situation is more normal.

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Page 5 of 5
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Worst hit are capital goods distributors and wholesalers who are squeezed between manufacturers who will supply no more merchandise until old notes are redeemed, and retailers who are failing to pay their debts because of customer defaults. Retail trade, however, is holding up well. In this respect, Paraná is better off than São Paulo, because Paraná is a commercial center rather than a manufacturing center (where the bind is worst). Santa Catarina is suffering less than Paraná because its economy is pretty much self contained, and because its manufacturers have engaged only in very limited expansion on an extremely conservative basis in the past few years.

An important effect of the credit squeeze for American business is that all three of Paraná's biggest importers have ceased import operations because they cannot get credit through their customary local lines. In this context it appears that continuation of the dollar-cruzeiro exchange rate at its present artificially low level is due in part to the general credit problem which has dried up much of the Brazilian demand for foreign exchange.

Some relief is expected in the next 45 days when the Paraná state bank begins to meet some of its past due payments with the first Cr\$500 million of a one billion cruzeiro loan from the federal government. Also, as São Paulo firms begin to meet their debts, more money will be available in Paraná since a major part of Paraná's credit resources are loaned to São Paulo firms. However, even after the money begins to flow again, it will take at least 90 to 120 days for the easing up to be felt generally.

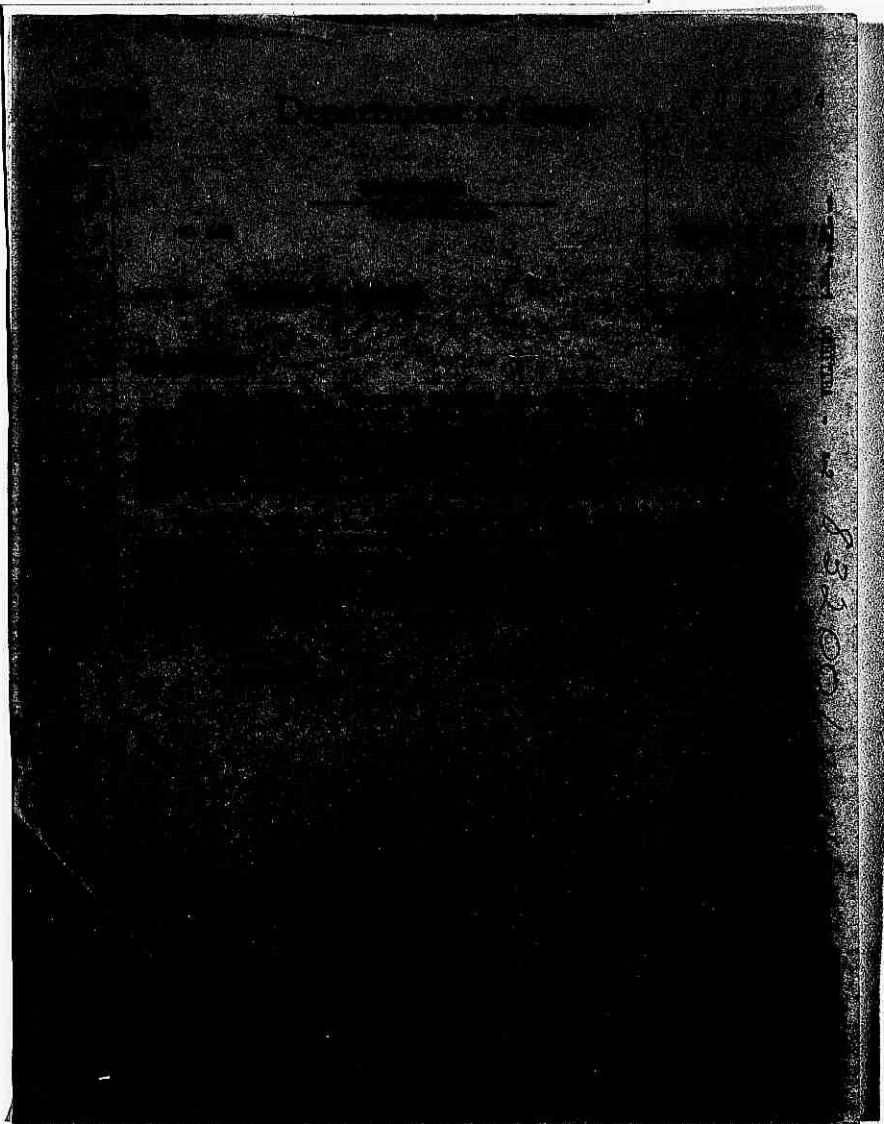
SOURCES: Personal observations and conversations.

VII AMERICAN EXPORTS

Although specific new trade opportunities have been practically nil in this district for the past few months, American business would be wise to prepare itself to compete in the mammoth construction projects which will take place over the next few years. Dams, highways, power plants, transmission lines and pipe lines all will be built in addition to increased industrial construction. Either as a supplier of basic equipment, or else as direct engineering contractors, there should be room for much American business. In this connection it would behoove these firms interested in large sales to send technical representatives to this area and to open offices somewhere in Brazil (São Paulo, for example) so that they can more easily meet bidding deadlines and the legal requirements on public offers.

Edward M. Rowell
Edward M. Rowell
American Consul

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22 RC
Rio de Janeiro, July 12, 1961

Mr. Robert F. Woodward
Assistant Secretary of State
Washington.

*File. Ready
drafted by
EST/B: R. H. Chanele
of Washington, D.C.
EST/B.*

Your Excellency

I have the honor to send You
annexed my book "The Brazilian inflation, 1820-1959"
which deals with the most important problem of our economy

As You may see, it includes all the available
economic data of the four centuries of Brazilian history.
A great part of them has never been published.

I am a Brazilian economist, section-chief
in the Division of Projects of the National Bank for
Economic Development and an economic adviser to the
Department of Economics of the National Confederation of
Industries. My experience of fifteen years in these two
fields of activities has made me possible to analyze more

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profoundly the most delicate and ungrateful question
of our present policy.

I hope that among the data included in this
book, some will be useful for your important tasks in
the field of Inter-American political and economical
relations.

Yours Truly

Oliver Onody

Oliver Onody

Rio de Janeiro

Rua Sete de Setembro 48, 4^a

1934

10 14

September 9, 1961

Dear Mr. Study:

I have for reply your letter to Assistant Secretary of State Woodward with which you forwarded copies of two of your very interesting publications.

It is evident that you have taken great care in assembling economic data on Brazil covering an extensive period of time. Your analysis of economic conditions in Brazil is of interest to those officials of the Department of State concerned with Brazilian affairs and your courtesy in making this information available is greatly appreciated.

Sincerely yours,

J. W. Wilson
Officer in Charge of Brazilian Affairs

FM R
Anal 32
Rev.
Cat.

Mr. MIAUER Study,
Rua Seta de Sabino 14,
Quarta Andar,
Rio de Janeiro, Brazil.

✓ Copy to Embassy Rio de Janeiro by DG-4 9/7/61.

ARA:EST/B: [signature] 9/7/61

✓ 9/10/61
S/S CR

SEP 6 1961 PM

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DEPARTMENT OF STATE

Approved in S
8/3/61

Memorandum of Conversation

DATE: July 13, 1961

SUBJECT: Dr. Celso Furtado's Meeting with The Secretary

PARTICIPANTS: The Secretary
Dr. Celso Furtado - SUDENE *
Minister Carlos Bernardes - Brazilian Embassy
Minister Leonard J. Saccio - Director USOM Rio de Janeiro
Mr. Milton Barall - Deputy Assistant Secretary - ARA
Mr. Ray H. Crane - Assistant Officer in Charge, Brazil Desk

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After greetings and photographs, the Secretary stated that he had a lively interest in the Northeast of Brazil and was looking forward to discussing the problems of the area. He said there were several international and United States agencies who could participate in a program to assist the Northeast. He asked, for example, whether SUDENE was coordinating its efforts with the Ford Foundation. Dr. Furtado replied that SUDENE is working with the Ford Foundation and already has received three university fellowships from the Foundation. He added that SUDENE is also working with the United Nations, and the French and Japanese governments.

In response to a question by the Secretary, Dr. Furtado said that one of the major problems facing SUDENE, is that of obtaining the services of qualified technical personnel. This matter is, however, being remedied to some extent through a special training course organized by SUDENE. Dr. Furtado explained that young college graduates are offered five months of intensive training, designed to prepare them for positions in the SUDENE organization. SUDENE has already trained some 200 persons and hopes to expand the course in the near future. SUDENE has to depend almost exclusively on individuals from the Northeast for its personnel, since trained persons rarely move from Southern Brazil to the Northeast, but on the contrary many young people from the Northeast seek employment in the South.

Dr. Furtado then explained in some detail the problems of the Northeast and his hopes that they could be solved through improved agricultural production, resettlement of large numbers of people in the State of Maranhão and eventually SUDENE: Superintendency for the Development of the Northeast (Brazil), a Brazilian Government Agency.

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in the Amazon basin and increased industrial production. He mentioned the poor soils in the semi-arid zones of the area as well as the problem of unemployment in the cities.

The Secretary expressed great interest in the plan as explained by Dr. Furtado. He said it was a great pioneer work and if successful could be applied to many areas of the world. He added he was pleased to know that the SUDENE program is a regional plan and agreed with Dr. Furtado that this type of development must be across a broad front and not confined to individual projects.

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FROM : Amcongen São Paulo

TO THE DEPARTMENT OF STATE, WASHINGTON.

REF : OERP, C-3, B-531\$, B-539\$, B-1212\$, D-11, D-12, D-13, D-17.

53	ACTION	DEPT.	DEPARTMENT OF STATE
For Dept.	ANA-5	IN RMR-2 RZPT	BUREAU OF STATE
Use Only	REC'D	OTHER	INTER-AMERICAN AFFAIRS
	7/18	USA-10 OSD-2	DDI-1-35
SUBJECT:	Biweekly Economic Review, June 30 - July 13, 1961		

INDEX

1.	Finance - Banco Paulista de Comércio Taken Over By Other São Paulo Banks	D-12	R. E. Cahn
2.	Steel - Local Manufacturer Expands Special Steels Production	B-539\$, D-14 B-1212\$	A. D. Ventura
3.	Foreign Trade - Coffee and Oranges Exported to Soviet Union	D-11, D-14 B-531\$, D-14	A. D. Ventura A. D. Ventura
4.	Rubber - Tires and Tubes to Cost More		
5.	Bananas - Measures to Control Disease Responsible for Production Drop	D-14	A. D. Ventura
6.	Maté - Soluble Maté Plant in Mato Grosso	D-14	A. D. Ventura
7.	São Paulo Bus Strike	D-17	J. F. Shea

1. Finance - Banco Paulista de Comércio Taken Over By Other São Paulo Banks

The Banco Paulista de Comércio, one of the minor banks of São Paulo, was taken over by a group of eleven São Paulo banks headed by the Bank of the State of São Paulo, according to an announcement in the press.

Comment: The bank in question is reported to have been somewhat overextended with the monetary authorities and to have been in negotiation with banks from the State of Minas Gerais that were interested in acquiring control. The main interest of the São Paulo banks in buying out the Banco Paulista de Comércio was to prevent it from falling into the hands of the Minas Gerais banks. Both groups had their eyes mainly on the competitive advantage that could be derived from the appreciable number of authorized branches the Banco Paulista de Comércio maintained in the State of São Paulo.

2. Steel--Local Manufacturer Expands Special Steels Production

Acos Villares ^{SP}, a large producer of special steels, inaugurated a 15-ton electric furnace and a heavy rolling mill on July 5 at its São Caetano do Sul plant, near the city of São Paulo.

ADventura/cz

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* 60,000

Page 2 of

Encl. No. 14

Disp. No. 14

From Amcongen São Paulo

The new manufacturing facilities will raise the company's output by 20,000 metric tons to ~~40,000~~ tons annually. Aços Villares S. A. plans to expand its steel production until it manufactures 146,000 metric tons annually by 1970. The company receives technical assistance from the Ohio Steel Foundry Company of Lima, Ohio; Gebr. Böhler & Co Aktiengesellschaft, of Dusseldorf, Germany; and Société des Forges et Ateliers du Creusot, of Paris, France.

3. Foreign Trade - Coffee and Oranges Exported to Soviet Union

Exports of coffee and oranges destined to ports in the Soviet Union are reported from Santos. The Soviet ship "Ivan Pavlov" is now loading 76,000 bags of coffee, while the Norwegian freighter "Norseman" is expected to depart from Santos for Odessa on July 17 with a cargo of 65,000 bags of coffee. Contracts for the shipment of oranges to the USSR now total 100,000 cases, and the first 12,300 cases went forward aboard the French steamer "Banora" on July 7.

4. Rubber - Tires and Tubes to Cost More

The São Paulo tire and tube and manufactured rubber goods industry agreed, on July 6, to an increase of 27 percent in the price of Brazilian crude rubber supplied by the Amazon Credit Bank (the government entity which controls the Brazilian natural rubber trade) thus enabling the Bank to pay rubber growers an additional 30 percent for their product. These measures have resulted in an immediate increase of approximately 15 percent in the price of tires and tubes and other manufactured rubber products.

Nearly 95 percent of Brazil's production of natural rubber, estimated at some 23,000 metric tons annually, is consumed by the São Paulo industry.

5. Bananas - Measures to Control Disease Responsible for Production Drop

Banana growers are concerned at extensive damage caused by the SIGATOKA disease to banana plantations in the State of São Paulo and which is responsible for a 50 percent drop in production. The São Paulo Secretariat of Agriculture is cooperating with the growers in planning measures for controlling the disease, principally through rational application of fungicides and mineral oil. Most growers, however, have only limited financial means and cannot afford purchase of spraying equipment, and some sort of long-term financing from banking establishments is, therefore, being studied.

6. Maté - Soluble Maté Plant in Mato Grosso

The first plant to produce soluble maté will start operating at Ponta Porã, State of Mato Grosso, in October 1961, according to an announcement of the National Maté Institute. A total of 70

* See #21 from
São Paulo

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UNCLASSIFIED

(Classification)

Page 3 of
Encl. No. 14
Disp. No.
From Amcongen São Paulo

million cruzeiros\$ was invested in the plant, to produce 420 metric tons of soluble maté annually, by members of the Federation of the Anambai Maté Producers' Cooperatives, which groups 95 percent of the state's maté growers.

7. São Paulo Bus Strike

Traffic in São Paulo and in the industrial suburbs of Santo André, São Bernardo and São Caetano was partially tied up on July 6 and 7 as a result of a strike of bus drivers, despatchers and conductors. The strikers employed by the city-owned transportation company (CMTC) and private companies walked off the job in support of their demands for increased wages of 50 percent. The walk-out is estimated to have affected 500,000 commuters; especially hard hit were those of the working class living in the suburbs.

The strike in the most part was peaceful. However, a few minor cases of violence were reported. The strike was settled on July 7 when the bus drivers, conductors and despatchers accepted an employer offer of 35 percent wage increase over existing wages and returned to work.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

\$Current exchange rate is around 255 cruzeiros per U. S. dollar.

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FOREIGN SERVICE DESPATCH *FW 832.00/7-1461*
 FROM : Amoenen São Paulo *21*
 TO : THE DEPARTMENT OF STATE, WASHINGTON. *July 19, 1961*
 REF : CERP C-3, B-5398, D-14 *7-19, no action - 7-21/81, W. Wilson - 7-21-61 E-6*

55 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
7/25	AAA-5	ARM-2 REP-1 ENR-10 ECA-11 B/CRA-1 EWA-5
		USIA-10 OSD-2 ARMY-35 NAVY-20 NSA-4 DAF-7

SUBJECT: Correction in Item 2 of Despatch 14 of July 14, 1961 *LAB-8*
CIA-16 COM-12 TRA-2 TRA-3 FRB-3 XMB-4 AGATE INT-7

Item 2 of the above despatch should be corrected to show that the production of special steels by Agos Villares S. A. will be raised by 20,000 metric tons to 60,000 metric tons annually, and not 40,000 tons, as indicated in the despatch.

For the Minister Consul General:
Herman S. Jelinek
 Herman S. Jelinek
 Principal Commercial Officer

DEPARTMENT OF STATE
 BUREAU OF
 INTER-AMERICAN AFFAIRS
 AUG 1 1961

FW 832.00/7-1461

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JUL 14 1961

MEMORANDUM FOR MR. ASSISTANT SECRETARY
THE WHITE HOUSE

Subject: Proposed press release on visit of Nelson Fortado

There is enclosed the text of a press release which it is
proposed be issued by the White House on the afternoon of July 14.
Following the call of Mr. Fortado upon the President. This text
is the counterpart of the statement which the President
issued. A copy has been given to the Brazilian Embassy.

/s/ Melvin L. Montali *

L. B. Nichols
Executive Secretary

S/S-RO

JUL 14 1961

A true copy of signed original

Enclosure

Proposed press release.

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

RECEIVED JUL 14 1961 11:34
I understand that Mr. Goodwin and the
President may have modified this draft
slightly. In any case, Mr. Goodwin will
have the approved version.

7/15/61
[Signature]
[Signature]
[Signature]

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The following information is for the purpose of providing a general overview of the project and its objectives. The information is not intended to be a detailed description of the project and its objectives.

The purpose of this project is to develop a system that will allow the user to access and manage their data in a secure and efficient manner. The system will be designed to be user-friendly and will provide a high level of security. The system will be developed using the latest technology and will be tested thoroughly before being released to the public.

The system will be developed using the latest technology and will be tested thoroughly before being released to the public. The system will be designed to be user-friendly and will provide a high level of security. The system will be developed using the latest technology and will be tested thoroughly before being released to the public.

The system will be developed using the latest technology and will be tested thoroughly before being released to the public. The system will be designed to be user-friendly and will provide a high level of security. The system will be developed using the latest technology and will be tested thoroughly before being released to the public.

These questions are often asked by those people in giving primary attention to the treatment of BSE. It is obvious that with a group of individuals and businesses to assist in doing the cleanup job. One place where the federal money coming out operations should be spent, with regard to other information, with those individuals that is where the federal money for cleanup with that money will be available, the money will quickly start to long-term projects which are important people for the federal government and some diagnosis of the situation of BSE.

It is the desire of the Attorney General to make certain important information available to the country which has been the subject of this investigation. It is the desire of the Attorney General to make certain important information available to the country which has been the subject of this investigation. It is the desire of the Attorney General to make certain important information available to the country which has been the subject of this investigation.

[illegible]

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FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL. 8 NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE July 20, 1961

REF : CERP, Section C-4. JUL 21 1961 B/DEA-1

55 For Dept. Use Only	AC TION	IN FO	DE PT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	ICA
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	REC'D			10	3	7	8	2	3	4	7	7	4			
	7/28			6	6	10	4	5	OCB	USIA	5	6	4			

SUBJECT: Economic Summary - June, 1961.

INDEX

1. Summary
2. Industry and Investment
3. Agricultural Development and Policy
4. Petroleum
5. Transportation
6. Labor
7. Finance
8. East-West Trade

1. Summary:

The Brazilian government's continued expression of concern over the economic plight of the Northeast and the announcement of various measures to improve the situation are awakening a certain degree of hope here. President Quadros recently signed a decree allocating 6 billion cruzeiros of aid, generated by this year's wheat agreement with the United States, to the economic development of the Northeast. Bahia is to receive the largest share but the figure has not as yet been announced. The Federal government's five year highway plan includes 1,100 kilometers of paving and 1,400 kilometers of new roads in this State. The Public Works Minister has guaranteed that the paving of the all important Rio-Bahia highway will be completed by the end of this year.

Although increased exports and liquidation by Petrobras of old debts brought some easing in the money market during the month of June, in general, local money continues to be tight and is expected to become more difficult. Export exchange volume has been sporadic, closely following

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1026

UNCLASSIFIED
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-2-

Page _____ of
Encl. No. _____
Disp. No. _____
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the varying rate of exchange. Lower prices for cocoa in the world market during most of the past month have led to a slow-down in sales registered abroad. Sales and collections have deteriorated since last May and at the moment are poor. The highly attractive return (up to 40% per annum) on Bank of Brazil export and import notes continues to dry up a good share of private capital. The extreme tightness of credit locally is causing apprehension, with rumors that a number of firms have over-extended and are facing difficulties in meeting their financial obligations.

2. Industry and Investments:

(a) It has been reported that a Kaiser associate (name unknown) has indicated his intention to install an aluminum factory at Paulo Afonso, using bauxite as raw material. This mineral is abundant in the center and north of Brazil. It is further reported that CHESF (Companhia Hidro Elétrica do São Francisco) has been requested to supply approximately 60,000 kilowatts of electric current to be used by the plant. It is said that 30 million dollars will be invested in the enterprise.

Other American firms have made inquiries concerning the practicability of establishing an aluminum factory in Bahia but thus far this is the first report of actual negotiation with the local authorities.

(b) The Companhia de Ferro-Ligas da Bahia S.A. (FERBASA), is going to erect an iron and steel plant at Pojuca, Bahia. They intend to install their first electric furnace in January 1962. The sum of 230 million cruzeiros will be invested with the completion of one electric furnace. The plan foresees the installation of two reduction electric furnaces and one refining furnace with a total investment of 500 million cruzeiros. First stage production will begin in July 1962 with 4,000 tons of iron chrome and 5,000 tons of iron manganese annually - both carburized alloys. The FERBASA intends to sell part of its production in Minas Gerais and São Paulo and the balance abroad, principally to the United States. The majority of raw materials to be used will come from the State of Bahia, such as chrome ore, manganese ore, calcareous, quartz and charcoal.

(c) The firms Norberto Odebrechet and Civil San have been contracted to construct pipelines and treatment stations for a new water system which will run from the Joanes river to Salvador. The continued increase in the population in this area has greatly affected the present sources of water supply and the needs of the city can no longer be met. The new pipeline will be 27 kilometers long and the pipe will be one and one-half meters in diameter. Total cost is reported to be 997 million cruzeiros. The work will be financed by the Inter-American development Bank (600 million cruzeiros) and SUDENE (400 million cruzeiros).

(d) Vice Governor Orlando Moscozo has been appointed President of a local Popular Housing Group. The purpose of the group is to find ways and means of building houses for the poor. The Grupo de Habitação Popular

UNCLASSIFIED

1027

UNCLASSIFIED

(Classification)

-3-

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

held a meeting on June 26th and reached the following conclusions: Organization of a mixed company, with a capital of 100 million cruzeiros; the State Government will share 51% of the cost and the Municipal government 30% - in cash and land. The remaining 19% will be private capital. A loan of 600 million cruzeiros will be requested from the InterAmerican Development Bank. Other agencies such as the Caixa Economica Federal, Fundacao da Casa Popular, Institutos de Previdencia, have agreed to assist in financing. President Quadros has shown an interest in the project and it is reported that the organization intends to build 3,000 houses within the first year.

3. Agricultural Development and Policy:

(a) Cocoa. During the period under review there were some sporadic bursts of buying (in the cocoa zone) and selling (abroad) by the local exporters on the few occasions that a temporary rise in the world prices permitted such operations on a profitable basis. On the whole, however, few sales have been registered, with the cocoa growers holding out for prices that are not compensatory to the exporters in light of prevailing world prices. At present, with bids from abroad centering around 19 cents per pound FOB Ilheus, the exporters calculate that the most they can pay to the grower is Cr\$950.00 per arroba of 15 kilograms. The latter are insisting on Cr\$1,000.00. As a result the estimate for total sales abroad, including cocoa products, to date is about 700,000 bags at 60 kilograms each which represents only a modest increase over the figure of 585,000 bags reported last month. Weather has been favorable in the cocoa zone, with alternate periods of rain and sunshine. Local sources continue to estimate the total mid-crop at between 900,000 and 1,000,000 bags.

(b) Castorseed and Castor Oil. Bidding in the interior has been as high as C.\$24.50 per kilogram by new local castor oil processors. The two traditional firms feel that this price is out of line and the result of inexperience on the part of their competitors. They are therefore ~~fixing~~ holding the line at C.\$21.50 per kilogram. The castorseed growing areas in the interior are receiving some rain at present, and it is believed that if this continues, the crop may be as much as the 70,000 ton estimate given in last month's report. It appears that the world market has at least accepted the fact that this year's crop in Bahia will be down considerably from last year's 110,000 tons, and as a result castor oil prices ~~have~~ have moved up to 15.5 cents per pound.

(c) Tobacco Leaf. With the tail-end of the crop being purchased, prices in the interior have edged upward. Last prices paid in the Mata Fina and Mata Sul districts, where virtually nothing remains in the hands of the growers, were C.\$1,500 and C.\$1,300 per arroba respectively. Prices in the Mata Norte and Feira districts range from C.\$1,100 to Cr\$1,300 per arroba, with about 20-25% of the crop still to be purchased. Total crop estimates are now running around 340,000 bales at 75 kilograms each,

UNCLASSIFIED

1028

UNCLASSIFIED
(Classification)

Page _____ of _____
Encl. No. _____
Disp. No. _____
From _____

with about 70% believed to have been already sold abroad. Present thinking is that the entire crop, as well as last year's carry-over, will be placed abroad at prices about 10-15% lower than last year. Plantings for the next crop have started under favorable weather conditions.

(d) Sisal Fiber. Despite the fact that sisal is a crop which thrives in a dry climate, the continuing severe drought in the sisal growing areas of the interior is beginning to give rise to fear that unless some rain appears soon, the crop will suffer at least qualitywise, if not quantitywise.

(e) Cotton Cultivation. A meeting was held recently at the office of the Secretariat of Agriculture of Bahia to discuss means of improving the production of cotton in the State of Bahia. Preliminary steps have been taken to purchase 25 tons of herbaceous cotton seed from São Paulo, to be grown here on an experimental basis. Climatic conditions should be good for cotton raising in this area. (See Economic Summary for August, 1960).

(f) Drought Zones of the State of Bahia. Engineers of the DNOCOS (Departamento Nacional de Obras Contra Secas); SUDENE and the Secretariat of Agriculture are presently visiting "municípios" in the interior of the State to study the drought situation in order that recommendations may be made to rectify the situation.

4. Petroleum:

(a) Geonísio Barroso, President of Petrobras was here recently and reported to the local press that his visit had nothing to do with the Federal Parliamentary Commission which came here in May to investigate "squanderings" of Petrobras and the misuse of royalties paid to various "municípios" of the State. Mr. Barroso stated that his visit was to inspect several departments of Petrobras and discuss measures to increase petroleum research in Bahia.

(b) During Mr. Barroso's stay in Bahia he also reported on Televisão Itapoan he recognized that the working conditions offered to workers of the Região de Produção and the Mataripe Refinery are not ideal. He also announced that Petrobras will sometime this year expend two and a half billion cruzeiros to improve installations and social services of Petrobras. He further stated that Instruction 204 enabled Petrobras to steady its financial situation and that at the present time "not one single centavo" is owed to its suppliers.

5. Transportation and Communication:

(a) Sr. Clovis Pestana, Federal Public Works Minister, visited Salvador recently as an official guest of the Governor. In an interview granted to the local press he reported that 14 billion cruzeiros will be

UNCLASSIFIED

1029

UNCLASSIFIED
(Classification)

Page _____ of _____
Encl. No. _____
Disp. No. _____
From _____

invested in the important Rio-Bahia highway and that it will be completed by the end of this year.

(b) On July 1 two new OTIS elevators were inaugurated. They connect the low and upper city of Salvador. Four elevators operate in the same shaft but two were old and slow. It is these which have been replaced. The new elevators travel the 65 meters up in 25 seconds. Each has a capacity of 36 passengers. The elevator service is a public utility enterprise owned by the Municipal Government and is operated by the Serviço Municipal de Transportes Coletivos (SMTC). This same service operates the electric bus and some diesel buses throughout the city. It is reported that the Municipal Government expended the sum of 18 million cruzeiros in connection with the installation of the new elevators. (See Economic Summary for July, 1959).

(c) The Governor has ordered the Secretariat of Finance to pay the employees of Estrada de Ferro de Nazaré S/A, railroad, 17 million cruzeiros, for salaries which are in arrears. The monthly income of the railroad amounts to about 3 million cruzeiros which is insufficient to meet its expenses.

(d) Three new locomotives arrived at the port of Salvador on June 26th from the United States destined to the Federal railway Viação Férrea Federal Leste Brasileiro.

(e) The Viação Federal Leste Railroad has been ordered by the President of Brazil to liquidate its debts to suppliers, which have accumulated since 1959 in the amount of Cr\$25 million. Viação Federal Leste is a part of the federal railway Rede Ferroviária Federal. Sr. Alberto Bottini Pres Vaz, Chief of the Finance Department of Rede Ferroviária is now in Salvador to settle these debts and has reported that the entire account will be cleared by the end of July.

(f) The Federal Government has recently announced that the airports at Jequié and Barreiras, in the Interior of Bahia, will be paved in the near future.

(g) The British Royal Mail Line has announced that its passenger ships "Arfanza", "Aragon" and "Amazon" will drop Salvador as a port of call after the end of this year. No reason has been given but it is assumed that the poor freight and passenger trade brought about such action.

6. Labor

Employees of the tanning industry of Bahia are demanding an increase of 30% in their salaries. The matter will be settled soon in the Labor Court.

UNCLASSIFIED

1030

UNCLASSIFIED
(Classification)

Page _____ of _____
Encl. No. _____
Disp. No. _____
From _____

7. Finance:

According to the State Internal Revenue Department 939,181,237 cruzeiros were collected during the first six months of 1961 which constitutes an increase of 225,845,662 cruzeiros over the same period in 1960.

8. East-West Trade:

Exports to Soviet Bloc Countries during the month of June 1961 were as follows: Poland, 388 metric tons of sisal fiber, 146 tons of tobacco leaf and 10 tons of piassava fiber; Yugoslavia, 560 tons of sisal fiber.

FOR THE CONSUL:

Paul B. McCarty
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio de Janeiro.

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FOREIGN SERVICE DESPATCH				832.00/7-2461	
FROM :	Ambassy RIO DE JANEIRO	62	AUG 1 1961		
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	DESP. NO.	July 24, 1961		
REF :	CERP C-2				
For Dept. Use Only	ACTION REC'D	DEPT. IN F O OTHER	Rep-1 AAA-4 INR-7 KA-11 E-7 C-10 TR-3 PR-3 MR-2 LAB-6 Rep-10 INT-7 ASD-5 USA-70 8-9 C-10 TR-3 PR-3 MR-2 LAB-6 Rep-10 INT-7 ASD-5 USA-70		
SUBJECT: MONTHLY ECONOMIC SUMMARY - JUNE 1961 <i>Summary May-4 X-10-4 DIF-7</i>					

Introduction:

The Government of President Quadros continued to spell out its economic program by issuing an instruction of the Superintendency of Money and Credit (SUMOC) which abolished the preferred exchange rate for such imports as wheat, petroleum and petroleum derivatives. As a result of this and earlier action the Government has almost liquidated the complex multiple exchange rate system in effect until a few months ago. Regulations issued at the beginning of the month by the Foreign Trade Department of the Bank of Brazil (CACEX) pursuant to a previous SUMOC instruction permitted resumption of weekly auctions for a limited amount of foreign exchange in the free market for special category (non-essential or luxury) imports. Two other SUMOC instructions temporarily reduced bank reserve requirements in response to business community complaints of acute credit tightness. Financial discussions in Western Europe continued, preliminary agreement reportedly being reached for aid to Brazil of approximately \$400 million. The cruzeiro exchange rate remained firm in the free market. Industrial production and wholesale and retail sales, though down slightly, largely for seasonal reasons, on the whole continued at the levels of past months.

Finance:

On May 31, 1961, CACEX (Foreign Trade Department of the Bank of Brazil) issued instructions anticipated by SUMOC Instruction 204 permitting importation of goods classified in the special category. Such special category imports had been suspended since the last week in January 1961. Pursuant to the terms of the CACEX Instruction,

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Page 2 of
Encl. No.
Disp. No. 61
From Rio de Janeiro

importers wishing to import special category goods are required to purchase the required foreign exchange on the free market. The instruction permits weekly auction of promises of license of a total value of \$180,000 for all of Brazil. Of this total, \$70,000 consists of U.S. dollar offering, the remaining \$110,000 being made up of bilateral agreement currencies. Of the \$70,000 total, 30% was apportioned to each Rio and São Paulo with the remaining 40% offered in 20 other stock exchanges spread over the country. The minimum agio which the Bank of Brazil will accept for these promises of license is Cr\$662.60.

During the four exchange auctions held in June countrywide for the importation of merchandise classified in the "special category" \$259,600 out of the regular dollar offering of \$280,000 were purchased by Brazilian importers. In Rio and São Paulo, throughout the month, the agios paid for the "Promises of License" have shown a continuous downward trend. The exchange surcharge averaged Cr\$1,064.85 on June 6; Cr\$832.25 on June 13; Cr\$778.49 on June 20 and Cr\$708.06 on June 27. The sales of currency of bilateral accounts denominated in dollars during June were negligible, with only \$4,900 being sold out of a total offering of \$330,000.

On June 9, SUMOC issued Instruction 207 reducing, on a temporary basis, compulsory bank reserve requirements from 14 percent to 12 percent on sight deposits and 7 to 6 percent on time deposits and announcing that the Bank of Brazil would rediscount commercial paper for commercial banks in excess of the current applicable limitations. This measure was considered necessary to ease an acute tightness of credit partly seasonal and partly due to the Bank of Brazil's generally stricter application of credit controls and the credit restrictive effects brought about by the compulsory purchase by importers and exporters of Bank of Brazil Import and Export Letters.

On June 27, in response to continuing complaints from the business community of acute credit tightness, SUMOC Instruction 208 was issued further reducing compulsory reserve requirements to ten and five percent respectively also on a temporary basis. Pursuant to Instructions 207 and 208, the compulsory reserve requirement will be restored to the previous levels of 14 and 7% for demand and term deposits respectively with the banks having the option of either paying the additional reserve deposits to the Bank of Brazil immediately or by depositing as reserves 60% of all increases in deposits occurring after August 1 until the 14 and 7% reserve requirements are again reached. Banks which have not restored their compulsory reserve deposits to the 14 and 7% levels by October 1 are required thence forth to deposit as reserves 70% of

UNCLASSIFIED

1033

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 62
Disp. No. 62
From Rio de Janeiro

all increases in deposits until the reserve requirements has been complied with.

SUMOC Instruction 208 also provides that the imports made at the lowest preferred rate (cambio de custo) henceforth shall take place in the free exchange market, although the Exchange Department of the Bank of Brazil will provide fixed allocations, on a three-month basis, for the importation of wheat, petroleum and petroleum derivatives at the free market rate. Importers will not be required to buy Bank of Brazil Letters in the case of imports which (a) originate from countries which are members of the Latin American Free Trade Association, (b) consist of machinery and equipment for industrial units, (c) are effected by government entities and (d) consist of petroleum and derivatives, wheat and newsprint.

During June, paper money issued increased by Cr\$4.0 billion, or 1.7% over the level of outstanding currency in circulation as of the end of the previous month. For the comparable period of 1960 the corresponding figures were Cr\$2.6 billion and 1.6%. The cost of living index of the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 1.0% for June 1961. This compares with 1.4% in the preceding month and with 0.4% in June 1960. The increase for the first six months of the year was 11.7%, compared with an increase of 5.7% during the first six months of 1960.

The average check buying rate in the free market for June was Cr\$264.27 which compares with Cr\$276.65 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$186.47 and Cr\$189.89.

According to the daily averages compiled by the Bolsa de Valores, the cruzado on the Rio de Janeiro free exchange market started the month at Cr\$265.30 to the \$1.00 and then fluctuated between a high of Cr\$265.13 and a low of Cr\$258.12. The closing rate on June 30 was Cr\$261.52 and the average for the month was Cr\$261.39.

No significant legislation concerning financial or monetary matters was passed during the month of June. Consideration of anti-trust legislation continued in the Economic Committee of the Chamber where one version of the bill was approved early in July. A different bill had earlier been approved by the Judiciary Committee of the Chamber of Deputies and the Finance Committee has yet to consider the measure. All of the measures known to be under consideration contain broad price control authority to replace authority now vested in COFAP (the Government's price and supply control agency) which is due to expire on July 31.

UNCLASSIFIED

1034

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 62
Desp. No. 62
From Rio de Janeiro

Also on the legislative front, the President again promised proposals for legislation restricting remittances of profits abroad, tax reform and banking reform. The exact provisions of these legislative proposals are yet to become evident.

Trade and Industry:

Business activity on the whole was little changed from the previous month. Merchandising was down slightly, partly for seasonal reasons, but especially because of exceptionally tight credit conditions which adversely affected sales of heavier consumer goods, automobiles, machinery and equipment. Industrial production and construction continued at previous levels though there were reports of shortages of some critical imported raw materials and components due to limitations on use and increased cost of foreign exchange.

In the field of industry, the following developments were reported:

The Krupp's Metalurgical plant in Jundiaí, state of São Paulo, was inaugurated and will provide parts for the automobile industry, particularly for tractors, road building and farm machinery. In his inauguration speech, President Quadros stressed the point that Brazil will gladly receive foreign capital, regardless of its origin, given the noble purposes it pursues.

Recent information from São Paulo indicates that unemployment, principally in the automobile industry, is spreading. The total number of workers having been discharged, not including those that work in the parts industry, is said to be around 4000.

According to press reports, a decision was taken by the President in a meeting with national shipyard owners, for the preparation of a plan whereby the Federal Government would supply resources amounting to Cr\$40 billion over the next five years for the construction of ocean going vessels. The Lahmeyer shipyards in Niterói, capital of the state of Rio de Janeiro, has delivered its first vessel, the 1,550 ton "Ponta d'Areia" to the Merchant Marine Commission.

Petrobras has issued advertisements in European newspapers asking for tenders on the 3,000 tons of styrene which it intends to purchase, to be used in the production of synthetic rubber. The company's synthetic rubber plant at Duque de Caxias refinery is expected to start operating in September of this year.

Minister João Agripino, in a statement to the press in Brasília,

UNCLASSIFIED

1035

UNCLASSIFIED

(Classification)

Page 5 of
Encl. No. 62
Disp. No. 62
From Rio de Janeiro

declared that Brazil would become self-sufficient in gasoline by 1962. As for Petrobras' financial situation, it was reported that all of the company's non-paid and net obligations had been settled. It is said that the company had made deposits with the Bank of Brazil for the purpose of settling its accounts in foreign currencies. The company's immediate debts amounted to Cr\$2.6 billions. It is now purchasing three vessels and the marine terminals in Guanabara and Madre de Deus are operating, while construction of terminals in São Sebastião, state of São Paulo, and Ilhéus, state of Bahia, has begun.

International Trade Developments

Increased trade with Cuba was the subject of considerable publicity when, on the basis of a personal report submitted by Federal Deputy Wilmar Orlando Dias, recently returned from a trip to Cuba, President Quadros ordered the establishment of a "work group" to consider possibilities for increased commercial exchange and also to study the feasibility of having a Brazilian industrial exposition in Havana. Cuban trade proposals reportedly include a \$12 million dollar monthly Cuban quota for purchase of Brazilian products, willingness to accept cruzeiro payments for Cuban exports, and use of Brazilian shipping not only for Cuban-Brazilian trade, but also for Cuban trade with Communist China. Foreign Ministry sources report that trade possibilities will be further studied when a Brazilian delegation goes to Cuba sometime in August.

A party of Mexican businessmen, travelling under sponsorship of the Mexican Federal Government to member countries of the Latin American Free Trade Association, visited Brazil during June. Expressing a desire for increased trade between the two countries, the group noted the interest of the Mexican market in the importation of Brazilian textiles, pharmaceutical products, carnauba wax and steel ingots; possible Mexican exports to Brazil included minerals, petroleum and petroleum derivatives.

Agriculture:

Probably the most interesting development in Brazilian agriculture during the month of June was the emphasis on exports. During the month the Government authorized the exportation of 2500 metric tons of jute and unlimited quantities of soybeans and peanuts. The motive was different in each case - surplus production, low domestic prices, et al - but there was a general feeling of optimism among exporters of many other commodities as well which

UNCLASSIFIED

1036

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. _____
Disp. No. 62
From Rio de Janeiro

was probably accounted for by the improved export position resulting from earlier SUMOC decrees which caused a fall in the cruzeiro. As an indication of the Government's interest in export promotion, a new export division was established in the Sugar and Alcohol Institute and IBC authorized transfer of Rio coffee stocks to nearby Niteroi and Angra dos Reis to avoid local taxes which were believed to be impeding exports.

During the first five months of the year, agricultural products accounted for ten of the thirteen most important exports, by value. The possibility of allowing cacao exporters to convert their foreign currency at the free market rate was being considered and this would undoubtedly lead to increased production and exports.

In coffee, the IEC took new steps to promote the establishment and expansion of the soluble coffee industry in Brazil.

Coffee exports during the month of June 1961 totalled 1,028,343 bags, compared to 1,313,325 bags exported during the same period last year. Total coffee exports for the current marketing year (July 1, 1960 through June 30, 1961) were 16,126,656 bags compared to 17,927,242 bags exported during the same period last year.

Labor:

Strikes: The most significant strike during the month occurred on June 1 when employees of the privately-owned Paulista Railway went on strike, protesting that their monthly earnings were less than those of workers on the Government-controlled Federal Railway System. The one-day strike ended when the Government of the state of São Paulo announced that it would purchase the Paulista's stock, and promised an upward adjustment in wages and benefits for workers. The Paulista was the last privately-owned railroad in Brazil.

In the state of Rio de Janeiro, bus drivers in Niteroi area were on strike for several days seeking higher wages. The settlement raised their monthly earnings from Cr\$13,500 to Cr\$22,000. A month later, bus drivers in other parts of the state struck for a similar increase. Some of the public employees of Niteroi were on strike for one day during June, but returned to work when city officials promised that the salary increase which was granted to many municipal employees several months ago (following a five-day strike by all city workers) would be extended to all employees.

Social Security: On June 7, Minister of Labor Francisco Castro Neves issued a decree intervening the Social Security Nutrition

UNCLASSIFIED

1037

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No. 62
Desp. No. 62
From Rio de Janeiro

Service (SAFS), which operates low-cost workers' restaurants and food stores. The government member of the tripartite (labor, management and government) board of directors was named as interventor, and Fausto Rivera Cardoso and Luis Ulhoa Cintra, labor and employer representatives on the board, were dismissed. Castro Neves alleged that they had failed to discharge certain unspecified duties in conformity with applicable laws and regulations. Cardoso and Cintra countered with the charges that they were dismissed because they had refused to award jobs to friends of several Ministers; they also stated that they would initiate court action seeking re-instatement in their jobs.

For the Ambassador;

Edward J. Bash
Edward J. Bash
Commercial Attaché

Enclosure: *att*

Economic Indicators.

UNCLASSIFIED

1038

UNCLASSIFIED
(Classification)

Page 1 of
Encl. No. 1
Disp. No. 62
From Rio de Janeiro

ECONOMIC INDICATORS:

Cost of Living in Rio de Janeiro
(1948=100)

1960	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
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	621	534	660	700	824	725	2.8
May	818	528	631	552	682	699	826	725	-
June	811	530	639	577	711	699	826	728	.4
1961									
Jan.	976	654	705	642	846	905	997	866	2.1
Feb.	987	655	712	647	856	936	997	875	1.
March	999	682	721	663	871	974	997	891	1.8
April	1047	759	732	682	871	1014	1030	930	4.4
May	1058	775	741	690	886	1014	1061	943	1.4
June	1064	785	752	699	920	1014	1076	953	1.1

Source: Getulio Vargas Foundation

Brazil's Foreign Trade (US\$1,000,000)
1961

Imports	Feb.	Mar.	Jan-Mar.	Feb.	Mar.	Jan-Mar.
Total	103.	114.4	217.4	100%	100%	100%
USA	34.6	37.8	72.4	33.6	33.	33.3
Western Europe	36.	38.4	74.4	35.	33.6	34.2
Middle East	4.7	6.5	11.2	4.6	5.7	5.2
C.B. *)	4.4	3.6	8.	4.3	3.1	3.7
Exports						
Total	98.7	118.8	217.5	100%	100%	100%
USA	41.6	58.2	99.8	42.1	49	45.9
Western Europe	38.	36.6	74.6	38.5	30.8	34.2
Middle East	.7	.3	1.	.7	.3	.5
C.B. *)	4.11\$	4.3	8.4	4.25\$	3.6	3.9

Source: Economic and Financial Statistical Service, Min. of Finance
\$ - revised

* - C.B. refers to Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Com. China, Rumania, USSR, Albania and Bulgaria.

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1039

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FOREIGN SERVICE DESPATCH

FROM : Amsoengen, São Paulo

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 28, 1961

REF : CERP, B-1212\$, B-5601\$, C-2\$, D-11, D-13, D-14, D-16, D-18

55	ACTION	DEPT.
For Dept.	REC'D	IN
Use Only	REC'D	OTHER
9/1	9/1	9/1

SUBJECT: Biweekly Economic Review, July 14 - 27, 1961

CIA-16 COM-12 TAR-2 TR-3 FRB-3 KMB-4
A6K-10 INT-7 440-8 CERP D4F-7

INDEX

	Reference	Reporter
1. Utilities - Tenders to be Called for Electric Power Equipment	D-14	R. E. Cahn
2. Economic Relations with USSR - Soviet Good-Will Mission in São Paulo	B-1212\$ C-2\$ D-11	A. D. Ventura
3. Trade with Soviet Bloc	B-1212\$, D-11, D-14	A. D. Ventura
4. Communications - Call for Tenders for São Paulo Telephone Service	D-16	R. E. Cahn
5. Communications - Project to Modernize Goiás Railway	D-16, 18	A. D. Ventura
6. Trade - São Paulo Sugar Producers Protest Suspension of Shipments to the United States	D-13, 14	A. D. Ventura
7. Industry - Railway Equipment Manufacturer Inaugurates Forge Shop	B-5601\$, D-14	A. D. Ventura

1. Utilities - Tenders to be Called for Electric Power Equipment

The press announced on July 28 that within a few days private invitations will be addressed to highly industrialized countries to participate in tenders to supply equipment for the Urubupunga hydroelectric power project (despatch 460, June 8).

\$ Signifies submission of partial data in response to a CERP requirement.

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(See index for contributors)

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1040

UNCLASSIFIED

(Classification)

Page 2 of
Encl. No. 33
Desp. No. 33
From Amcogen São Paulo

The tenders will involve financing of US\$100 million dollars worth of equipment for payment in 25 years. The invitations are to be sent out by Centrais Elétricas de Urubupunga S. A., Rua Helvetia 55, São Paulo.

2. Economic Relations with USSR-Soviet Good-Will Mission in São Paulo

At a meeting of the Soviet Good-Will Mission, now visiting Brazil, with directors of the Federation of Industries of the State of São Paulo (FIESP), the Russians said that the Soviet Union is interested in purchasing coffee, oranges, hides, wool, and vegetable oils from Brazil in exchange for electrical equipment, turbines, airplanes, helicopters, tractors, and machinery in general.

Comment: It is interesting to note that the members of the Russian party indicated raw materials as potential Brazilian exports to the USSR, and manufactured goods--mostly heavy equipment--to be supplied by the Soviet Union. As members of a good-will mission, however, they were careful not to be too specific in their statements on trade and indicated no quantities or values.

3. Trade with Soviet Bloc

According to Santos news despatches, three freighters departed from Santos during the period under review carrying Brazilian commodities destined to Soviet Bloc ports.

The Polish steamer "Warynski" departed on July 18 for Riga, Latvia, with 1021 metric tons of cotton. Also bound for Riga, the Swedish ship "Annie Johnson" departed on July 24 carrying 1,526 metric tons of cotton. A shipment of 97,700 cases of oranges for Leningrad went forward aboard the German freighter "Quadriga" which left port on July 22.

Comment: The above shipments, added to those reported in despatch 14 of July 14, indicate an appreciable movement of cargo from Santos to the Soviet Bloc during the month of July.

4. Communications--Call for Tenders for São Paulo Telephone Service

The city of São Paulo did not publish the call for tenders to operate the city telephone service in newspapers of New York and other cities abroad (item 3, despatch 409, May 5, 1961). Instead it published an announcement in newspapers abroad that acceptance of proposals will close on October 30 and that details of the tenders may be obtained from the Brazilian Embassy or Consulates.

Comment: This action was taken because of the excessive cost in publishing the full call for tenders in numerous newspapers abroad.

UNCLASSIFIED

1041

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 33
From Amcongen São Paulo

5. Communications--Project to Modernize Goiás Railway

A project to modernize the Estrada de Ferro Goiás (Goiás Railway) was submitted to the President of the Republic on July 16 for his consideration. The program foresees expenditures in 1961 to total Cr\$86,409,000/- covering the construction of trunk lines, repair of existing lines, construction of shops for the repair of diesel-electric locomotives, and the re-conditioning of the road-bed. In addition to the 8 diesel-electric switching locomotives already ordered from the United States for payment from an Eximbank loan, the company plans to purchase locally 8 passenger cars and re-equip 100 freight cars with airbrakes.

Comment: It is reported that a study group, headed by the president of the National Economic Development Bank (BNDE), is looking into the possibility of allocating additional funds for the further rehabilitation of the Goiás Railway in 1962.

6. Trade--São Paulo Sugar Producers Protest Suspension of Shipments to the United States

São Paulo sugar producers protested the suspension of sugar shipments from Santos to the United States by the Sugar and Alcohol Institute (IAA), the entity which controls the Brazilian sugar and alcohol trade. They telegraphed the president of the Republic alleging that the suspension will prevent Brazil from meeting its commitments with the United States. The IAA, however, denied that shipments have been suspended. It pointed out that although the Brazilian delegation in Washington had tried earlier this year to obtain for Brazil a quota of 550,000 metric tons of sugar, to be delivered between July 1961 and February 1962 at the rate of 70,000 metric tons monthly, the entire quota is limited to only 294,000 metric tons, of which 135,000 will be supplied by the State of São Paulo, and the remainder by the states of Rio de Janeiro, Pernambuco, and Alagoas.

Comment: Sugar mills in the State of São Paulo started grinding in May, a month earlier than usual, in anticipation of heavy shipments to the United States and are now caught off balance by a lower quota than they had hoped for.

7. Industry--Railway Equipment Manufacturer Inaugurates Forge Shop

Mafersa-Material Ferroviário S. A., of São Paulo, a manufacturer of railway cars, wheels, shafts, and axles, inaugurated on July 16 in the forge shop of its plant in Caçapava, S. P., a 6,000-ton Morane forge press, reportedly the largest in operation in Latin America.

1/ Current free market rate of exchange is approximately 255 cruzeiros per U. S. dollar.

UNCLASSIFIED

1042

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 33
Disp. No. 33
From Amcongen São Paulo

Comment: Maferasa's manufacturing activities include a plant in São Paulo to manufacture stainless steel railway cars, and a factory in Belo Horizonte to produce railway freight cars, in addition to the Caçapava plant where the cast and forged railway wheels, shafts and axles are made. With the inauguration of the heavy forge press, Maferasa becomes the largest manufacturer of railway equipment in Brazil.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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1043

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FOREIGN SERVICE DESPATCH					
FROM :	AmConsul, RECIFE, BRAZIL.		40		
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		July 31, 1961.		
REF :	OERP, C-4.				
55 For Dept. Use Only	AC TION IN FO RM ATION	REC'D 8/16	IN FO RM ATION	DEPT. AIR	ARMY
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SUBJECT: ECONOMIC SUMMARY: MARCH - JULY 1961.

I N D E X

- I. SUMMARY
- II. AGRICULTURAL DEVELOPMENTS
 - A. Sugar Problems
 - B. Cooperative Cotton Gins
 - C. Cotton Prospects
- III. LABOR
 - A. Stronger Unions In Future
 - B. New Pernambuco Labor Delegate
 - C. New Tactic
 - D. Unionization For Maids
- IV. INDUSTRY
 - A. Textile Mill Destroyed
 - B. New Projects
- V. FINANCE
 - A. SUMOC 204 And 208 Effects Feared
 - B. Luxury Hotel For Recife
- VI. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
 - A. Recife Administration Enters Food Business
- VII. TRANSPORTATION AND COMMUNICATIONS
 - A. Port of Recife Problems And Plans
 - B. Coastal Shipping
 - C. Recife Stopping For Trolley Buses
 - D. CHESF Hikes Power Rates
 - E. Notice to Tramways

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1044

UNCLASSIFIED
(Classification)

Page TWO of
End. No. --
Disp. No. 40
From Recife, Brazil.

I N D E X

- VIII. FISHERIES
 - A. Rebuff To French Lobster Bid
 - B. A SUDENE Plan For The Fishing Industry
- IX. SOCIO-ECONOMIC
 - A. Pernambuco Colonization Projects
 - B. The Popular Cause: Education.
 - C. Popular Housing Plan
 - D. Pernambuco Police Academy
 - E. P. L. 480 Money For Recife Water System.
- X. POLITICAL - ECONOMIC
 - A. Lige Activities
 - B. SUDENE: The Plan's Progress
- XI. MISCELLANEOUS
 - A. List of Substantive Despatches
 - B. Economic Indicators

I. SUMMARY

Abundant rains have assured the Northeast its second consecutive good year in agriculture, the base of the regional economy. The present and coming crops of foodstuffs (corn, beans, manioc, onions, rice, etc.) have all been termed good to exceptional; the new cotton crop is expected to be a record one. The sugar industry is obviously sick, but there is increasing interest in renovating the cane agriculture as reflected by a total of 92 experimental projects (cane types, fertilization, irrigation, etc.) established in 1960 and 1961 by local plantations.

At times there was too much moisture which resulted in damaging floods in April in Pernambuco and Rio Grande do Norte. Mossoró, the center of Rio Grande do Norte's salt mining area (supplying 60% of Brazil's salt) lost some 270,000 tons of salt because of flooding. Northwestern Bahia, having received no rain this year, was the exception, but weather sages predict that the Bahian drought fore-shadows a regional drought next year.

SUMOC Instructions 204 and 208 were received with trepidation; SUDENE has now lost a powerful incentive for attracting industrial investment in the area and, so far, no compensating subsidizing measure has been approved which would substitute for the lost preferential exchange rate. SUDENE's "Plano Diretor" (Master Plan) has still not received congressional approval but in the meantime, SUDENE, in preparation for the Washington discussions and the Mon-

UNCLASSIFIED

1045

UNCLASSIFIED
(Classification)

Page three of
Encl. No. --
Disp. No. 40
From Recife, Brazil.

tevideo Conference, has expanded and elaborated upon the original plan for a new "Five Year Plan." The Plan foresees expenditures of Cr\$200 billion in public works such as roads (Cr\$58 billion), electrical capacity (Cr\$43 billion), and Cr\$5 billion for re-tooling the textile industry.

Despite business fears of SUMOC 204 and import restrictions, commercial and general business conditions have remained well above "satisfactory" levels. Federal and international interest in the Northeast has encouraged business optimism about the future of the area.

I. AGRICULTURAL DEVELOPMENTS

A. Sugar Problems

The sugar industry of the Northeast (Sergipe, Alagoas, Pernambuco, and Paraiba) is obviously sick. In May, three Pernambuco mills were forced to shut down because of delays in receiving Banco do Brazil financing for their new crop and because of heavy rains. The drive to raise the controlled price of sugar (now Cr\$918 for a 80 kilo sack at the mill set in July 1960), started in a low key in April, has now reached a crescendo complete with statistic laden petitions and impassioned speeches by industry spokesmen and area politicians. The Institute of Sugar and Alcohol, bowing before the northeastern deluge of pleas, recommended an immediate increase of Cr\$213 per bag. Much to the distress of the northeasterners, their plea for a price hike received little or no support from the more efficient producers of São Paulo and Rio de Janeiro nor from President Quadros, who immediately sent the request to a working committee for further study and recommendations. Labor Minister Castro Neves appeared to be the key member of the group, and he was reported to be opposed to further subsidization of the sugar industry.

COMMENT: It was reported that President Quadros, on July 11, had agreed to the proposed increase in sugar prices but later, on July 26, revoked his former decision.

B. Cotton: Cooperative Gins.

In response to a personal request by Rio Grande do Norte cotton farmers, President Quadros has ordered SUDENE to study a proposal for federal financing of three new cotton gins in the state. The gins, costing a total of Cr\$100 million, would be used as leverage against abusive practices of commercial ginning operations in the state as well as modernize ginning practices. The new gins will be operated by a farmers' cooperative.

UNCLASSIFIED

1046

UNCLASSIFIED

(Classification)

Page four of
Encl. No. --
Disp. No. 40
From Recife, Brazil.

C. Cotton: Prospects.

Although there is some pessimism caused by the recent wet and cool interior weather, most experts were forecasting a large regional cotton crop of about 200,000 tons. Of this tonnage, 76% should consist of "superior" fibers. During the 1960-61 crop year, the Northeast supplied 157,000 tons of Brazil's total production of 407,700 tons. Both Rio Grande do Norte and Ceara are anticipating record yields for the 1961-62 crop year. Industry leaders are requesting an export quota of 60,000 tons.

III. LABOR

A. Stronger Unions In Future

Federal Minister of Labor Castro Neves, in Recife on April 24, was subjected to a three hour interview by local labor leaders. During the session, the Minister stated that the Quadros administration hoped to reform the labor movement so that it would be completely free from government control and, by broadening its social base, would have more prestige and political power. Minister Castro Neves also said that unionization of the rural workers is ~~one~~ one of his goals. (Source: "Diario de Pernambuco, April 25.")

B. New Pernambuco Labor Delegate

On June 26, Antonio Fernando Hollanda succeeded Edison Faleiro as the federally appointed Labor Delegate for Pernambuco. Sr. Hollanda had formerly been a regional Labor Inspector. His nomination purportedly came as a surprise, both to him and to labor circles. (Source: "Jornal do Comercio", June 27.)

C. New Tactic

Preparing for new salary discussions, the Bankers Union published some terrifying information about working conditions in the banks. The true picture of these conditions, it was stated, is shown by the hospital statistics for bank employees. Of all workers hospitalized in 1960, the causes and time averaged: 4.2 days for obstetrical care, 3.3 for surgery, 1.2 for diverse reasons, and 15.25 for psychiatric care! (Source: "Diario da Noite", May 31.)

D. Unionization For Maids

An attempt was made in early May to unionize the domestic servants of Recife. Even with a "gala show" and entertainment provided on May 11, the drive flopped.

COMMENT: In addition to such things as inertia, lack of communications, etc., the high percentage of

UNCLASSIFIED

1047

UNCLASSIFIED
(Classification)

Page five of
End. No. --
Disp. No. 40
From Recife, Brazil.

un- and under-employed persons in the Recife area (calculated at 200,000 in comparison to "greater Recife's" population of one million) is a strong deterrent to such ambitious unionization bids.

IV. INDUSTRY

A. Textile Mill Destroyed

The textile mill "Fabrica Coronel Othon" on the outskirts of Recife was partially destroyed by fire on June 26. Losses were estimated at Cr\$800 million and 3,200 workers were temporarily unemployed as emergency measures were taken by the company, State, and SUDENE officials to replace the destroyed equipment.

B. New Industrial Projects

1. Cia. Agro-Industrial de Igarassu received on July 1 a Cr\$400 million loan from National Development Bank to construct a caustic electrolyte and calcium phosphate plant in Pernambuco.

2. U. S. firms Lumus and Firestone signed a letter of intent on May 29 with COFERBO (Synthetic Rubber Company of Pernambuco) to engineer building and initial management of the State backed synthetic rubber factory. The National Development Bank, on July 14, started studies for a proposed loan of Cr\$1.6 billion to COFERBO plus guaranteeing foreign loans up to \$13 million.

The Institute of Sugar and Alcohol approved, on May 12, an agreement whereby the Pernambuco rubber factory (COFERBO) will purchase all of the ethyl alcohol produced by the Institute in Pernambuco and Alagoas for a period of 10 years. The volume to be consumed is estimated at 40 million liters yearly. The price of the alcohol will be directly tied to the controlled price of sugar; the present ratio is set at Cr\$11.70 per liter of alcohol for sugar selling at Cr\$918 per 60 kilo sack.

3. Garanhuns Industrial S. A. (GISA) will install a dried milk plant (also butter and cheese) in Garanhuns, Pernambuco. The company, with SUDENE backing, will import some \$290,000 worth of equipment to produce an initial annual production of 1,123 tons of dried milk, 249 tons of butter, and 136 tons of cheese.

4. A protein factory, utilizing waste by-products from the refining of sugar, will be built by a proposed Pernambuco "mixed economy" corporation. Fixed capital will represent an investment of about Cr\$120 million which will be 50% owned by the State of Pernambuco. Its daily production of protein (to be used for livestock feed, etc.) will be 12 tons. The future company already has an assured supply for 99 years from a nearby Institute of Sugar and Alcohol refinery at Cabo.

UNCLASSIFIED

1048

UNCLASSIFIED
(Classification)

Page six of
Encl. No. --
Desp. No. 40
From Recife, Brasil.

5. New Flour Mill For Fortaleza

The "Grande Moinho Cearense S. A.", wheat millers for Ceara and part of the national chain "Moinhos do Brasil", announced in March that it had obtained a Cr\$140 million loan from the Bank of the Northeast to construct a new flour mill in Fortaleza. Equipment to be installed has been ordered from Czechoslovakian sources.

V. FINANCE

A. SUMOC 204 And 208 Effects Feared

SUMOC (Superintendency of Money and Credit) Instructions 204 and 208 which raised and then eliminated the "cambio de custo" (preferential exchange rate) were received with notes of alarm by Northeastern politicians and economists. The concession of preferential exchange rates by SUDENE had been one of the best baits used to lure industrial capital to the Northeast. Defenders of the Quadros administration hoped that other special considerations would be devised to subsidize northeast industrialization.

The immediate increased costs of petroleum products and other imports also caused much apprehension about its boost to the cost of living.

B. Luxury Hotel Planned For Recife

The Othon hotel group (hotels in Rio de Janeiro and São Paulo) announced, on March 4, that it is planning to build a 350 apartment luxury hotel on the beach (Boa Viagem) in Recife. The 18 story structure will feature a theater, swimming pool, and air conditioning.

COMMENT: It is interesting to note that the Othon Bezerra de Melo group for the first time will be building a hotel in its home town. The financiers are planning on increased tourism to and through Recife and more business visitors due to area industrialization.

Previous plans by an American group for a similar hotel (see Consulate Despatch No. 8 of Sept. 18, 1959) never progressed beyond an attempted financing stage.

VI. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

A. Recife City Administration Enters Food Business

COMPARE, "Companhia de Abastecimento" (supply) do Recife, is a new "mixed" corporation formed by the Recife city administration which controls 99% of its shares. COMPARE hopes to regulate the supply (and sale) of foodstuffs in Recife. It proposes to build

UNCLASSIFIED

1049

UNCLASSIFIED

(Classification)

Page SEVEN of

Encl. No. —

Disp. No. 40

From: Recife, Brazil.

several markets where the producer will sell directly to the consumer. The Recife food vendors and marketers see COMPARE as an instrument designed to destroy their livelihood. On May 30, a committee of the food vendors visiting the City Council accused Mayor Miguel Arraes of several nasty maneuvers, such as higher taxes, which will weaken their ability to compete with the new COMPARE markets. The little merchants demanded that COMPARE be extinguished. (Source: "Diario da Noite", May 31.)

In several respects COMPARE meets specifications that a French technical mission set down for the modernization of the regional marketing and supply network. The French study was made for SUDENE which hopes to install area "supply centers" which will operate in conjunction with agricultural minimum prices, crop financing, storage, and improved transportation to aid and give incentive to the farmers. The SUDENE supply center will be a publicly controlled market where the producer and the wholesaler and the retailer can transact their business. A proposed Recife supply center will be constructed and managed by a "mixed company" which will be backed by SUDENE, the State, the City, and private interests.

VII. TRANSPORTATION AND COMMUNICATIONS

A. Port of Recife Problems And Plans

In June, for the third time since Brazilian President Janio Quadros assumed office (January 31, 1961), the Recife port workers and other affiliated labor groups made a formal request for the Federal Government to take over the operations of the Recife harbor and terminate state control. This time it was reported that the workers had the support of the newly appointed regional supervisory engineer of the National Department of Ports, Rivers, and Canals. Engineer Lourival de Almeida Castro, after reviewing the history of the port's operations, is said to have been unfavorably impressed by the state's lack of planning, expansion activities, and investments in harbor facilities.

Previously, on May 20, the Recife Port Administration had completed its plans for a 5-year harbor improvement and expansion program. The plan hopes to spend more than Cr\$3 billion of the National Port Fund.

There were also rumours that the partially completed Recife Naval Base dock area, having stood unfinished for more than 10 years, may be surrendered by the Navy to the Recife port.

B. Coastal Shipping

The Pernambuco State Legislature, on May 29, approved the establishment of a "mixed capital" coastal shipping corporation. The company will be established with an initial capital formation of

UNCLASSIFIED

1050

UNCLASSIFIED

(Classification)

Page eight of

Encl. No. --

Disp. No. 40

From Recife, Brasil.

Cr\$100 million of which the State will control 30% of the common stock.

COMMENT: The dazzling possibilities of a reasonably efficient cabotagem service along the Brazilian coast have long tantalized local business interests, but the red tape involved in establishing such a public utility has always smothered previous efforts.

C. Recife Shopping For Trolley Buses

The City of Recife announced in June that it was looking for an additional 130 trolley buses to add to its present fleet of 63 (Marmon-Harrington units, manufactured in U. S.). A Yugoslav commercial mission (Messrs. Gravo Papevic and Pero Lukinje) discussed in March the possibilities of a Yugoslav swapping operation to supply the electric buses (and also fishing boats). Czechoslovakia, as a result of the recent Jogo Dantas conversations, also appeared to be in an excellent position to make the sale. The Recife transit company hopes to swing a "pay-as-you-go" plan to buy the additional trolley buses.

COMMENT: The formal request for bids has not yet published.

D. CHESF Hikes Power Rates

Electricity generated from the hydro-electric system at the Paulo Afonso dam is, since July 1, more expensive for the customers of the Cia. Hidro-Eletrica do Sdo Francisco (CHESF). The new tariff represents an average increase of 30% to 65% over its former prices.

The new price hike also means another tough public relations problem for the Pernambuco Tramways, American and Foreign Power subsidiary in Recife. Certain politicians have already stated that the Tramways will not raise its rates because it can easily afford to absorb the increase out of its present profits.

COMMENT: The new rates were one of the by-products of SUMOC Instructions 204 and 208. CHESF has a large outstanding dollar debt due the EXIM Bank. CHESF power has always been highly subsidized; the new rates appear to be more realistic than the previous tariff. The increased power rates were looked upon as another detriment to area industrialization.

E. Notice To Tramways

Both the State of Pernambuco and the Federal Ministry of Mines and Energy have officially notified the Pernambuco Tramways that its

UNCLASSIFIED

1051

UNCLASSIFIED
(Classification)

Page nine of
Encl. No. ---
Disp. No. 40
From Racife, Brasil.

contract to distribute electricity will not be renewed when it expires in July 1962.

VIII. FISHERIES

A. Rebuff To French Bid For Lobsters

From June to December last year, 2,494,600 pounds of northeastern frozen lobster tails were shipped to New York. This figure represented a 291% increase over 1959 exports during the same period and sold for a total of \$3,043,412.00 in the United States, according to the calculations of Bahia's fishery advisor. Of the total weight of lobster imported into New York, the northeastern lobsters represented 23.7%. The lobster export industry, still just a few years old and dependent upon the traditional "jangadeiro" and his balsam raft, is beginning to attract more and more interest from both within and without Brasil. On April 12, the Governor of Pernambuco notified the Brazilian President that the presence of a fleet of French ships, highly mechanized, fishing beyond the 3-mile limit was threatening the existence of the local lobster industry and the livelihood of 30,000 northeasterners.

COMMENT: The strong protest of Brazilian authorities, including the Brazilian Navy, caused the final withdrawal of the French ships which had previously been fishing near Mauritania.

B. A SUDENE Plan For The Fishing Industry

SUDENE, the Superintendency for the Development of the Northeast, has prepared a 95 page plan for expanding the fishing industry of the area. The report, delivered to President Quadros on May 6, stressed four points: modernization of fishing techniques, storage, and marketing; research; training; and supervised credit. The program, which, if approved, will be under way by 1963, will require a total investment of Cr\$680 million. Increasing the per capita consumption (now 2.5 kilos per person) of fish products for the low protein diet of the northeasterner will be stressed under this plan as well as the exporting of fish and lobsters for income purposes.

COMMENT: Local negative reactions have already been registered by fishermen who fear that the individual operator and their small cooperatives will be wiped out or swallowed by "fishing factories."

IX. SOCIO-ECONOMIC

A. Pernambuco Colonization Projects

In March, Governor Old Sampaio of Pernambuco announced that he had requested a Cr\$3 billion loan from the Inter-American Development

UNCLASSIFIED

1052

UNCLASSIFIED

(Classification)

Page ten of

Encl. No. —

Disp. No. 40

From Recife, Brasil.

Bank to finance the Pernambuco Colonization Pilot Plan which will resettle 5,000 agricultural families within 5 years. (See Consulate Despatch No. 46 of March 29, 1961.)

The State's stop-gap "Engenho Galilea" colonization project met with further harrassing tactics of the "Ligas Camponesas" and politicians. A legislative inquiry commission visited the famous "engenho" in mid-May and then returned to Recife to criticize the State's management of the expropriated estate. The inhabitants of "Engenho Galilea" strongly protested the removal of more than 100 families from the farm to other lands (Barra and Terra Preta) purchased by the State.

On June 18, State officials made land-owners of 47 of the residents of "Galilea". Each of the 47 farmers was given title to a 10 hectare plot of ground. On July 19, Governor Sampaio himself appeared at the "Engenhos Barra" and "Terra Preta" to distribute land to 53 of the resident agricultural workers. Meanwhile, the property owners and the dispossessed (although they can move onto other State lands) of "Engenho Galilea" presented, on July 4, a petition to acting Governor Pelopidas Silveira requesting a 3-year suspension of the colonization plans for "Galilea" and the State's help in establishing an agricultural and industrial (rock quarry, clay, ceramics, etc.) cooperative.

Relative to the problem of setting the excess population of "Galilea", "Barra", and "Terra Preta", the State purchased two additional properties which, reportedly, are not already thickly populated and the land is relatively good. Financing for this program was promised by President Quadros who earmarked Cr\$200 million of the U. S. P.L. 480 Title I wheat agreement for Pernambuco colonization.

Governor Sampaio was quoted in Brasilia, on July 6, as saying: "At the end of my term, there will no longer be an agrarian problem in Pernambuco." Having just left President Quadros' office, euphoric Governor Sampaio reported that he had obtained important financial help and Federal aid for his Colonization Plan. He added that he already had 5,000 hectares available and hopes of obtaining more land with the federal assistance. (Source: "Jornal do Comercio," July 7.)

B. The Popular Cause: Education.

Education continued to be a popular political subject in the Northeast. During the month of March, Pernambuco Governor Cid Sampaio officially opened 54 new schools in the slum areas of Recife. During the same month, the Movement For Popular Culture assisted by the Recife City Administration completed 34 new schools which were promptly inaugurated by Mayor Miguel Arraes.

UNCLASSIFIED

1053

UNCLASSIFIED

(Classification)

Page eleven of

Encl. No. ---

Disp. No. 40

From Recife, Brasil.

Nationalist leader Leonel Brizzola, Governor of Rio Grande do Sul, in a May visit to Recife brought along a movie of his educational program and preached long and loud that "economic development cannot be without education."

The Movement For Popular Culture held its second annual "Week of Popular Culture" in early June. Its complete and varied program was well attended by an assortment of teachers, students, intellectuals, labor leaders, and politicians.

In Rio Grande do Norte, Natal Mayor Djalma Maranhão, a close political ally of Recife's Miguel Arraes, announced that the principal goal of his administration will be to eliminate illiteracy in the State capital. Mayor Maranhão calculates that 80,000 of the city's population of 165,000 are illiterate. Since March of this year, he has completed one pilot plan where he can handle 6,000 students daily in thatched roof shelters.

C. Popular Housing Plan

Pernambuco officials announced on June 17, that they have completed plans for the construction of 7,000 low cost housing units. The plans have been submitted to the Brazilian Foreign Office for eventual submission to the Inter-American Development Bank or for discussion at the Montevideo Conference. A credit of Cr\$1.6 billion will be asked to build the houses in and near Recife and at several interior locations. (Source: "Diário de Pernambuco", June 18.)

D. Pernambuco Police Academy

On May 18, the Governor of Pernambuco decreed that a State Police Academy shall be instituted and that a mandatory 16 week course will be required of all future policemen, who must now meet certain new selective physical and mental standards before being hired.

COMMENT: The ICA/USOM sponsored public safety program with its financial and training assistance was instrumental in this decision for higher caliber police and training.

E. P. L. 480 Money For Recife Water System

Immediately upon the return from Brasilia on July 7, Recife Mayor Miguel Arraes announced that as a result of his second cordial meeting with President Quadros (whom he had strongly opposed in the last election), the City of Recife was to receive Cr\$45 million of U. S. Public Law 480 Title I money for the construction of 80 public fountains and water storage units (plus some artesian wells to supply them). President Quadros was also reported to have promised Cr\$150 million for a variety of other Recife public works.

UNCLASSIFIED

1054

UNCLASSIFIED
(Classification)

Page twelve of
Encl. No. —
Disp. No. 40
From Recife, Brazil.

In the earlier meeting in April, Mayor Arraes had obtained Cr\$20 million to construct a new small boat docking area on the river side of the Island of Recife (Cais do Apolo).

X. POLITICAL - ECONOMIC

A. "Ligas" Activities

In early June, news of several minor "invasions" of Pernambuco sugar plantations and communist inspired agitations by the "Ligas Camponesas" (Rural Leagues) were reported. During the Recife Law School strike (mid-June), military authorities were quoted to the effect that the "Ligas", with the help of the communists and some Pernambuco authorities, had planned a general uprising which was forestalled only by prompt army intervention. (Source: "Jornal do Comercio", July 5.)

The brutal "branding" of a worker on a sugar plantation on June 25 evoked such a wave of indignation that a Parliamentary Commission has been formed in Brasilia to investigate the social conditions in Pernambuco and the "Ligas Camponesas".

"Ligas" leader Francisco Juliao, Pernambuco State Deputy, made an extended visit (including hospitalization) to Rio and São Paulo in July. Two of his activities evoked local response: (1) His declaration that "if Pernambuco were an island, the revolution would already be victorious, as in Cuba," and (2) his promotion of the "traitors for the 'Ligas Camponesas'" campaign. (Source: 1. "Diario da Noite", July 11; 2. "Diario de Pernambuco", July 13.)

Paraiba Federal Deputy José Joffily (PSD) announced on June 17 that he will sponsor the founding of several "Ligas Camponesas" in his home state. Deputy Joffily is a key member of the congressional committee investigating agrarian reform.

Recife Vice Mayor Arthur Lima Cavalcanti's suggestion that the PTB (Brazilian Labor Party) initiate a unionization campaign for rural workers was unanimously approved by the Pernambuco directorate of the party on March 27.

B. SUDENE: The Plan's Progress

In an attempt to force the Federal legislature into action, Superintendent Celso Furtado of SUDENE (Superintendency For The Development of the Northeast) called a special meeting of its Deliberative Council to meet in Brasilia on May 10. Five of the Northeastern Governors attended the meeting and tried to coerce their federal cohorts into voting approval of the SUDENE "Plano Diretor" (Master Plan) which was originally scheduled for passage last year.

UNCLASSIFIED

1055

UNCLASSIFIED
(Classification)

Page 13 of
End. No. --
Desp. No. 40
From Recife, Brazil.

Despite positive progress in getting the Plan out of several committee desk drawers, Furtado has still not obtained legal passage for the Plan. The "Plano Diretor" has now been expanded into a "Five Year Plan" which will also require later legislative approval.

In a discussion with labor leaders of SUDENE's legislative difficulties, SUDENE Director (agriculture and colonization) Jader de Andrade, on May 19, said:

"The principal obstacle on the approval of SUDENE's 'Plano Diretor' by Congress, is that it is completely contrary to a system that we have had in this region. It is contrary to the juggling of funds. The 'Plano Diretor' does not service a political clientele. Therefore, all the force for the development of the Northeast represents a fight between an archaic class and a class that is striving for development."

XI. MISCELLANEOUS

A. List Of Economic Despatches During Period March - July 1961.

1. No. 44: Agrarian Reform: SUDENE Plan For Colonization (March 29, 1961.)
2. No. 45: Agrarian Reform: Pernambuco Plan For Colonization (March 29, 1961.)
3. No. 57: Quadros Confers With Northeastern Governors (May 31, 1961.)
4. No. 58: Pernambuco State Economic Planning (May 31/61)
5. No. 11: Japanese To Install Textile Training Plant In Pernambuco (July 10, 1961.)
6. No. 12: Food For Peace: SUDENE Request For Emergency Food Stocks (July 10, 1961.)
7. No. 13: The Atlantic Menaces Olinda (July 11, 1961.)
8. No. 18: Wheat Shortage In Recife (July 12, 1961.)
9. No. 26: Finance And Economic Development: (Pernambuco) (July 18, 1961.)
10. No. 10: Industry: Pernambuco Synthetic Rubber Plant (July 18, 1961.)
11. No. 31: U. S. - SUDENE Conversations: Local Reactions (July 19, 1961.)

UNCLASSIFIED

1056

UNCLASSIFIED
(Classification)

Page 14 of
Encl. No.
Desp. No. 40
From Recife, Brasil.

12. No. 33: Bishop Reports Fertile Ground For Future Activities
By "Ligas Camponesas" (July 20, 1961.)

B. Economic Indicators

Attached as Enclosure No. 1 are comparative prices for basic commodities in Recife for the months of March and July in 1958, 1959, 1960, and 1961.

Albert A. Rabida
Albert A. Rabida
American Consul

adl
Enclosure: Table.

Two cc: Embassy, Rio de Janeiro.

4
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1057

UNCLASSIFIED

(Classification)

Page One ofEncl. No. OneDisp. No. 40From Recife, Brasil.

LIST OF ECONOMIC INDICATORS FOR PERNAMBUCO FOR MARCH AND JULY, 1962,
WITH COMPARATIVE FIGURES FROM MARCH AND JULY, 1960, 1959, AND 1958.
(All items are cruzeiro prices on the official commodity exchange
during the week indicated.)

COMMODITY	MONTH AND YEAR	FIRST WEEK	SECOND WEEK	THIRD WEEK	FOURTH WEEK
Sugar, Crystal, 60 kilos.	March 1958:	540:	540:	540:	540
	March 1959:	720:	756:	756:	756
	March 1960:	710:	710:	710:	710
	March 1961:	1,057:	1,057:	1,057:	1,057
	July 1958:	570:	570:	570:	570
	July 1959:	700:	700:	700:	700
	July 1960:	756:	756:	970:	970
	July 1961:	1,057:	1,057:	1,057:	1,057
Sugar, Granulated, Fine, 60 Kilos.	March 1958:	570:	570:	570:	570
	March 1959:	784:	820:	820:	820
	March 1960:	793:	793:	793:	793
	March 1961:	1,176:	1,176:	1,176:	1,176
	July 1958:	590:	590:	590:	590
	July 1959:	750:	750:	750:	750
	July 1960:	820:	820:	1,010:	1,010
	July 1961:	1,141:	1,141:	1,176:	1,176
Cotton, "Sertão", Type 5, 15 Kilos.	March 1958:	600:	605:	610:	615
	March 1959:	1,550:	1,490:	1,440:	1,440
	March 1960:	1,300:	1,340:	1,340:	1,340
	March 1961:	1,630:	1,620:	1,630:	1,650
	July 1958:	670:	740:	790:	830
	July 1959:	1,320:	1,090:	1,090:	1,040
	July 1960:	1,470:	1,490:	1,610:	1,630
	July 1961:	1,930:	1,920:	1,920:	1,920
Cotton, "Sertão", Type 4, 15 Kilos.	March 1958:	610:	615:	620:	625
	March 1959:	1,560:	1,500:	1,450:	1,450
	March 1960:	1,320:	1,335:	1,350:	1,360
	March 1961:	1,640:	1,630:	1,640:	1,660
	July 1958:	680:	750:	800:	840
	July 1959:	1,320:	1,100:	1,100:	1,050
	July 1960:	1,615:	1,605:	1,520:	1,540
	July 1961:	1,940:	1,930:	1,930:	1,930

UNCLASSIFIED

1058

UNCLASSIFIED
(Classification)

Page TWO of
Encl. No. ONE
Disp. No. 40
From Recife, Brazil.

COMMODITY	MONTH AND YEAR	FIRST WEEK	SECOND WEEK	THIRD WEEK	FOURTH WEEK
Cotton, "Mata", Type 5, 15 Kilos.	March 1958:	590:	590:	600:	600
	March 1959:	1,090:	1,050:	990:	990
	March 1960:	1,200:	1,220:	1,240:	1,240
	March 1961:	1,490:	1,480:	1,490:	1,520
	July 1958:	660:	690:	740:	790
	July 1959:	1,090:	990:	990:	940
	July 1960:	1,400:	1,415:	1,435:	1,455
	July 1961:	1,830:	1,800:	1,800:	1,790
Cotton, "Mata", Type 4, 15 Kilos.	March 1958:	600:	600:	610:	610
	March 1959:	1,100:	1,080:	1,000:	1,000
	March 1960:	1,220:	1,235:	1,250:	1,250
	March 1961:	1,500:	1,490:	1,500:	1,530
	July 1958:	670:	700:	750:	800
	July 1959:	1,100:	1,000:	1,000:	950
	July 1960:	1,410:	1,425:	1,445:	1,465
	July 1961:	1,840:	1,810:	1,810:	1,800
Castor beans, 15 Kilos.	March 1958:	*	100:	100:	100
	March 1959:	95:	100:	100:	100
	March 1960:	180:	180:	180:	180
	March 1961:	225:	225:	225:	230
	July 1958:	115:	125:	130:	130
	July 1959:	140:	140:	140:	140
	July 1960:	230:	250:	250:	250
	July 1961:	330:	330:	330:	350
Coffee beans, 15 Kilos.	March 1958:	437.5:	437.5:	437.5:	437.5
	March 1959:	400:	400:	400:	400
	March 1960:	250:	250:	250:	250
	March 1961:	250:	250:	250:	250
	July 1958:	438:	437:	438:	438
	July 1959:	250:	250:	250:	250
	July 1960:	250:	250:	250:	250
	July 1961:	250:	250:	250:	250

* No figures available.

UNCLASSIFIED

1059

UNCLASSIFIED
(Classification)

Page three of
Encl. No. one
Disp. No. 40
From Recife, Brasil.

COMMODITY	MONTH AND YEAR	FIRST WEEK	SECOND WEEK	THIRD WEEK	FOURTH WEEK
Manioc flour, 50 kilos.	March 1958:	*	*	*	*
	March 1959:	425:	425:	425:	425
	March 1960:	350:	375:	400:	400
	March 1961:	500:	500:	500:	500
	July 1958:	475:	475:	475:	475
	July 1959:	375:	325:	375:	325
	July 1960:	350:	350:	350:	350
	July 1961:	700:	700:	750:	750
Black beans, 60 kilos.	March 1958:	*	*	*	*
	March 1959:	825:	825:	825:	825
	March 1960:	2,300:	2,300:	2,300:	2,300
	March 1961:	1,600:	1,600:	1,600:	1,600
	July 1958:	625:	575:	525:	475
	July 1959:	950:	950:	1,050:	1,050
	July 1960:	1,650:	1,525:	1,475:	1,500
	July 1961:	1,600:	2,000:	2,000:	2,000
Corn, 60 kilos.	March 1958:	*	*	*	*
	March 1959:	370:	355:	:	350
	March 1960:	380:	390:	400:	400
	March 1961:	390:	390:	390:	390
	July 1958:	455:	455:	495:	495
	July 1959:	400:	375:	355:	345
	July 1960:	300:	300:	300:	300
	July 1961:	640:	610:	600:	590

* No figures available.

Source: "Indicador Comercial", Recife, Pernambuco, Brazil.

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1060

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FOREIGN SERVICE DESPATCH

FROM : Amcongen São Paulo

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 1, 1961

REF : CERP - General

AUG 2 1961

19 For Dept. Use Only	ACTION	DEPT.
	REC'D 9-7	AKA-3 ENR-7 FGA-11 E-3 OTHER

SUBJECT: CERP Reporting - São Paulo Quarterly Review *ad-5 Army-6
Unit-10 Navy-4 NMB-4
DLF-7*

The new Current Economic Reporting Program - CERP no longer requires a national quarterly review, apparently considering the monthly summary as meeting fully the requirements of government agencies.

The Consulate General at São Paulo has not been and is not responsible for the preparation of those CERP reports, but it has been submitting a São Paulo Quarterly Review on a voluntary basis, which end-user comments indicated was of considerable interest to some government agencies.

With the present emphasis on the monthly summary, the São Paulo Quarterly Review may no longer have the same value to government agencies as before.

Action Requested

The Consulate General, therefore, would appreciate being informed whether there still is sufficient interest in the São Paulo Quarterly Review to justify its submission on a voluntary basis.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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ACTION ASSIGNED NAME OF OFFICER & OFFICE SYMBOL	REPORTER E/REP E/REP ACTION COPY - DEPARTMENT OF STATE

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1061

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FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE NO. 6

TO : THE DEPARTMENT OF STATE, WASHINGTON. DATE August 3, 1961

REF : CERP, C-4 AUG - 4 1961

2 For Dept. Use Only	AC	IN	DEP	RM/R	REP	AF	ARA	EUR	PE	NEA	CU	INR	S	P	IC	ICA
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	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - July 1961

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

SUMMARY:

The State economy in July maintained the pace of recent months, with optimistic views as to the future due to the measures taken by the new administration to improve conditions in Rio Grande do Sul. Favorable export prospects for rice are reported. Total State exports for first six months of 1961 are 58 percent above total 1960 exports. Investment opportunity announced in farm and road building equipment. The cruzeiro exchange rate on the free market remained firm during the month. Cost of living increased due to significant rise in prices of commodities. Recent visit of Russian Economic Mission aroused some interest in local trade circles, but no significant transactions are anticipated. Transportation strike in Porto Alegre caused apprehension among Municipal authorities.

1. AGRICULTURAL DEVELOPMENTS:

Rice - Is reported by trade sources that in domestic markets rice has moved North in quantities at least as large as those of the same period last year.

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FORM 8-61 FS-439 GPO 912596

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OFFICE SYMBOL	ACTION	

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1062

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No.
Disp. No. 5
From PORTO ALEGRE

Beef - Summing up the official slaughtering season for beef cattle in Rio Grande do Sul, completed on June 30, 1961, the following comparative table is given below:

Head	1961	1960	Difference
Killed for Jerked beef	163,203	139,375	+ 23,828
Killed for chilled and canned beef	192,717	111,970	+ 80,747
Totals	355,920	251,345	104,575

Export licenses were granted covering 34,000 metric tons of beef. As a result of seasonal decline in weight of cattle, the retail price of beef forequarters in Porto Alegre has increased to \$84.00 per kilo, and hindquarters to \$117.60 per kilo. Price of beef sold at butcher shops controlled by the local Meat Institute of Rio Grande do Sul is about \$10.00 less per kilo.

Dairy - The president of the local COAP (Supply and Price Control Commission) issued Ordinance No. 1101, July 8, 1961, authorizing an adjustment in the local milk retail price from \$18.00 to \$22.00 per liter, with 3 percent fat content. For milk delivered at consumer's home an additional charge of up to \$1.00 is included. This increase was granted as a result of a milk shortage here forced by producers. A sizable amount of unpasteurized milk is still consumed in the most important consuming centers in Rio Grande do Sul.

Hogs - It is reported that hog prices sagged to about \$20.00 per kilo liveweight in various areas of the State. Hog raisers will appeal to the Federal Government to render the same assistance as given to producers of rice, soybeans and other crops. They demand a guaranteed minimum price of \$75.00 per kilo liveweight.

Small Farmers - It is reported that an agreement has been signed between the Bank of Brazil and the local Bank of the State of Rio Grande do Sul allocating the amount of \$100 million to finance small farmers. This amount will be used for the acquisition of work animals, farm implements, hogs, milk cows, seeds, fertilizers, insecticides, etc.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Wholesale activity has been reported slow, with sales spotty in the retail field. Delays in interior collections are at about the same high levels as in June. However, despite the unfavorable current market situation, it is reported that businessmen appear optimistic about the future in view of measures being taken by the

UNCLASSIFIED

1063

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 6
From PORTO ALEGRE

Federal Government to help improve conditions in Rio Grande do Sul.

Comparative figures of total sales for June 1961 (latest figure available) and May 1961, and June 1960, are as follows:

(In thousands of cruzeiros)

<u>June 1961</u>	<u>May 1961</u>	<u>June 1960</u>
33,255,410	30,460,820	23,891,606

(Source: Budget Bureau, State Treasury)

Markups in commodities continued during the month of July.

Protest of trade bills for June 1961 (latest figure available) amounted to \$11,618,220, as compared with \$13,628,826 for May 1961, and \$10,097,403 for June 1960.

3. FOREIGN TRADE:

Hides - Although there have been some exports of local hides, large operations of this type appear unlikely due to attractive domestic prices and the fact that the domestic market is considered ample enough to absorb most hides offered.

Soybeans - Exportation of soybeans is reported virtually at a standstill as a result of weak prices in the international market.

Rice - The president of the local Rice Institute (IRGA) has concluded a deal with East Germany for 2,500 metric tons from Rio Grande do Sul's exportable rice surplus. It was stated that there are good prospects for rice exports in view of the existing demand overseas. It is also reported that discussions are under way for rice sales to Egypt. The first shipment of 6,000 metric tons of rice has been made from Porto Alegre to Indonesia on the Brazilian flag ship "Loide Nicaragua".

Meat Exports - According to a trade source, total exports of Rio Grande do Sul beef during the period January 1 - July 5, 1961 amounted to 33,873 metric tons valued at US\$24,566,660, at an average price per ton of US\$725.30. The principal importers were the United States, England, Czechoslovakia, Belgium, Holland, Switzerland and Germany. Of the total amount exported, 17,217 tons were frozen beef and 16,175 tons canned beef, and the balance was made up of meat extract, jerked beef and offals.

Russian Oil - It is reported that the Norwegian tanker "JULIAN", chartered by PETROBRAS, brought 14,000 metric tons of Diesel oil for Rio Grande do Sul. It is said to be the first shipment from Russia since the recent visit of a Brazilian Trade Mission to Moscow.

UNCLASSIFIED

1064

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No.
Disp. No. 6
From PORTO ALEGRE

Russian Economic Mission - Local interest was aroused by the recent short stay here of the Russian Economic Mission on its visiting tour of Brazil, but discussions held with local commerce and industry leaders apparently brought little results. The only Rio Grande do Sul products for which there might be a demand in Russia, according to Mission members, are wool and hides. However, due to the increased domestic demand for these products it is not believed that there will be a significant exportable surplus. The Mission offered heavy industrial equipment and wheat to Rio Grande do Sul, but it is believed locally that only wheat is likely to be imported.

Montevideo Treaty: A Uruguayan Trade Mission arrived in Porto Alegre late in July to further discuss with local commerce and industry leaders the conditions and commodities available for trade under the Montevideo Free Trade Zone Treaty. Actually, discussions were initiated in June by a Rio Grande do Sul Trade Mission which visited Montevideo.

Wines - In a press report it is stated that in 1960 Rio Grande do Sul exported 16,513 liters of bottled wine, of which 10,621 liters were shipped to the United States; 5,080 liter to Paraguay; 800 liters to Holland; 12 liters to Hungary. Statistics released in the press indicate that in 1959 Rio Grande do Sul produced 115,547, 340 liters of wine, out of Brazil's total production of 144,063,120 liters, compared with respectively 122,826,898 and 163,770,198 liters in 1958.

Exports - According to statistics published by the local Chamber of Commerce, Rio Grande do Sul's total exports amounted to 71,304 metric tons from January 1 - May 31, 1961, compared to 45,209 metric tons for the entire year of 1960, an increase of 58 percent. The principal commodities exported were pine lumber, with 43,633 metric tons; soybean bran, with 15,428 tons; rice, 3,352 tons. The rest consisted of small amounts of leaf tobacco, canned beef, black beans, hides and beeswax.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

Oil Refinery - A definite site for the installation of the projected local PETROBRAS oil refinery and pipeline apparently has not yet been chosen. The Consulate will report further developments.

Tractor and Farm and Road Machinery - It is reported that Governor Brizola has appointed a Task Force to study a proposition for the manufacture of tractors, road building and farm machinery in Rio Grande do Sul. The farm equipment factory is to be operated by a mixed capital company with technical assistance to be received from Yugoslav manufacturers. The tractor and road equipment industry will be operated by a private firm, but will be government supported. The Consulate will report the developing situation.

UNCLASSIFIED

1065

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. 6
Desp. No. 6
From PORTO ALEGRE

Austrian Ambassador - On his recent visit to Rio Grande do Sul the Austrian Ambassador, Dr. Albin Lennkh, stated that his country can help Brazil in its industrialization efforts. The Ambassador said that Austria is in a position to supply capital goods and optical precision equipment. Austria presently imports coffee, tobacco, beef and animal offals from Brazil, but this trade should be increased, the Ambassador stated.

French Investment - Mr. André Rosenthal, director of the French Renault Group, recently visited Porto Alegre and met with Governor Brizola. This group is reportedly interested in forming a French-Brazilian company in Rio Grande do Sul, to be operated along the same lines of the Renault Engineering firm in France, and to supervise future French investments in various fields of activity in this State. Mr. Rosenthal also discussed his plans with local industry leaders. The Consulate will report further on this when details become available.

5. TRANSPORTATION AND COMMUNICATIONS:

Shipping Facilities - A Federal plan has been announced to expedite the shipment of Rio Grande do Sul agricultural products to other Brazilian markets. It is claimed that more ships and faster service will be available, and that shipment from Porto Alegre will reach Manaus, Amazonas, in 30 days, instead of 120 days, as heretofore.

Mixed Capital Telephone Company - The Companhia Rio-Grandense de Telecomunicações which will be formed to operate the telephone services in Rio Grande do Sul is planning to install an initial 6,000 telephones in the interior, according to the State Communications Commission, and bids will be called soon. The Consulate will report further details.

6. FINANCE:

Exchange - The free market cruzeiro remained firm during July, averaging \$262.44 per U.S. dollar (check buying rate), against \$262.50 in June 1961.

During the month of July the amount of US\$24,800.00 was offered and sold at import auctions for special category dollars. Agios reached an average of \$720.00 per dollar. Agreement-dollars amounting to US\$9,800 were also offered, but no purchases were made.

Money Conditions - Following a very tight situation at the end of June, money eased very slightly with the influx of Federal rice financing according to a reliable local banking source. However, banks continue to hold back on loaning operations in order to provide margins for income tax payments and for the larger deposits with SUMOC, which will be required once the temporary provisions included in Federal Instruction 207 and 208 run out.

UNCLASSIFIED

1066

UNCLASSIFIED

(Classification)

Page 6 of

Encl. No.

Disp. No. 6

From PORTO ALEGRE

7. LABOR:

Leaders of commercial employees and management have met to try to reach an agreement for a raise in current salary levels. The employees' demand for an increase of 30 percent, with a ceiling of \$5,000.00, has not been accepted by management. Final decision will now be reached through the labor courts.

Porto Alegre municipal street-car operators went on strike July 25 demanding a raise in current wage levels of 25.27 percent. The Mayor offered an increase of 15 percent now, with an additional adjustment next November, as the Mayor is not in a position to fully meet strikers' demands now. The strike has not disorganized Porto Alegre's transportation system because private buses apparently replaced the streetcars satisfactorily. The strike took a new turn when Governor Brizola interjected himself into the picture and offered to take over the streetcar services. There are threats of a general strike being called by local workers' union if an immediate settlement is not reached. Professional agitators are taking advantage of this situation.

8. MISCELLANEOUS:

Tourism - According to local SETUR (State Tourist Bureau) the first half of 1961 produced an income from tourism of \$530 million for the State of Rio Grande do Sul, of which \$100 million derived from Uruguayan tourists; \$200 million from the Grape Festival at Caxias do Sul; and \$250 million from the Lions Club National Convention in Porto Alegre.

Power Rates Increased - Power rates in Rio Grande do Sul have been increased approximately 56 percent over previous rates (see Consulate's despatch no 57, item 8, May 9, 1961). This substantial increase in rates generated a wave of criticism and protests throughout the State. Slight power rationings were continued in July in various sections of the State.

Metal Congress - The 16th Brazilian Association Metal Congress took place in Porto Alegre recently. Engineers and metal industry leaders participated in this Congress to discuss problems and make recommendations to the Federal authorities in order to improve the metal industry in Brazil.

Polish Consulate - Press reports indicate that a Polish Consulate for Rio Grande do Sul will be installed in Porto Alegre shortly, according to statements made by the Polish Consul Piotr Glowacki at Curitiba, Parana, on his recent return from Poland.

cc. Amembassy RIO

Percy Warner
Percy Warner
American Consul

UNCLASSIFIED

1067

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Page 2 of 4
Encl. No. _____
Desp. No. 11
From AmConsulate, Curitiba

coffees (about 40% of Paraná production) from Paranaguá, more coffee was shipped from Paranaguá (416,666 bags) in July 1961 than at any time since June 1959. If this policy is continued, dangers of extended social unrest in shipping centers, and tax loss to the state treasury will have been avoided.

There is very heavy demand for machinery used to up-grade coffee. Recent special agricultural credits in the northern part of the state are financing purchases of this machinery. Although this is too late to effect any important changes in Paraná's 1961-62 crop, the Agricultural Attaché's predictions of large future increases in high quality Paraná coffee production (and subsequent drains on the federal treasury without great reduction in total coffee output) seem to be well founded.

B. Mate

Mate exports are slowly rising from the doldrums, with Paraná shipments of 17,200 tons in the first half of 1961 (13,300 tons were shipped in the same period of 1960). Sales to Argentina almost doubled, as did shipments to the other two prime foreign consumers, Uruguay and Chile.

C. Timber

Local lumber circles are extremely optimistic about the possibility of sales in Cuba, especially with the reduction in the freight rate from \$36 to \$30-32 per thousand board-feet. The Cuban market is ideal for the grade "C" and poorer lumbers common cut in Paraná and Santa Catarina. What Cuba would sell in return is another question which the lumber people are ignoring. Meanwhile, continued restrictions in the Argentine market are keeping regular exports sluggish, although there is indication that contraband shipments are surging.

In mid-July a prominent local wood dealer visited the Consulate to ask for Point IV support in establishing secondary school courses in lumber economy which would emphasize the relationship between the long-term health of the wood and wood products industry and good forestry practices. The consulate made several suggestions for making the proposal more practical.

COMMENT: Without sharp improvement in local forestry practice, most of the timber reserves will be exhausted in 15 to 20 years.

SOURCES: Personal observations and conversations.

Mário do Paraná, July 4, 19, 26, 30
O Estado do Paraná, July 14, 19, 21
Gazeta do Povo, July 19, 27
Ultima Hora, July 13, 25

III PETROLEUM

We have been privately informed that the start of oil shale operations in São Mateus do Sul, Paraná, is now delayed indefinitely pending "a

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1069

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Page 3 of 4
Encl. No. 11
Desp. No. 11
From AmConsulate, Curitiba

thorough re-study of plans, including engineering plans" by Petrobras. We doubt that engineering difficulties are the cause of the reappraisal. Significance of the oil shale development was covered in Curitiba D-53 of April 25, 1961.

SOURCE: Personal conversations.

IV COMMUNICATIONS

A. Telephone: IT&T's Problems (continued)

The impasse between Curitiba and the local IT&T subsidiary droned on with the introduction of expropriation bills in the city council (PTB- Aurelino Mader GONCALVES) and state legislature (PSD - Jose HOFFMANN, who is also author of a controversial agrarian reform bill). A recent federal law forbidding local debenture financing of public utilities and requiring the sale of shares of future expansion without consideration of increased values of existing property due to inflation), is complicating the situation.

In a surprise move the city extended the deadline for presentation of bids for an additional 10,000 telephone lines from July 28 to August 28. The extension was made to favor foreign outfits, mainly Czech and Polish, since the interested Brazilian firms (Ericson do Brasil, Standard Electric and Hitachi do Brasil) had submitted bids and had representatives in Curitiba on July 27 for the opening of the proposals. The Polish Consul has been working hard on a coffee-for-telephone trade.

SOURCES: See Curitiba D-5, July 25, 1961
Diário do Paraná, July 1, 4, 20
Tribuna do Paraná, July 11, 26, 29

B. Telegraph: Western Concession

Presidential decrees authorizing Western Telegraph to run lines to Paranaguá and Curitiba were mitigated by the fact that the new concession expires in 1965. The short period makes installation of cables and land lines uneconomical. The Paraná Commercial Association is supporting Western's request to have the new concession extended to 1973 which is the expiration date of their operation elsewhere in Brazil.

SOURCES: See Curitiba D-6 and D-7, both of July 26, 1961.

V FOREIGN TRADE AND COMMERCIAL POLICY

A moderately socialist Curitiba newspaper has warned against Brazilian trade with Iron Curtain countries, and has called the João DANTAS protocols in Eastern Europe "bluffs". However, this is a fairly isolated voice in the chorus of proposals for trade with whomsoever a good deal can be made (Item II-C above). Efforts of the Polish consulate (Item IV-A above) are being reinforced by former Paraná federal deputy Ostojka ROGOSKI, head of Polparaná, the official Polish State

UNCLASSIFIED

1070

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Page 4 of 4
Encl. No. _____
Dep. No. 11
From AmConsulate, Curitiba

Trading Firm in Paraná. The general climate is propitious for an expansion of such trading arrangements.

SOURCES: Personal observations and conversations.
Gazeta do Povo, July 10, 21, 27.

VI - FINANCE AND DOMESTIC TRADE

General credit tightness and commercial and trade problems arising therefrom which were reported in June continued throughout July. Problems of capital goods wholesalers and distributors increased. Although selective agricultural credit policies are beginning to trickle some new money into the northern Paraná coffee belt, this money still has not found its way into the hands of farmers or the primary coffee processors who are the lowest level of middlemen. Consequently bank collections remain poor and private banks are restricting facilities in the area until repayment conditions improve. Since northern Paraná has been the prime source (because of coffee) of state tax collections and the commercial boom of the past few years, the present condition is having a depressing effect throughout the state. This general problem should be largely overcome, even if general credit remains permanently restricted, within the next two years as equipment for improving Paraná coffees to meet new IBC regulations is put into effect. (See Item II-A, above).

SOURCES: Personal conversations.

VII - STATISTICS: COST OF LIVING

Enclosure 1 contains a table with current cost of living statistics for Curitiba as developed by the State of Paraná.

Edward M. Rowell
Edward M. Rowell
American Consul

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1071

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Page 1 of 1
End. No. 1 to
Disp. No. 11
From AmConsulate, Curitiba

COST OF LIVING IN CURITIBA - FOODSTUFFS - December 1960 to July 1961

Article	Unit	Weight	Medium Prices (Cr\$)		Indices	
			Dec. 1960	Jun. 1961	Dec. 1960	Jun. 1961
pumpkin	kilo	1	12.00	12.00	100	100
sugar	kilo	5	28.00	28.00	100	100
rice	kilo	12	34.00	34.00	100	100
banana	kilo	6	12.00	15.00	100	125
lard	kilo	2	164.00	150.00	100	91
sweet potato	kilo	1	12.00	15.00	100	125
potato	kilo	9	11.00	20.00	100	143
coffee	kilo	3	56.00	56.00	100	100
meat	kilo	15	150.00	150.00	100	100
dried meat	kilo	14	200.00	200.00	100	100
tapioc (mandioca) flour	kilo	3	16.00	20.00	100	125
corn flour	kilo	4	20.00	25.00	100	125
beans	kilo	3	34.00	22.00	100	65
orange	dozen	4	48.00	60.00	100	125
milk	liter	20	18.00	25.00	100	139
butter	kilo	2	340.00	380.00	100	112
eggs	dozen	3	70.00	110.00	100	157
bread	kilo	10	27.00	55.00	100	204
fish	kilo	3	80.00	90.00	100	113
Medium Index	-	-	-	-	-	123

Observation: Increase of cost of living (foodstuffs only) during the above mentioned period amounted to 23%. (Table supplied by the Statistical Department of the State of Paraná).

Published in O Estado do Paraná, July 19, 1961.

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1072

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FOREIGN SERVICE DESPATCH																
FROM :	Amcongen, SSo Paulo															
TO :	THE DEPARTMENT OF STATE, WASHINGTON.															
REF :	CERP B-425\$, B-5601\$, C-5\$, D-12, D-13, D-14, D-15, D-16, D-17, D-18															
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			AIR 35	ARMY 16	CIA 20	NAVY 2	OSD 10	OCB 4	USIA 154							

SUBJECT: Biweekly Economic Review, July 28 - August 10, 1961

INDEX

CERP

References

Reporter

- Finance - SSo Paulo Requests Establishment of Special Fund to Finance Sale of Production Equipment
B-5601\$, D-12, D-13, D-18
A. D. Ventura
- Utilities - CELUSA Director to Visit US in Connection with Supply of Equipment for Urubupingá
D-16
A. D. Ventura
- Finance - SSo Paulo Government Studies Program for Financing of Equipment for North East Brazil
D-12, D-14, D-18
A. D. Ventura
- Trade - Yugoslav Industrial Exhibition in SSo Paulo
D-13
A. D. Ventura
- Petroleum - Petrobrás to Distribute By-Products
B-425\$, D-13, D-15
A. D. Ventura
- Communications - SSo Paulo Mayor Meets with Japanese to Discuss Construction of Subway
D-16
A. D. Ventura
- Labor - Twenty-Four Hour Dock Strike at Santos
C-5\$, D-17
A. D. Ventura

- Finance - SSo Paulo Requests Establishment of Special Fund to Finance Sale of Production Equipment

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1073

UNCLASSIFIED

Page 2 of
Encl. No. 47
Desp. No. 47
From São Paulo

The Governor of the State of São Paulo wrote to the President of the Republic requesting that the Brazilian delegation to the meeting of the Inter-American Economic and Social Council of the OAS in Montevideo include in its agenda the establishment of a special fund to finance the sale of production equipment produced by Latin American countries.

Comment: This request was prompted by recent talks of the State of São Paulo, seeking a loan to finance sales of equipment manufactured by the São Paulo industry, with officers of the Inter-American Development Bank. It was suggested that rather than depend upon piece-meal loans from the Bank for individual transactions, a special fund in which Latin American countries could participate would be a more rational long-term solution to the problem of inadequate local financing.

2. Utilities - CELUSA Director to Visit US in Connection with Supply of Equipment for Urubupungá

Mr. Francisco de Souza Dias, a director of Centrais Electricas de Urubupungá (CELUSA), the company which will supervise construction and operate the Urubupungá hydroelectric power project (despatch 460, June 8) left São Paulo on August 9 on a trip to Mexico and the United States. According to the press, Mr. Souza Dias will visit the Columbia River power development and confer with General Electric and the Westinghouse Corporation in connection with the supply of power equipment for the Urubupungá plant.

Comment: It is presumed that both General Electric and Westinghouse will be officially invited to participate in the tenders for the supply of equipment for the power project (see item 1, despatch 32 of July 28).

3. Finance - São Paulo Government Studies Program for Financing of Equipment for North East Brazil

The São Paulo Secretary of Finance stated at a press interview on August 1 that his office is studying a request submitted by the director-superintendent of the Superintendency for the Development of North East Brazil (SUDENE) to the São Paulo State Governor for financing a program to re-equip the textile industry in North East Brazil. He said that São Paulo is also prepared to help finance the equipment of other sectors of the region's economy. The program now being contemplated would include short-term (5 to 24 months) financing operations by local banking and credit establishments and longer term financing (3 to 5 years) to be undertaken by the São Paulo State Government. Operations requiring financing for a period of more than 5 years would be referred to the Federal Government. No indication was given of the amount the São Paulo government is prepared to finance.

UNCLASSIFIED

GPO 802867

1074

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Page 3 of
Encl. No.
Disp. No. 47
From São Paulo

Comment: An official of the Governor's Civil House said to an employee of the Consulate General that the São Paulo Government was considering preliminary financing of equipment for the North East in the amount of approximately Cr\$500 million.

4. Trade - Yugoslav Industrial Exhibition in São Paulo

Two members of the Yugoslav Chamber of Foreign Trade arrived in São Paulo on August 2 to organize an exhibition of Yugoslav industrial products. The exhibition will be held at São Paulo's Ibirapuera Park from September 30 to October 30, and will coincide with Marshall Tito's visit to Brazil.

Comment: The display of Yugoslav industrial products will include tractors, harvesters and other agricultural machinery; road-building and construction equipment; machine tools; and scale models of ship-yards, electric power plants, and fruit and vegetable canning plants.

5. Petroleum - Petrobrás to Distribute By-Products

According to a news despatch, the government petroleum monopoly, Petróleo Brasileiro-Petrobrás S.A., will set up service stations in São Paulo, Santos and Cubatão to retail gasoline, diesel oil and lubricants.

Comment: Petrobrás, which up to now had been limiting its activities to drilling, refining and the bulk petroleum trade, will now go into direct competition with distributors such as Esso, Texaco, Shell and the domestic Ipiranga company.

6. Communications - São Paulo Mayor Meets with Japanese to Discuss Construction of Subway

The Mayor of São Paulo met on August 11 with representatives of the Japanese firm "Pacific" to discuss problems related with the construction of the São Paulo subway.

Comment: The Mayor plans to start constructing this year the first section of a subway, to link the district of Santo Amaro with the down-town business center, by partly using an existing railway line. The construction of a subway has been under consideration for several years, with no positive action being taken to date, mainly due to lack of funds.

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1075

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Page 4 of
Encl. No. 47
Desp. No. 47
From Sao Paulo

7. Labor - Twenty-Four Hour Dock Strike at Santos

After twenty four hours of military intervention, the arrest of a local union leader, and total stoppage of activities, the port of Santos resumed normal operations on August 6, following mediation of the Federal Ministry of Labor. The strike movement started when dock workers stopped work aboard the freighter "Cap Salinas" of the Hamburg-Sud line, claiming an extra 30 percent in wages for handling "dangerous cargo" besides the extra 35 percent already earned for handling "unhealthy cargo." The strike quickly spread to other dock workers when the president of the Dock Workers' Union was arrested. His release, the following day, relieved the tension and contributed toward ending the strike.

Comment: Following the 24-hour strike, the President of the Republic sent a memorandum to the Federal Minister of Labor expressing his displeasure with the strikers and instructing him to warn them that the Government will not tolerate illegal strike movements.

For the Minister Consul General:


Herman J. Jelinek
Principal Commercial Officer

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1076

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SUBJECT: Conversation with the Governor of the State of Mato Grosso

There is taking place in São Paulo this week-end a Meeting of National Union, which is being attended by nine State Governors, among them Dr. Ferdinand de Corréa Costa, Governor of Mato Grosso. As I had not met him I made arrangements to call on him, and found him full of plans for the development of his state. This is the second time he has been Governor. He said that the decision has now been taken to pave the highway from Cuiabá to the border of the State of São Paulo, a distance of some 1300 kilometers. I asked whether this was a State project or a Federal project. He assured me this was a Federal activity which would cost some 9 billion cruzeiros, a sum far in excess of the possibilities of the State of Mato Grosso having a population of only 1,200,000 - 1,300,000. (He also noted that there was some 12 million cattle in the state.) The commitment to pave this highway was made to him by President Quadros at the Second Governors' Conference. The Governor felt that completion of the paved highway, and the finishing of the bridge across the river at the state line would reduce travel time from São Paulo to Cuiabá by automobile to two days, against the present three, and the use of the ferry at the river.

The Governor is also taking back with him a supply of hybrid corn seed which has been made available to him by Governor Carvalho Pinto of São Paulo. This corn he plans to have planted towards the north of Cuiabá and with the passage of years to extend further into the north of the state. He does not at present expect this corn to be processed in Mato Grosso but to be shipped to mills in the State of São Paulo. He also mentioned the satisfactory cotton crop this year. Planters had bad luck with cotton in the south due to inopportune rains, but had done very well in the northern part of the state. He made no particular request for American assistance, but cordially invited me to visit him in Cuiabá, which I said I certainly hoped to do.

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

August 18, 196:

REF : *E3713: J. W. Wilson - lma*
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August 18, 1961
DEPARTMENT OF STATE
BUREAU OF INTER-AMERICAN AFFAIRS

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SUBJECT: Mato Grosso Governor Corrêa da Costa's Press Interview

Attached herewith is an account of a press interview, which may be of possible interest to the Department, that Mato Grosso governor Fernando Corrêa da Costa (UDN) granted to the leading daily O Estado de S. Paulo on August 16, 1961. The visiting governor came to Sao Paulo to assist in the opening of the National Unity Week sponsored by the Students "Union of the 22nd of August" of the Faculty of Law of the Catholic University of Sao Paulo

Fernando Corrêa da Costa praised the governments of São Paulo's governor Carvalho Pinto and President Janio Quadros. Corrêa da Costa said that by promoting the economic integration of the country Carvalho Pinto and Janio had contributed to national unity. The Mato Grosso governor expressed his support of agricultural reform which should be extended on a regional basis. Corrêa da Costa declared that President Janio Quadros was contributing greatly to the economic development of Mato Grosso; that Mato Grosso expected to receive about 50 billion cruzeiros from the federal government during Janio's tenure; that the President had authorized the paving of the Cuiabá-Campo Grande-Porto XV road, totalling 1,190 kilometers which, when completed, will cost about 9 billion cruzeiros. The Mato Grosso governor said that both Janio Quadros and Carvalho Pinto had assisted in the development of electric energy in Mato Grosso. Corrêa da Costa added that the economic development of the northeast will do much to allay the "anti-southern" prejudice which many people in the under-developed states feel toward the richer and more industrialized southern areas. The governor of Mato Grosso also expressed his support of Janio Quadros' foreign policy.

VINYL CHLORIDE MONOMER 1609

William P. Cochran, Jr.
Minister Consul General

Enclosures: 3
As stated

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M. Pyle/mec

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1776

O ESTADO DE S. PAULO
AUGUST 17, 1961

"Ação presidencial concorre para a Unidade do País"

O governador de Mato Grosso, sr. Fernando Corrêa da Costa, declarou ontem, 4 de julho, em entrevista exclusiva concedida a um repórter desta folha, que os governos dos sr. Jânio Quadros e Curvelo Pinheiro, respectivamente, na República e no Estado de São Paulo, promovem, simultaneamente, a integração de diversas regiões do País colaborando dessa forma para maior unidade nacional. Pronunciou-se favoravelmente à Reforma Agrária, por região, e a uma política nova no setor de habitações.

Acompanhado de seu filho, o engenheiro-agrônomo Fernando Augusto Corrêa da Costa, e de engenheiro Demosthenes Martins, representante de Mato Grosso na CE-LUSA, o chefe do Executivo mato-grossense chegou ontem às 11 e 30 a esta Capital, procedente de Curitiba. O ilustre visitante veio a São Paulo a fim de assistir hoje à solenidade de abertura da "Semana da Unidade Nacional" e de pronunciar amanhã, dentro do programa do certame, uma conferência sobre "Mato Grosso e a Unidade Nacional". A palestra do sr. Fernando Corrêa da Costa será proferida no salão do Centro Acadêmico "Século Séptimo" logo após conferência do sr. José Bonifácio, secretário da Agricultura de São Paulo, que discorrerá sobre o tema "Reforma Agrária e Unidade Nacional". A "Semana" é promovida pelo Centro Acadêmico "Século Séptimo" da Faculdade Paulista de Direito.

O governador do vizinho Estado voltará para Curitiba no próximo sábado, para presidir naquela data a sessão de instalação da Convenção Regional do seu Partido, a União Democrática Nacional.

REFORMAS DE BASE

Após exaltar o apoio que o presidente da República empresta ao

seu Estado natal para o desenvolvimento econômico, ressaltou o sr. Corrêa da Costa que na gestão Jânio Quadros, Mato Grosso receberá cerca de 50 milhões de cruzeiros do governo federal. Durante a II Conferência dos Governadores, realizada em Curitiba, o presidente autorizou a pavimentação dessas cinco milhas das rodovias Curitiba-Campo Grande-Porto XV, num total de 1.100 quilômetros; a cujo custo aproximado de 4 de nove bilhões de cruzeiros — prosseguiu o governador. Considera a seguir que, dada a região atravessada pela estrada rodoviária que vai de Curitiba, centro geográfico da América do Sul, até as barragens do rio Paraná, em Porto XV, remonta ao Estado de São Paulo, passando por Campo Grande, desempenha importante papel na economia estadual, face ao desenvolvimento da produção agropecuária. Esta se escoará através da rodovia pavimentada, para o mercado de zona consumidoras de Alta Sorocaba, e para os maiores centros urbanos do País, São Paulo e Rio.

Resaltando que os principais problemas do seu Estado serão resolvidos com estradas e com energia elétrica, o sr. Corrêa da Costa enumerou os benefícios que advirão para a pecuária, para as zonas de cultura rústica, de café, de milho e de outros cereais, com a pavimentação e construção de novas estradas pelo Governo da União. Mato Grosso, que foi percutido pelas bandeiras paulistas que atingiram o Paraná e o Rio de Janeiro, crescent economicamente, politicamente. Outra rodovia, a BR-20 — Curitiba-Acre — ligará o Brasil ao Peru, amanhã.

ENERGIA

Com relapso à energia elétrica informou que tanto o sr. Jânio Quadros quanto o sr. Curvelo Pinheiro auxiliam Mato Grosso neste setor. O presidente, entre outras concessões, autorizou a entrega de mais duas turbinas para a usina de Mimosa, no valor de um bilhão e 200 milhões de cruzeiros. Quanto a Urubupungá, revelou o governador que, em 1961, seu discurso pronunciado nesta Capital, na reunião dos governadores, apresentou como primeira reivindicação de seu Estado a construção da usina de Urubupungá. "Estou muito satisfeito com o ritmo das obras", disse depois de analisar a situação de São Paulo para a realização de grande empreendimento.

Maior em Curitiba — Javoreiro — há um homem que é bom chefe de família. Este é o senhor Javoreiro, que vive há 100 anos na cidade e tem um filho, um neto e um bisneto. Este homem que dirige São Paulo, além de ser um bom chefe de família, é também um homem que sabe trabalhar. Ele é o governador de São Paulo, o sr. Javoreiro.

RESUMO: A respeito do sentimento antenista que cresce em regiões menos favorecidas do País, devido à desigualdade econômica, disse o sr. Corrêa da Costa que, no momento em que se promove o desenvolvimento econômico dessas regiões, embora não seja possível, há um ponto tempo esse sentimento vai se dissipar em Mato Grosso. Hoje, com a política de sr. Jânio Quadros, há maior distribuição da riqueza, e por isso, em meu Estado, não há mais, nem.

OUTRAS ASSUNTOS

O governador de Mato Grosso, sr. Fernando Corrêa da Costa, declarou ontem, 4 de julho, em entrevista exclusiva concedida a um repórter desta folha, que os governos dos sr. Jânio Quadros e Curvelo Pinheiro, respectivamente, na República e no Estado de São Paulo, promovem, simultaneamente, a integração de diversas regiões do País colaborando dessa forma para maior unidade nacional. Pronunciou-se favoravelmente à Reforma Agrária, por região, e a uma política nova no setor de habitações.

Rev. D-60
São Paulo
8/14/61
AKA

Entrevista

O governador de Mato Grosso, sr. Fernando Corrêa da Costa, declarou ontem, 4 de julho, em entrevista exclusiva concedida a um repórter desta folha, que os governos dos sr. Jânio Quadros e Curvelo Pinheiro, respectivamente, na República e no Estado de São Paulo, promovem, simultaneamente, a integração de diversas regiões do País colaborando dessa forma para maior unidade nacional. Pronunciou-se favoravelmente à Reforma Agrária, por região, e a uma política nova no setor de habitações.

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SUBJECT: Economic Summary for July, 1961.

INDEX

- Summary
- Industry and Investment
- Agricultural Development and Policy
- Petroleum
- Transportation
- Finance
- East-West Trade

1. Summary:

The financial situation remains approximately the same as last month. In general, money is tight. The federal government's development plan for the Northeast has been well received here although heaviest concentration appears to be on the poorer states to the north of Bahia. Sales figures which were recently announced for this year's cocoa mid crop indicate that it has been completely sold. Rains have arrived in the interior and planting of the tobacco crop and the castorseed main crop are now in full swing. Plantings have been delayed by a month for castorseed and about three months for tobacco because of the unseasonal dry period. It is expected that the peak circulation for Bank of Brazil notes will be reached next month. However, money will continue to be tight at least through October due to monthly incometax payments.

Perhaps one of the most important events during the period under review was the announcement by President Janio Quadros that the headquarters of PETROBRAS will be moved from Rio de Janeiro to Salvador. It is expected

Paul McCarty:esp		UNCLASSIFIED	
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-2-

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

that the move will take place sometime early next year. The cost of living continues to rise with some basic food items doubling within the past months.

2. Industry and Investment:

(a) On July 16, 1961 the new Hotel Plaza was inaugurated. This much needed hotel is situated on the Avenida Sete de Setembro, (Vitoria), in one of the better section of Salvador. The Plaza has a total of 98 rooms including eight suites, some of which are airconditioned. The suites have television as well as hi-fi radio and are considered in the ultra-luxury class. The sum of 170 million cruzeiros was invested in this enterprise (See economic summary of May, 1960). The plaza has given temporary relief to the hotel shortage but there is still an extreme shortage of adequate hotel space in the fast-growing city of Salvador.

(b) It has been reported that the IAPM (Instituto de Aposentadoria e Pensões dos Marítimos) intends to build 600 residential houses in the State of Bahia to be sold to its members on the installment plan. No other information is available at this time.

(c) It has also been reported that Petrobras, together with the Naval Base at Aratu, recently agreed to jointly construct a dry dock at Aratu, Bahia. A loan totaling 540 million cruzeiros has been obtained for this purpose of which 350 million cruzeiros will come from the Banco de Desenvolvimento, 100 million cruzeiros from Petrobras and 90 million cruzeiros from the Naval Base. Bids for the construction of the dock will be opened at Rio de Janeiro in the near future.

(d) Mr. Alois Zahradka, a permanent delegate for the Czechoslovakian government in Brazil, visited Salvador during the month of July to contact State authorities and local traders to stimulate business between Brazil and Czechoslovakia. He apparently offered to furnish industrial machinery but terms are not known.

(e) The Industrial and Investment Agency (CARIM) of the Northeast Bank granted a loan of Cr\$45 million to Cia. Siderurgica da Bahia (COSIBA) of Salvador. This loan will partly finance an expansion project to increase the company's production of rolled steel. Total cost of this project will be more than 77 million cruzeiros. The remainder will be raised by the company through an increase of capital from Cr\$21 million to Cr\$75 million.

(f) The Companhia Bahia Industrial (Moinho Salvador) has the largest amount of capital in the State of Bahia, totaling more than 507 million cruzeiros. The company showed a profit of more than \$9 million cruzeiros of which Cr\$54 million will be distributed as dividends.

UNCLASSIFIED

1081

UNCLASSIFIED
(Classification)

-3-

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

(g) Industria Resaque de Oleos Vegetais (Bariri, São Paulo) will install a factory for the production of castor oil and castor oil cake at Paripe, Bahia. The factory will have a production capacity of 7,000 tons of oil and 10,000 tons of cake per year.

(h) The Northeast Development Bank granted a loan of Cr\$37 million to Casmel Industria e Comercio S.A. This company, located in Salvador, Bahia, was founded in 1953 under the name of Casmel Construtora de Estruturas Metalicas Ltda. and changed to a joint stock company in 1956. With this financing, Casmel plans to increase its annual output of steel plates and profiles from 950 to 2,500 tons. Expansion projects also include ship-building.

(i) Hudson Engineering Corp. of Houston, Texas, has signed an agreement with Petrobras for the construction of a natural gasoline and liquefied gas plant in Bahia, to be situated near the refinery. Construction is now under way with about seven technicians of Hudson Engineering now on the job and approximately that many more expected within the next three months. After completion, in approximately 12 months, the plant will process 1,400,000 cubic meters of natural gas a day, obtaining a daily production of 1,510 barrels of propane, 984 barrels of butane and 516 barrels of natural gasoline. Total investment, not counting equipment already installed, will amount to Cr\$780 million and U.S. \$3.5 million. Most of the necessary equipment will be obtained in Brazil. (See Economic Summary of April, 1961).

Comment:

The foregoing account of Industry and Investments will give a general idea of the scope of activity now under way in the State of Bahia. All signs indicate that this trend will continue.

3. Agricultural Development and Policy:

(a) Cocoa. During the month of July the Bahia Cocoa Trade Commission announced that total cocoa sales as of June 30, 1961 were 900,991 bags (60 kilograms each) of which 336,134 bags were for delivery to the United States and 333,814 bags to other foreign countries. 231,043 bags represented the sale of cocoa products. At present, estimates of the mid crop are still between 900,000 and 1,100,000 bags. Rough estimates of the main crop (October 1961 to April 1962) are around 1,200,000 bags. However, the weather over the next few months will have a strong influence on this figure. The prevailing cold weather in the cocoa zone is causing apprehension. This type of climatic condition could bring on brown pod rot resulting in substantial losses. It is reported that a group of cocoa growers contacted the Minister of Agriculture recently for help in combating this disease. Although some oscillations in the world price for cocoa took place during the latter part of June, prices at present/almost identical to those of a month ago.

UNCLASSIFIED

1082

UNCLASSIFIED
(Classification)

Page _____ of _____
Encl. No. _____
Disp. No. _____
From _____

(b) Soybean. Rains in the interior have at last arrived. It is suggested now that the crop may reach as much as the 70,000 tons predicted earlier. Due to the late arrival of the rains, however, plantings for the main crop are only being made, rather than in April and the harvest will therefore be delayed until October/November. With the present shortage of seed in the interior, the newcomers among local oil processors have pushed the prices up to Cr\$23.50/24.00 per kilogram. The two traditional firms hold adequate stocks and have therefore withdrawn from the market in expectation of lower prices when the main crop begins to arrive in quantity. Oil prices in the world market took an unexpected drop of 1/4 of a cent per pound during the past month.

(c) Tobacco Leaf. Rains in the tobacco zone have continued for the past few weeks and plantings for the new crop, although somewhat delayed, are proceeding well. They are expected to be on the same scale as last year, which was good. Of this year's crop, nothing is left in the Mata Fina and Mata Sal districts, about 10% in the Beira, and 5 to 10% in the Mata Norte. In the latter districts, exporters scrambling to complete their purchases have driven the price up to the high figure of Cr\$1,500 per arroba of 15 kilograms. Sales abroad are going well and it is estimated that about 80% of the crop has already been placed. No carry-over this year is foreseen. Although exporters have received prices about 10% below last year's, they have purchased the crop cheaper this year and therefore expect to show results similar to 1960.

(d) Mr. Raymond Michels, a Belgian technician, has been in Salvador with Mr. Elias Valois, a member of the staff of the Brazilian Ministry of Agriculture, to examine the possibility of buying land for Belgian farmers who were expelled from the Belgian Congo during the recent uprising there. Mr. Michels was apparently quite enthusiastic and feels that the experience the Belgian farmers have had in Africa could be put to great use in Bahia where the climatic conditions are somewhat similar. It has been noted that some local firms have already hired Belgians to work on the dende and cocoa plantations.

(e) The sub-gabinete Civil da Presidencia da Republica (a local representative of President Quadros) has sent to the presidency, a proposal for the installation of a Colonia Rodoviaria (Highway Colony), which would be located between Feira de Santana and Alagoinhas. It is suggested that about 800 families or a total of 4,000 persons would comprise the colony. Each family would receive 6 hectares of land for the cultivation of tobacco. Each unit would produce approximately 120 arrobas of 15 kilos each. This crop alone would guarantee each family a yearly income of 180 thousand cruzeiros.

Comment: This would be an interesting undertaking, if approved, and will be observed closely by the Consulate.

UNCLASSIFIED

1083

UNCLASSIFIED
(Classification)

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

(c) It has been observed that the 65 tractors and 136 cases of accessories which were unloaded at the Bahia docks more than three months ago are still at dockside. The equipment was imported by the Associação Brasileira dos Municípios and comes from East Germany as an exchange for coffee. The tractors are supposedly to be sold to various municipal governments throughout Bahia, at low cost on the installment plan. No explanation has been given as to why the equipment has not been released by the customs authorities.

4. Petroleum:

(a) Fulfilling one more campaign promise made by President Quadros, the head office of Petrobras will be transferred to Salvador early next year. The move is receiving opposition from certain elements in the south of Brazil but it is assumed that the Bahianes will win out and sometime next year the actual move will get under way. Petrobras is erecting a new building next to its present quarters on Avenida Jequitania which was to eliminate already overcrowded conditions. With the prospect of about 600 more members of the staff from Rio de Janeiro, there will be a considerable problem as far as office space is concerned. Housing and other accompanying problems will also compound the difficulties. However, the Bahianes are determined to have Petrobras headquarters here and will have to find a way of living with the accommodation problem.

(b) Petrobras has announced the discovery of another oil vein at Gomo in the resaca area. Oil was struck at 2,037 meters and it is reported that ~~daily~~ production is approximately 250 barrels per day.

(c) Another 20 Brazilian engineers have completed their petroleum perforation and production course and on July 31, 1961 received their certificates at the Reitoria of the University of Bahia. These engineers will go into the field for further practical training.

5. Transportation:

(a) On July 23, 1961 the Companhia Energia Elétrica da Bahia (subsidiary of Bond and Share Company), which operated the light and power company in this State, inaugurated the restoration of the Bananeiras dam which was damaged by flood waters some months ago. The company stated that 180 tons of iron and 18,000 bags of cement and over 30 million cruzeiros went into the project.

(b) Nine new locomotives recently arrived in Salvador destined to the Federal Railway Viação Ferrovia Federal Leste Brasileiro.

(c) 400 tons of material and accessories belonging to the SMTG (Serviço Municipal de Transportes Coletivos), a public utility enterprise owned by the municipal government, were released from the docks recently by order of President Quadros. The equipment had been lying in the dock

UNCLASSIFIED

1084

UNCLASSIFIED
(Classification)

-6-

Page _____ of
Encl. No. _____
Disp. No. _____
From _____

warehouses for nearly three years for lack of payment of customs and dock taxes.

6. Finance:

According to the State Internal Revenue Department Cr\$1,206,533,149 were collected during the first seven months of 1961 which constitutes an increase of Cr\$358,812,784 over the same period in 1960.

7. East West Trade:

Exports to Soviet Bloc countries during the month of July 1961 were as follows: Poland, 2095 metric tons of cocoa beans; 400 tons of sisal fiber and 143 tons of tobacco leaf; Rumania, 260 tons of sisal fiber and Finland 1 ton of piassava fiber.

FOR THE CONSUL:

Paul B. McCarty
Paul B. McCarty
American Vice Consul

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SUBJECT: Biweekly Economic Review, August 11 - August 24, 1961

INDEX	Cerp References	Reporter
1. Generator Producers Protest Imports From Iron Curtain	D-11	R. E. Cahn
2. Edison of Milan Undertakes Engineering on Ilha Soiteira Power Project of Urubupunga Group	D-14	R. E. Cahn
3. Forestry - World Conference on Eucalyptus in São Paulo	D-10	A. D. Ventura
4. Industry - Production of Titanium Dioxide Contemplated	D-14	A. D. Ventura
5. Petroleum - Cubatão Refinery to Expand Refining Facilities	D-15	A. D. Ventura
6. Trade - São Paulo Cotton Exports Up	D-13	W. G. Thorburn

1. Generator Producers Protest Proposed Imports From Iron Curtain

The São Paulo Association of the Electric Equipment Industry protested the importation of generators from the Iron Curtain. This protest was registered in face of an instruction of the Federal Minister of Mines and Power to the Cia. Vale do Rio Doce to import 302 generating groups of 75 to 1,000 HP from Iron Curtain countries in exchange for iron ore. The Association protested the proposed importation on the grounds that the

REPORTER: R. E. Cahn:tar

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Page 2 of
Encl. No.
Desp. No. 66
From São Paulo

domestic industry is capable of supplying generators up to 2,500 HP, and there is therefor no need for importing them.

2. Edison of Milan Undertakes Engineering on Ilha Solteira Power Project of Urubupunga Group

At a ceremony presided over by São Paulo Governor Carvalho Pinto, the Intergovernmental Commission for the Paraná-Uruguay Basin signed a contract with the Italian firm Edison of Milan to do the engineering on the Ilha Solteira power project, which will be part of the Urubupunga power group development on the Paraná river. Ilha Solteira will be projected to produce 1,600,000 KW.

Comment: The Italian Edison firm has done most of the engineering work on the power projects studied by the Intergovernmental Commission for the Paraná-Uruguay Basin. It did the preliminary work on the Jupia power project of the Urubupunga group on which tenders are now being sought (item 1 of despatch 33, July 28, 1961).

3. Forestry - World Conference on Eucalyptus in São Paulo

Over 237 representatives from 21 eucalyptus-growing countries are attending the II World Conference on Eucalyptus now taking place in São Paulo (August 13 to September 1). The Conference is promoted by the Food and Agriculture Organization (FAO) and is sponsored by the Federal and São Paulo State governments. The eucalyptus specialists are discussing problems connected with the growth of this species of tree, and methods of developing existing stands.

Comment: São Paulo is an important eucalyptus growing center with stands totalling 1.1 million acres, or approximately 1.8 percent of the State's entire area.

4. Industry - Production of Titanium Dioxide Contemplated.

According to a local news despatch, the National Lead Company, of New York, and Companhia Brasileira de Produtos Químicos Copebrás (a company controlled by the Columbian Carbon Corporation, of New York, and the sole manufacturer of carbon black in Brazil) will purchase a tract of land near Cubatão, São Paulo, where they plan to set up a plant to manufacture titanium dioxide.

Comment: This news was confirmed by Copebrás. During the past six months two National Lead Company engineers, together with a Copebrás team, made a complete survey on the availability of national ilmenite, and the prospective market for locally manufactured titanium dioxide, which appear satisfactory. A plant site near the Copebrás carbon-black plant was chosen, and a new corporation with Copebrás and National Lead as major shareholders and with Brazilian minority capital will probably be formed shortly. Total investment in the project will be between U. S. \$5 and 10 million. Unless some unforeseen circumstance hinders this development, titanium dioxide will be produced by

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1087

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Page 3 of
Encl. No.
Disp. No. 66
From São Paulo

the corporation in 1964 in sufficient quantity to meet Brazil's requirements.

5. Petroleum - Cubatão Refinery to Expand Refining Facilities

A contract to expand the petroleum refining facilities of Petróleo Brasileiro-Petrobrás S.A.'s Presidente Bernardes refinery at Cubatão, São Paulo, was signed with Fremem Engenharia S.A. of São Paulo. The new installations, to cost Cr. \$2.8 billion, ^{1/} are scheduled to start operating in eighteen months. The Cubatão plant will be able to improve the quality of the gasoline it manufactures, and increase its output of petrochemical materials. Commercial production of high grade benzol will also be undertaken.

6. Trade - São Paulo Cotton Exports Up

Reportedly Brazilian cotton exports for calendar year 1964 are to be about 180,000 metric tons, of which 130,000 from the São Paulo area.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

^{1/} Approximate free market rate of exchange: Cr.\$270.00 equal U.S.\$1.00

cc: Embassy, Rio de Janeiro (2)

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SUBJECT: MONTHLY ECONOMIC REPORT - AMAZON VALLEY - JUNE-JULY, 1961

INDEX

- SUMMARY
- DOMESTIC TRADE AND COMMERCIAL ACTIVITIES
- FINANCE
- IMPORTS AND EXPORTS

1. SUMMARY

The present economic and financial in the Amazon Valley, while not considered good, may be said to be fair. Several important works which are expected to improve the Valley economically and financially are awaiting governmental assistance before they can be brought into effective service. SPVEA and the Banco de Crédito da Amazonia, are taking steps under the present administration, to face the main problems in the Amazon area.

Merchants in this region have reported a satisfactory volume of sales during the period under review. An immediate result of the first regional meeting of the Abastecimento da Amazonia is that the local market is being regularly supplied. The local agency of the Instituto Brasileiro de Café is maintaining a permanent stock of coffee beans, having at the moment in stock in Belém 100 thousand bags for distribution to roasters and dealers.

The Banco de Crédito da Amazonia is now facilitating credit for commerce and industry and especially for small producers in rural centers. Private banks also are offering credit on easier terms. The Caixa Econômica Federal do Pará is also giving financial assistance to small producers.

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FORM 5-61	FS-439 GPO 912566		
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1089

UNCLASSIFIED

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Page 2 of

Encl. No. 14

Disp. No. 14

From Belem, Para, Brazil

Interstate shipping as well as import and export business through the ports of Belem and Manaus have continued active.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITIES

A marked improvement in the volume of sales during the period June-July, 1961, was reported by local merchants; the continued replenishment of stocks, facilitated by the regular arrival of merchant vessels from southern and northeastern Brazilian ports, was the principal cause of such an improvement.

The Primeiro Encontro Regional de Abastecimento da Região Amazonica (First Regional Meeting for Supplying of the Amazon Valley) was held in Belem on June 1 to 3. The meeting was attended by governmental officials of the states of Amazonas and Para, and all federal territories as well as the mayors of most of the Amazonian municipalities, representatives of commerce and industry, and labor leaders. The announced results of this meeting were promising. Concrete measures were taken to supply the Amazon Valley, among them, the so-called "Linhas Expressas de Abastecimento" (Express Supply Lines) which proposes to keep a certain number of merchant vessels transporting cargo directly from southern and eastern ports to the states of Para and Amazonas.

The Amazon area was regularly supplied with coffee, in contrast to frequent shortages in the past. The local branch of the Instituto Brasileiro do Café (Brazilian Coffee Institute) presently maintains a stock of 100 thousand 60 kilo bags of raw coffee in Belem for distribution to roasters.

It is certain that the effects of SUMOC's instructions 204 and 208 have brought difficulties to some commercial activities in the Valley; however, local merchants hope that this situation will not last long and that benefits will come in the near future.

3. FINANCE

The Banco de Crédito da Amazonia (Amazon Credit Bank) has loosened its credit, and commerce and industry in the Valley are reaping the benefits. Furthermore, this bank, following instruction of the Federal government, has initiated the Serviço Móvel de Crédito Rural (Mobile Rural Credit Service) which is intensively active in the Bragança railroad area. Steps are being taken to extend this service throughout the Amazon River region.

Private banks are also offering more credit and financing to business. The Caixa Econômica Federal do Para also is authorized to start facilitating loans to small producers, principally those in agriculture. SPVRA is undertaking its program of development in the Amazon area, releasing allocations which amounted to 500 million cruzeiros in the period June-July, 1961.

The Banco do Brasil/

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1090

UNCLASSIFIED
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Page 3 of
Enc. No. 41
Desp. No. 41
From Belem, Para, Brazil

The Banco do Brasil, Banco de Crédito da Amazonia and two other local banks, are managing to open their agencies in more than ten towns in the State of Para. The Para State Rural Bank will be ready to function after its inauguration in the very near future.

4. IMPORTS AND EXPORTS

During the period June-July, 1961, several shipments consisting of farm machinery, wheat, fertilizers and cod fish were received from Europe and United States. Export business was active with shipments of Brazil nuts, black pepper, gums, hides and skins, and lumber, through the ports of Belem and Manaus.

Robert W. Mashek
Robert W. Mashek
American Vice Consul

c.c.: American Embassy, Rio de Janeiro.

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period July 1-14, 1961)

INDEX

1. Coffee Exports.
2. "Windfall Profits" from Instruction 208 to Bank of Brazil.
3. SUMOC Instruction 209.
4. Draft Anti-Trust Law Approved by Economic Committee of Chamber of Deputies.
5. Rent Control Law Extended.
6. Free Primary School for Employees and Dependents.
7. Presidential Meeting with Governors of São Paulo, Guanabara, and Rio de Janeiro.
8. Brazil and Chile Sign Economic and Cultural Protocol.
9. Permanent Soviet Commercial Mission Arrives in Rio.

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1092

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Page 2 of
Encl. No.
Disp. No. 165
From RIO DE JANEIRO

1. Coffee Exports

Brazil's first coffee exports of its new marketing year, starting July 1st, through July 10, 1961, were 209,999 bags, compared to 420,000 bags exported during the same period last year.

(UNCLASSIFIED)

2. "Windfall Profits" from Instruction 208 to Bank of Brazil

As a follow-up to SUMOC Instruction 208, President Quadros signed Decree 50,889 on July 1, providing that "windfall profit" which will result from the sale of existing stocks of petroleum, petroleum derivatives, wheat, fertilizers, insecticides and newsprint on hand or in transit on the date Instruction 208 came into force, must be remitted to the Bank of Brazil. This decree is simply an extension of similar decrees issued pursuant to Instruction 204. (See EWER, Embdesp 8, July 5, 1961).

(UNCLASSIFIED)

3. SUMOC Instruction 209

On July 4, SUMOC issued Instruction 209 setting forth the new criteria for approving the establishment of branch banks (banking dependencies). The principal purpose of this instruction is to encourage the establishment of more banking facilities in rural areas and to further slow down the concentration of banking dependencies in large centers. To this end, the instruction raises the previous limit on the number of "dependencies" that a given bank may establish in a given year from 10 to 15 but provides that at least 10 of such new establishments be located in areas where no banking facilities are located or are inadequate.

(UNCLASSIFIED)

Comment: According to recent SUMOC data, only 1,333 municipalities out of 2,755 have banking facilities and of the total of 5,841 registered banking establishments about 70% are located in São Paulo, Minas Gerais, Rio Grande do Sul and the State of Guanabara.

(UNCLASSIFIED)

4. Draft Anti-Trust Law Approved by Economic Committee of Chamber of Deputies

On July 11 the Economic Committee of the Chamber of Deputies approved the version of the antitrust bill sponsored by Jacob Frantz, Vice-Chairman of the Committee. In its final form the bill provides that the President and the Congress may take appro-

UNCLASSIFIED

1093

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No.
Disp. No. 165
From RIO DE JANEIRO

private action with respect to the findings of CADEC (the enforcing agency) concerning fair profit margins. This modifies substantially the original version of the bill which gave the President authority to establish fair profit margins.

A different version of anti-trust legislation had earlier been approved by the Judiciary Committee, and the measure must now be considered by the Finance Committee before reaching a vote in Congress. None of the Committees have considered the bill originally proposed by President Quadros in April (see BWER, Embdesp 973, May 3 and Embdesp 4, July 3, 1961).

(UNCLASSIFIED)

5. Rent Control Law Extended

President Janio Quadros extended once more the Rent Control Law to February 28, 1962. In spite of the tremendous pressure exerted by landlords, current contracts were automatically extended without alteration. The new law (law 3,912, of July 3, 1961) included the authorization previously given to landlords to recover from apartment tenants "condominium" costs such as municipal taxes, sewage, cleaning of common building areas, common electricity costs, porter salaries and like expenditures, exempting, however, contracts already in force at the time the condominium law was decreed (i.e. December 15, 1960).

(UNCLASSIFIED)

6. Free Primary School for Employees and Dependents

The Federal Constitution provision requiring that all industrial, commercial and agricultural companies with more than 100 employees provide free primary education for all employees and their children will now be enforced pursuant to the provisions of Ordinance No. 1 issued by the National Committee which had previously been established pursuant to Decree No. 50,811 of June 17, 1961. Companies whose aggregate number of employees throughout Brazil exceeds 100 must provide primary instruction for all its eligible employees and their children, regardless of the number of such employees in any given unit of the Federation. The affected companies must submit to the National or respective State Commission by August 15, a list of its employees and their children between the ages of 7 and 14, together with a statement as to how the primary instruction will be furnished and the date on which such instruction will commence. The instruction must commence within five months. The companies' obligations include employees' children who are already attending public schools. (See BWER, Embdesp 930, April 17, 1961)

(UNCLASSIFIED)

UNCLASSIFIED

1094

UNCLASSIFIED
(Classification)

Page 14 of
Encl. No.
Disp. No. 165
From RIO DE JANEIRO

7. Presidential Meeting with Governors of São Paulo, Guanabara, and Rio de Janeiro.

In his meeting with the Governors of the States of São Paulo, Guanabara, and Rio de Janeiro, held in Rio de Janeiro on June 30 and July 1, the fourth in a series of meetings with State Governors, President Jânio Quadros approved numerous proposals presented by Governors for expediting federal aid and improving planning and administration for many projects in the three states. The proposals covered a wide range of projects, many of a local nature and most of which are already in existence, in the fields of education, agriculture, health, labor and social security, electric power, industry, transportation and communications, housing and sanitation, and legal reform. Particular attention was given to projects for electric power, including financing of the Urubupunga hydroelectric power plant in São Paulo State, and to highways, railroads, and airport improvements, including studies for a São Paulo-Brasília rail link. Assignment of budgeted funds amounting to some Cr\$18 billion was reportedly approved for various of these projects. Details of the proposals approved are being worked out by the Federal ministries concerned and the National Economic Development Bank in collaboration with the State governments.

(UNCLASSIFIED)

8. Brazil and Chile Sign Economic and Cultural Protocol

On July 5, the Brazilian Foreign Minister and the Chilean Ministers of Economy and Foreign Affairs signed an economic, cultural and tourist protocol, designed to increase relations between the two countries in these special areas.

The principal points of the Economic Protocol were:

- 1) the agreement by both nations to let their bilateral payments agreement (signed in Santiago on September 10, 1958) lapse as of October 1, 1961; from that date, all operations between the two countries will be conducted in convertible currencies; and
- 2) the understanding reached by both nations to promote an increase of trade, both bilaterally and within the scope of the Latin American Free Trade Area, with particular reference to Chilean copper and nitrate and Brazilian coffee and sugar.

(UNCLASSIFIED)

UNCLASSIFIED

1095

UNCLASSIFIED
(Classification)

Page 5 of
End. No.
Dep. No. 165
From RIO DE JANEIRO

9. Permanent Soviet Commercial Mission Arrives in Rio

The Permanent Soviet Commercial Mission, created by the Protocol signed in Moscow by Brazil and the USSR (see BWBR Embdesp 1153 of June 20, 1961) arrived in Rio on July 5. The seven man team was headed by Viktor Nikolayevich Asov, whom the press quoted as saying that great possibilities exist for trade between the two countries and that he therefore hoped to accomplish agreements advantageous to both Brazil and the USSR.

It is expected that the Brazilian Commercial Mission, still under consideration by the Economic Department of the Foreign Ministry, will be constituted soon and thereafter depart for Moscow.
(UNCLASSIFIED)

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

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Item 7 - SEWeaver
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 September 8, 1961
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 NAVY-20
 NSA-4
 SUBJECT: Biweekly Economic Review, August 25 - September 7, 1961
 CTA-16 COM-12 TAR-2 CERP AGA10 INF-7 LAB-8
 INDEX TR-3 FRB-3 XMB-4 DUEP Reference Reporter

1. Business Suffers from Political Crisis D-10 R. E. Cahn
2. Trade - Nationalist China Trade Mission in São Paulo D-13 A. D. Ventura/
S. C. Lyon
3. Trade with Soviet Union B-1212\$, A. D. Ventura
D-11, D-14
4. Banking - Argentine Bank Planning to Set Up Branches in São Paulo State D-12 A. D. Ventura
1. Business Suffers from Political Crisis

The resignation of President Janio Quadros on August 25 and the resultant political crisis during the following two weeks had a decidedly unfavorable effect on business. To prevent runs banks were officially closed during a greater part of that period, although bank funds were made available to meet payrolls upon presentation of positive evidence of the amount needed. The resultant money shortage and uncertainty caused some cancellation of orders by retailers and a reluctance to assume new commitments until the situation clarified. Business slowed down in practically all lines, with the possible exception of foodstuffs in which many persons stocked up in fear of possible shortages that did not materialize to a serious extent. At the close of the period the political situation had seemingly stabilized sufficiently to warrant the hope that the peak of the business decline had been reached and an upturn was in order.

§ Signifies submission of partial data in response to a CERP requirement.

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1097

UNCLASSIFIED
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Page 2 of
Encl. No.
Desp. No. 84
From Amcongen São Paulo

It particularly was hoped that the new cabinet that is being formed would create sufficient confidence to permit normal financial transactions to be resumed when the bank holiday ends on September 11.

Comment: Trade associations have already asked for a period of grace equal to the bank holiday in which to pay taxes without penalties, and some businessmen feel that there is need for a short moratorium until business starts moving again.

2. Trade - Nationalist China Trade Mission in São Paulo

A three-man trade mission from Nationalist China visited São Paulo on August 29. The mission was headed by the vice president of the Central Trust Company of China, and included the assistant general manager of the China Merchant Steam Navigation Company, Ltd., and the head of the Fisheries Division, Joint Commission on Rural Reconstruction. The Mission members made contact with various state officials and businessmen, including members of the Chinese colony in São Paulo, with a view to developing trade in Chinese chemicals and other products for Brazilian coffee, cotton, etc. They also showed interest in the possibility of developing tuna fishing from Brazilian ports for the local market and for shipment to the United States.

Comment: It is presumed that the visit of the Nationalist China Trade Mission to Brazil was to counterbalance the effects of recent trade developments with Communist China. It will be recalled that a trade mission from Communist China visited São Paulo during May 1961 (see item 5, despatch 435 of May 18, 1961).

3. Trade with Soviet Union

A total of 200,000 bags of Brazilian coffee destined to the Soviet Union was shipped out of Santos on September 3 and 4 aboard the Soviet freighters "Alapaievsk" and "Ustjushna."

Comment: The above two shipments were the only appreciable movement of cargo from Santos to the Soviet Union reported by the local press during the period under review.

4. Banking - Argentine Bank Planning to Set Up Branches in São Paulo State

Directors of Banco de la Nación Argentina of Buenos Aires visited the São Paulo Secretary of Finance on August 25 to discuss the possibility of setting up branches of the bank in the cities of São Paulo and Santos, with a view to promoting trade between Argentina and Brazil. The Secretary of Finance is reported to be agreeable to the project.

UNCLASSIFIED

1098

UNCLASSIFIED

(Classification)

Page 3 of

End. No. 84

Dep. No.

From Amcoongen Sao Paulo

Comment: The Banco de la Nación Argentina maintains 350 branches in Argentina and operates branches in Paraguay, Bolivia, and Rio de Janeiro.

For the Minister Consul General:

Scott Chym
Scott C. Lyon
American Consul

UNCLASSIFIED

1099

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1170

UNCLASSIFIED
(Classification)

Page 2 of 2
Encl. No. 178
Disp. No. 178
From RIO DE JANEIRO

be located in areas where no banking facilities are located or are inadequate. On the same occasion, by SUMOC Instruction 210, the National Bank of Cooperative Credit was granted the rate of four percent per annum for its rural credit, rediscount operations, as well as the rediscount of bills as provided for in item "d" of art. 6 of Law 449 of June 14, 1937.

Also during July (July 27) SUMOC Instruction 211 was issued increasing to \$100,000 the daily availabilities of banks for their operations on the free market. This instruction modifies the terms of Instruction 59 of June 23, 1953, which set that amount at \$25,000.

President Quadros sanctioned the law providing for the extension of COFAP (the Federal Supply and Price Commission) to December 31, 1961. The President, however, did not request the extension of COFAP, which originated in Congress. It was felt necessary because it has been unable to act on the anti-trust bill (See Embdesp 4, July 3, 1961) which would provide the Executive with new price control authority. Rent control law was also extended to February 28, 1961. The new law (law 3,912 of July 3, 1961) maintained the authorization given to landlords to recover from apartment tenants "condominium costs" such as municipal taxes, sewage, cleaning of common building areas, common electricity costs, porter salaries and like expenditures, in spite of the tremendous pressure exerted by tenants for their revocation. However, tenants having rental contracts pre-dating the issuance of the condominium law (Dec. 15, 1960) are exempted from payment of these costs.

Ordinance 487 of July 10, issued by the Minister of Transportation and Public Works approved revised rates for postal and telecommunication services, which became effective on August 1, 1961. The gold franc value was set at Cr\$70.00 as of the same date, by another ordinance.

Service-Order 12 of the Income Tax Bureau published in the Diario Oficial of June 28, disciplines the deduction of amounts due as royalties.

The President of the Bank of Brazil, signed agreements with a group of banking establishments of Western Europe which granted Brazil credits in the amount of \$110 million. Reportedly fifty banking establishments from eight European countries participate directly or indirectly in the agreement and the credits would be available until June 30, 1962. The press also reported that the Bank of Brazil is preparing to open a branch in New York, thus following the lead of the Banco da Lavoura de Minas Gerais which was the first Brazilian bank to open an agency there.

UNCLASSIFIED

1101

UNCLASSIFIED
(Classification)

Page 3 of 3
Encl. No.
Disp. No. 178
From RIO DE JANEIRO

On July 22, President Quadros approved a "priority plan" to be presented at the Montevideo Conference. It covers projects which would call for approximately Cr\$95 billion (\$487 million). The project includes regional development plans for the northeast and the south of Brazil and are considered as a preparatory document preceding the Five Year Development Plan now being considered by the Administration.

The customs tariff conversion rate (fiscal dollars) was set at Cr\$271.81 to the \$1.00 for the month of July. The fiscal dollar rate was Cr\$281.80 for June.

During July, paper money issued increased by Cr\$2 billion or 1% over the level of outstanding currency in circulation as of the end of the previous month. For the comparable period of 1960, the corresponding figures were Cr\$2 billion and 1.3%. The cost of living index of the Getulio Vargas Foundation for the State of Guanabara (Rio de Janeiro) indicated an increase of 1.6% for July 1961. The increase for the first seven months of the year was 13.4% compared with an increase of 7.6% during the first seven months of 1960.

The average check buying rate in the free market for July was Cr\$256.00 which compares with Cr\$264.27 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$185.20 and Cr\$184.72.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$264.18 to the \$1.00 and then fluctuated between a high of Cr\$263.86 and a low of Cr\$259.83. The closing rate on July 31 was Cr\$262.59 and the average for the month was Cr\$262.59.

Trade and Industry

Business conditions in July were generally described as good. Sales and production levels showed little difference from the preceding month, or the normal pattern of growth. Production costs and sales prices continued an upward trend, reflecting principally higher costs of foreign exchange for items that previously enjoyed preferred rates. Price increases were authorized for items such as petroleum products, bread, and newspapers, and sizeable increases were announced for all classes of postal services.

Considerable attention was given to promotion of trade with the Soviet Union and Bloc countries. Possibilities of increased Brazil-USSR trade were emphasized during the July 18 to July 25 visit to Brazil of the Soviet "Goodwill Mission". Considerable publicity was given to a Soviet offer of aid to the Northeast, and

UNCLASSIFIED

1102

UNCLASSIFIED
(Classification)

Page 14 of
Encl. No.
Disp. No. 178
From RIO DE JANEIRO

of an offer, made in conversations with the Minister of Agriculture, of tractors, heavy machinery and 200,000 tons of wheat. The Mission also explored with the Brazilian Coffee Institute the promotion in Russia of instant coffee, to bear a trade mark containing the name of the Soviet Astronaut Gagarin.

As a consequence of Brazilian-Argentine efforts to increase trade, and in the spirit of the Treaty of Montevideo which, in Chapter III, treats of expansion of trade and the intensification of economic integration, especially in the field of industrial production, negotiations were undertaken for the sale by Brazil to Argentina of 600 buses of Brazilian manufacture. According to reports, the first 40 buses sold by Mercedes Benz of Brazil were valued at US\$540,000.

The President of the Republic has approved a Banco do Brasil credit of Cr\$9 billion to NOVACAP for public works in Brasilia, including expansion of the telephone system, drainage, water supply, and road paving. The total cost of these improvements is estimated at Cr\$9.9 billion.

In a report to the President of the Republic, the president of PETROBRAS, Sr. Geonísio Carvalho Barroso, has stated that a new geological survey differed substantially from the "Link" report. An expansion of exploration in the States of Maranhão and Alagoas and the abandonment of the Lower Amazon basin were now being recommended. The refinery of Landulpho Alves, which in February was working at 62 percent of its capacity, is now producing 45,000 barrels daily and the lubricating oil units are expected to begin operating soon. Crude was received by the Duque de Caxias refinery in July and production of derivatives is expected to begin in September. Priority has been given for construction of a new refinery in Porto Alegre and surveys are being made for a proposed refinery in Corumbá. Some 62 percent of the work on a synthetic rubber plant adjoining the Duque de Caxias refinery has been completed.

The Banco Nacional de Desenvolvimento Econômico (BNDE) has agreed to lend Cr\$300 million to the Companhia Brasileira de Alumínio to expand the firm's production capacity from 10,000 to 20,000 tons annually and to construct a hydroelectric plant at Cachoeira de Fumaça in São Paulo State to furnish additional power for its operations. Announcement was made that the Wisconsin Motor Company of the U. S. A. will establish an internal combustion engine plant in the State of Guanabara this year. Monthly output will initially average 1,000 engines suitable for use in tractors and agricultural machinery. Capital for the plant will comprise \$1 million from the U. S. and Cr\$10 million from Brazilian investors. The company estimates that the Brazilian market can absorb from 15,000 to 20,000 engines a year.

UNCLASSIFIED

1103

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No.
Disp. No. 178
From RIO DE JANEIRO

The Bank of Brazil has announced new financing facilities to be offered throughout the country to buyers of Brazilian-made tractors. Brazilian production of light and medium type tractors is estimated at 3,120 units this year, rising to a goal of 16,600 units in 1962.

The Instituto Nacional do Mate has stated that a soluble mate plant, costing Cr\$70 million, will begin operating in the State of Matto Grosso by October. The plant will have an annual production capacity of 420 tons of soluble mate.

Recent decrees have granted exemption from all federal taxes for imports of textile machinery valued at approximately 31,000 pounds sterling FOB by the Cia. Industrial e Mercantil "Casa Fracalanza" for a sisal factory at Campina Grande, State of Paraiba, and equipment valued at \$53,000 CIF by Industria de Azulejos S. A. for a tile factory at Recife, Pernambuco.

Transportation and Communications.

A joint communique issued by Varig, Real and Panair after the signing of a protocol in Brasilia stated that the President of the Republic has approved the joint participation of Real and Varig in Aerovias Brasileiras; the immediate reorganization of Panair do Brasil; the immediate establishment by Panair of a service to Cairo the co-ordination of the basic services of the three companies with a view to the formation in the near future of a single private company that will represent Brazilian aviation in the international sphere; and the modernization of equipment on Brazilian international flights, with the substitution of piston aircraft by jets with the aim of capturing new markets, particularly in South America, Africa and Asia.

The State owned shipping line Loide Brasileiro has established a regular monthly service to Mozambique and five Indonesian ports and a twice-monthly call at La Guaira, Venezuela, on its Brazil-Gulf of Mexico run.

The fourteenth and last of the vessels ordered by Brazil from Poland in May, 1958 was delivered at the beginning of July.

Conjuntura Economica reports that during the current year a total of some Cr\$15 billions will be spent by the Federal Government including the Federal Railways System, (85% of the total) and by the São Paulo State Government on various projects and equipment for the country's railroads. At least three times that sum will be required to cover operational deficits of the railroads, about 90% of which will be provided by the federal budget and additional credits.

UNCLASSIFIED

1104

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No.
Disp. No. 178
From RFO DE JANEIRO

Measures announced by the Government to improve this situation are: elimination of uneconomic branch lines (totalling about 10,000 km.) to be substituted by paved highways; an increase in passenger fares, especially on suburban trains, which at present only correspond to from one-tenth to one-fifth of actual transportation costs; a readjustment in freight rates, which are now only from one quarter to one half of actual cost; rationalization of administrative and operational methods; revision of existing agreements and signing of new ones with actual or potential important users of the railroads, with establishment of service conditions and special freight rates; a drastic cut, where possible, in maintenance costs, and the centralization of resources for investment in a limited number of railroad projects considered necessary due to their social and economic, national, or regional importance.

Iron ore shipments on the Central Railway during the first five months of 1961 were very limited, with only about 6,000 tons of ore per month being moved from the mines in central Minas Gerais to the port of Rio. In June, this volume increased to about 90,000 tons of ore. The railway officials say that 100,000 tons of ore will be delivered in July and they predict 150,000 tons monthly by October and 200,000 tons per month by the end of the year. During the first six months of 1961 about 50,000 to 60,000 tons of ore per month have been trucked over the highways from the mines to the port of Rio.

Agriculture

There was considerable activity in coffee during the month with Brazilian Coffee Institute (IBC) issuing a series of resolutions designed to implement Brazil's new coffee policy and adjust that policy in accordance with the demands of the growers and the trade. Measures were also taken to speed up the flow of coffee exports which had been dragging (exports during the month were only 1,479,536 bags compared with 1,919,258 a year earlier). IBC's resolutions established incentives for the establishment or enlargement of soluble coffee plants; set coffee registration price bases for July 1-16; granted a period of 30 days for the delivery of the retention series of the "boa descricao" and "common" quota coffees despatched during the month; required special transit certificates for all shipments to ports or other exit points not mentioned in the shipping regulations for the 1961/62 crop; set August 15 as the limit for the 1960/61 crop.

Other significant events during the month were the amendment of standards for rice, adjustment in the controlled price of raw milk and the signing of a decree exempting imports of equipment for the livestock industry from payment of duty. The provisions of SUMOC instruction No. 208, which abolished preferential exchange rates for imports of wheat, were made applicable to wheat and wheat products in stock and in transit.

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1105

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Page 7 of
Encl. No.
Desp. No. 178
From RIO DE JANEIRO

Labor

Mainly on the initiative of a group of anti-Communist labor leaders of São Paulo, anti-Communist labor groups from Rio de Janeiro, Belo Horizonte, Porto Alegre, Curitiba, Florianopolis and São Paulo very successfully held a "First Inter-State Encounter of Democratic Trade Unionism" in São Paulo, July 22-23. It was the first meeting in Brazil of coordinated labor groups which are specifically and openly anti-Communist. Plans were made for the informal liaison between the groups to be established on a stronger basis. Communists in the labor movement publicly denounced the Encounter and called for "unity".

Very few strikes occurred during July. Among the few which were reported were strikes by bus drivers in the state of Rio de Janeiro and in the city of São Paulo, both of which were short and ended when wage increases were granted. Likewise, very few new annual wage agreements were reported, as July is a month during which few annual agreements expire. However, unions in various sectors commenced campaigns for wage increases within a month or two, when a sizeable number of annual wage agreements will expire.

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

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att
Enclosure: Cost of living in Rio de Janeiro

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1106

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Page 1 of
Encl. No. 1
Disp. No. 178
From Rio, Brazil

ECONOMIC INDICATORS:

Cost of Living in Rio de Janeiro
(1948 = 100)

1960	Food	Cloth- ing	Rent	Furni- ture	Hygi- ene	Pers. Serv.	Pub. Serv.	Index	% Change
Jan.	809	476	601	488	623	643	767	691	.8
Febr.	807	480	609	512	623	652	767	696	.7
Mar.	808	498	614	522	623	652	824	705	179.5
Apr.	836	508	621	534	660	700	824	725	2.8
May	818	528	631	552	682	699	826	725	-
Jun.	811	530	639	577	711	699	826	728	.4
Jul.	830	542	646	583	717	699	826	740	1.6

1961

Jan.	976	654	705	642	846	905	997	866	2.1
Febr.	987	655	712	647	856	936	997	875	1.
Mar.	999	682	721	663	871	974	997	891	1.8
Apr.	1047	759	732	682	871	1014	1030	930	4.4
May	1058	775	741	690	885	1014	1061	943	1.4
Jun.	1064	785	752	699	920	1014	1076	953	1.1
Jul.	1091	793	763	706	926	1014	1076	968	1.6

Source: Getulio Vargas Foundation.

Brazil's Foreign Trade (US\$1,000,000)
1961

<u>Imports</u>	<u>Mar.</u>	<u>Apr.</u>	<u>Jan-Apr.</u>	<u>May</u>	<u>Apr.</u>	<u>Jan-Apr.</u>
Total	114.4	107.7	452.7	100%	100%	100%
U S A	37.8	44.9	149.2	33.0	41.7	33.0
Western Europe	38.4	32.3	149.4	33.6	30.0	33.0
Middle East	6.5	5.3	24.9	5.7	4.9	5.5
C.B. *)	3.6	2.4	16.4	3.1	2.2	3.6
<u>Exports</u>						
Total	118.8	110.6	340.1	100%	100%	100%
U S A	58.2	43.9	175.2	49.0	39.7	51.7
Western Europe	36.6	42.8	143.3	30.8	38.7	42.1
Middle East	.3	.6	2.4	.3	.5	.7
C.B. *)	4.3	4.5	18.2	3.6	4.1	5.4

Source: Economic and Financial Statistical Service, Min. of Finance.

* - C.B. refers to Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Comm. China, Rumania, USSR, Albania and Bulgaria.

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1107

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Page 1 of
Encl. No.
Disp. No. 182
From RIO DE JANEIRO

be considered as a preparatory action to the Five Year Development Plan now being considered by the Administration.

(UNCLASSIFIED)

2. State Railroads to Increase Rates

The Minister of Transportation and Public Works announced that within six to eight months all railroads operated by the state shall have their rates increased in order to reduce their tremendous deficit.

(UNCLASSIFIED)

Comment: Government Operated railroads have been a permanent headache to the Administration because of their huge operating deficits. In the current fiscal year alone, the estimated deficit amounts to 15% of total tax revenues. Major causes contributing to this state of affairs are low freight and passenger rates, excess of personnel and poor operating conditions.

One of the largest sources of railroad deficits is the Rio suburban line on which commuters may ride for a fare of Cr\$2.00 distances for which bus lines charge over ten times that rate. It is understood that the President does not want to increase these fares until service can be improved.

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3. National Development Bank to Open Branches

The Chairman of the National Development Bank, Brigadier Faria Lima, ordered a working group to study the possibilities of installing branches in various areas of the national territory such as Belem, Recife, São Paulo, Porto Alegre with a view to keeping a closer contact with regional problems. Members of the group are Bank director Nilo Neme and two high ranking officers.

(UNCLASSIFIED)

4. Federal Lottery to be Executed Directly by the State

President Quadros signed decree 50,954 ordering that the Government henceforth execute the Federal Lottery through the Federal Savings Banks. From the funds of the sale of the tickets, 70% shall be awarded in winnings; 15% will be given as a commission to the Federal Savings Bank with the balance over and above operating expenses to be deposited in a special account of the Federal Savings banks to be used for various municipal projects.

(UNCLASSIFIED)

Comment: According to press reports, the action taken by the Government was based on the recommendations of an investigation committee which revealed that the concessionaires had made in 1960

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1109

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Page 2 of 2

End. No. 182

Dep. No. 182

From RIO DE JANEIRO

alone "illegal" profits exceeding Cr\$1 billion resulting from the practice of lottery concessionaires assessing the lottery ticket vendors a sur-charge. Under the previous system, the Government contracted with certain concessionaires to distribute the tickets.
(UNCLASSIFIED)

5. Automotive Developments:

Financing

The National Bank for Economic Development (BNDE) has granted a loan of Cr\$700 million to the Fabrica Nacional de Motores for expansion of its industrial operations for increasing production of trucks, passenger cars and diesel motors. BNDE also guaranteed a loan for US\$4.5 million for the acquisition of equipment required for this expansion.

Exportation

Brazil began exporting motor vehicles with the sale to Argentina of 40 Mercedes-Benz buses, valued at US\$540,000.

6. Steel - Increase of Capital for COSIPA and ACESITA

According to press reports, the Companhia Siderurgica Paulista (COSIPA) at present constructing its plant near São Paulo, proposes to increase its capital from two to twelve billion cruzeiros. The main purpose is to provide sufficient capital to permit completion of the company's facilities. The company's capital at present consists of 54% federal and 15% state government capital, and it is expected that these government entities will subscribe the same percentage of the new stock issue. The plant is planned to start production of approximately 500,000 tons of mainly sheet products in 1963, while by 1970 a production of 2,500,000 tons of pig iron, steel ingots and rolled products is anticipated.

Colonel Antonio Doria Machado, president of ACESITA (Aços Especiais Itabira) said at a press conference that the company will receive a Cr\$1.6 billion credit from the Government to pay for equipment already acquired in Europe. This equipment will enable the company to immediately increase steel production by 60%. The Government has also extended a credit line of Cr\$1.9 billion for purchase of new equipment and the National Economic Development Bank has guaranteed a credit of US\$4.1 million which will enable a production of 240,000 tons of special steel annually in 1964, three times present capacity. It was also reported that the Government has authorized an increase of the firm's capital from Cr\$500 million to Cr\$7 billion.
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Page 3- of
Encl. No.
Disp. No. 182
From

7. New Measures Foster National Tractor Industry

The Government has recently issued regulations which set up new nationalization indexes for tractors manufactured in Brazil and establish credit facilities for their purchase. At the same time it announced that the exchange concessions previously granted to imports of tractors would be cancelled. Decree No. 50,836 of June 23, 1961 sets minimum percentages for nationally produced components of tractors manufactured in Brazil as follows: a) until September 30, 1961: 70% of the weight of the tractor, including 60% of the weight of the motor, or, alternatively, 70% of the weight of the gear box; b) until June 30, 1962: 85% of the weight of the tractor, including compulsory, 80% of the motor and 80% of the gear box; and c) until June 30, 1963: 95% of the weight of the tractor. GEIMAR (Executive Group for the Agricultural and Highway Machinery Industry) is to set procedures for verifying conformance to these standards.

In its instruction no. PR 20.205-61 of July 4, 1961, the Bank of Brazil directs that its agencies may grant loans for purchase of nationally produced light and medium weight tractors on terms of up to 4 years at 7% interest per annum covering 60% of the purchase cost. This financing is denied to imported tractors except when no nationally produced similar machine is available and there is an urgent need.

Comment: These measures are expected to effectively end imports of these types of tractors and to significantly increase national production. While production for 1961 is estimated at 3,120 units, production of 16,600 units annually is expected when the industry is fully established.

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8. Wages

Press reports indicate that a number of labor unions, in preparation for the approaching season of annual wage settlements, have started campaigns for sizeable wage increases. For example, Rio de Janeiro's local union of Metal, Machine and Electrical Workers, which reportedly negotiates for some 80,000 workers (this figure includes union and non-union workers), is claiming a 50% wage increase and some fringe benefits.

During the past several months, few annual agreements expired, but Minister of Labor Francisco Castro Neves publicly announced on various occasions that this year's increases must be modest and generally for smaller percentages than the increase in the cost of living. Whether this policy can in fact be put into effect has been put to several minor tests, and the increases finally granted were

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Page 4 of 12

Encl. No. 182

Disp. No. 182

From RIO DE JANEIRO

usually adequate to compensate for higher living costs. However, the number of workers covered by these agreements was small. Now major tests will soon occur, such as in the case of the Metal, Machine and Electrical Workers.

9. "University of Labor"

Speaking in Volta Redonda on July 17, President Quadros expressed the hope that expanded educational opportunities will lead to much greater flexibility in the class structure of Brazilian society. The President was in Volta Redonda for a ceremony in connection with the start of work on a new trade and vocational school which will form part of his "University of Labor".

10. "Ligas Camponesas"

Francisco Julião, leader of the "Ligas Camponesas" of Pernambuco, announced in Rio that a National Confederation of "Ligas" will be formed by the end of this year with the objective of uniting farm laborers and small farmers in support of (1) rural labor unions, (2) voting rights for illiterates, and (3) an alliance with urban labor. Julião disparaged certain agrarian reform bills presently under consideration in Congress and said that the "family plot" concept of land reform should be abandoned in favor of collective agriculture. Illness reportedly made it necessary for him to remain in Rio and thus miss the celebration in Pernambuco of the Fidel Castro holiday, July 26.

(UNCLASSIFIED)

11. Brazil to Open Trade Offices

President Quadros has approved a task group report on SEPRO (Serviço de Propaganda e Expansão Comercial do Brasil), Brazilian Propaganda and Trade Expansion Service (see BWER Embdesp 804 of March 14, 1961), calling for the opening, beginning in January 1962, of Trade Offices in Tokyo, Hong Kong, and Warsaw. The President also ordered that a study be made of the possibilities of opening Trade Offices in Moscow, Peking, Belgrade, Prague, Havana, and Beirut.

(UNCLASSIFIED)

12. Brazilian Trade Mission to Lebanon

Lebanon was the first stop on a tour of the Middle East made by a Brazilian trade mission composed of Rui Gomes de Almeida, President of the Commercial Association of Rio de Janeiro; Plinio Cavalcante de Albuquerque, representative of the Brazilian Coffee Institute; Oscar Augusto Camargo of the Federation of Industries of São Paulo; Deputy Athie Jorge Cury; Jorge Germanos, Vice-President of the Lebanese-Brazilian Chamber of Commerce; and

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1112

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Page 5 of
Encl. No.
Disp. No. 182
From RIO DE JANEIRO

Mauricio Assuf, journalist and lawyer.

Charged with the task of establishing a Free Zone in Beirut for Brazilian products, principally coffee, the group entered into discussions aimed at increasing trade with the Middle East, through Lebanon, and considered the possibility of exhibiting Brazilian products in Beirut. One result of negotiations was the decision to install an agency of the Bank of Brazil in Beirut, in order to facilitate relations between importers and exporters.

Final action on the agreements will be taken during the coming visit to Brazil of Phillippe Takla, Lebanese Foreign Minister.
(UNCLASSIFIED)

13. Trade with Czechoslovakia

At a press interview, Karel Almasy, Commercial Counselor of the Czech Embassy, noted the sound basis for mutual trade which already exists between Brazil and Czechoslovakia, and predicted that the value of this trade could be increased from its present \$45 million yearly level to \$100 million.

Almasy expressed appreciation for the work of the Dantas Mission (see BWER Embdesp 930 of April 17, 1961) and said that the value of trade projected in the Dantas agreement was realistic, provided that a good part of the Czech offers would be accepted. The Czech Commercial Counselor indicated his country's particular interest in offering equipment for electrification, railroad and urban transportation, and cold storage plants.

In his interview, Almasy also noted the conclusions of the Work Group, headed by Emilio Dias, which had examined trade proposals presented by Czechoslovakia, and had reported favorably on them to President Quadros.

(UNCLASSIFIED-)

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash,
Commercial Attaché

Contributions:

Items 1, 2, 3 - WBlomeyer	Item 7 - SHWeaver
Item 4 - JKrizay/WBlomeyer	Items 8,9,10 - DPMann
Item 5 - JHWiegerinck/BAGoldstein	Items 11,12,13-BAGoldstein
Item 6 - JHWiegerinck/SHWeaver	

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FOREIGN SERVICE DESPATCH

FROM : **Amconsulate PORTO ALEGRE**

12

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 11, 1961

REF : CERP, C-4

SEP 12 1961

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SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - August 1961

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

SUMMARY:

The State economy deteriorated late in August due to political unrest caused by President Quadros' resignation. The cruzeiro exchange rate on the free market weakened considerably. Credit operations by local banks eased somewhat due to funds derived from soybean exports and federal rice financing. No wool exports have been reported so far. Indications are for a slight increase in yield of next October's wool clip over that of last year. Prospects for disposal of the 1960-61 exportable rice surplus do not appear favorable now. French group visited the State and expressed interest in investment opportunities. Pay increases were granted to commercial and electric company employees.

1. AGRICULTURAL DEVELOPMENTS:

Wheat - The local COAP (Supply and Price Control Commission) recently approved an upward adjustment in wheat flour prices to \$2,060.00 per 50-kilo bag of pure flour, and \$2,009.00 for mixed flour. As a consequence, bread prices at bakeries were adjusted.

AJK1rehhof/HBloom/zma

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FORM **FS-439** REPORTER
A-81 GPO 0 12536

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Page _____ of
Disp. No. _____
From _____

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Page 2 of
Encl. No. _____
Disp. No. 12
From PORTO ALEGRE

as follows:

1 kilo	@ 38.00
1/2 kilo	24.00
1/4 kilo	14.00

The above represents an increase averaging @3.00 per kilo of bread.

On August 17, additional shipments of U.S. wheat arrived in Rio Grande do Sul, totaling 14,500 metric tons. It was announced that further shipments from the United States are expected in the near future. These arrivals will help ameliorate the acute shortage of wheat supplies in this State.

Hogs - Due to the recent sagging of hog prices, a minimum price of \$60.00 per kilo liveweight will be guaranteed by the Minister of Agriculture to encourage hog raisers in Rio Grande do Sul.

Rice - By latest estimate IRGA (Rio Grande do Sul Rice Institute) has taken up 1,000,000 bags of polished rice and 300,000 bags of rough rice from this year's harvest. Currently IRGA has a representative abroad scouting out export markets. Although IRGA has largely priced itself out of northern domestic markets, it is reported that, private dealers, doing their own growing, have been able to sell rice in Northern Brazil in fair-sized quantities.

Wool - Early estimates of the wool clip to begin in October are for a yield of 26,000 metric tons, with expectations of good quality and of a price of \$5,000.00 per arroba (15 kilos) for top grade wool. Financing by the Bank of Brazil for the wool clip is being negotiated, but no figure has been arrived at as yet.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

Retailers anticipated a good month in sales, and indications were that wholesale activity was beginning to pick up. However, a deterioration in sales was noticed in the last few days of August due to President Quadros' resignation. State sales figures have not become available for use in the present report.

3. FOREIGN TRADE:

Rice - Press reports state that negotiations for the sale of the remaining 1958-59 and 1959-60 exportable surplus have been concluded. It is reported that IRGA (Rio Grande do Sul Rice Institute) has been able to sell the balance of 20,000 metric tons of rice from the above crops to a foreign firm which will ship it directly to the Philippines. Negotiations are under way for the disposal of the 1960-61 exportable rice surplus. The new rice should be sold at US\$120.00 per metric ton to return a profit, but

UNCLASSIFIED

1115

Page _____ of
Desp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. _____
Desp. No. 12
From PORTO ALEGRE

it is stated that an American firm has offered similar rice to buyers in Antwerp, Holland at US\$95.00 per metric ton, c.i.f. The local belief is that current rice prices are not competitive and will force Rio Grande do Sul rice out of international markets.

Wines - Exports of Brazilian wines to the United States would find a more ready market if transportation and handling costs could be lowered, reports the local press. Rio Grande do Sul recently exported a white wine (Riesling) which apparently sold well in New York.

Wool - No wool exports have been reported from Rio Grande do Sul so far in 1961. Due to an increase in domestic consumption, notably by São Paulo textile mills, a local wool exporter believes that there would be practically no exportable surplus of the 1960-61 season wool crop.

Soybean - The soybean market, during the month of August, saw a considerable volume of export operations. This may be attributed to falling domestic prices of this commodity, which has made export profits possible despite continued weakness of the price of soybeans on the international market.

Musical Instruments - It is reported in the local press that United States firms are interested in importing accordions manufactured in Rio Grande do Sul by the firm of Veronese S.A., located in Canoas, near Porto Alegre. The local product is said to be of good quality and could probably compete favorably with other manufacturers.

Importation from Poland - The Polish flag ship "Curie Sklodowska" arrived in Porto Alegre on August 27, bringing 626 metric tons of general merchandise for the local market, including barbed wire, tools, machine tools, caustic soda, sodium carbonate, etc.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

French Investments - An engineer, representing the French Institute of Organization and Productivity of Paris, visited Rio Grande do Sul early in August to discuss with authorities the State's economic development problems. This representative stated that investments have been made in the states of São Paulo and Minas Gerais. The Consulate will report further details when they become available.

It is also reported in the local press that the French Renault organization has expressed an interest in establishing, in the future, a bearings factory in Rio Grande do Sul, which would use materials from a projected steel plant. (See Consulate's despatch No. 34, item 4, Jan. 10, 1961.)

UNCLASSIFIED

1116

Page _____ of
Desp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. _____
Desp. No. 12
From PORTO ALEGRE

New Domestic Industry - It is reported that the Indústria de Laminados do Rio Grande S.A. was established in Porto Alegre with an initial capital of \$50 million. Of this total, 96.5 percent was subscribed by INDUPAL SA-Indústria Paulista de laminados of São Paulo, of which 79 percent is in equipment for the lamination of iron and steel.

5. TRANSPORTATION AND COMMUNICATIONS:

A high spot in the news during the month under review was the purchase by the local VARIG Airlines of Real Aerovias, creating an immense network of domestic and international air routes.

6. FINANCE:

Exchange - The free market cruzeiro weakened considerably during the month. Late in August exchange transactions were discontinued due to the unsettled financial situation resulting from President Quadros' resignation. Early in the month the U.S. dollar stood at \$262.00, gradually rising to \$290.00 late in August.

Import auctions for special category dollars held during the month continued unchanged from the previous month.

Money Conditions - It is reported by a reliable local banking source that although loanable funds of longer tenors continued in short supply, funds generated by soybean exports and money derived from Federal rice financing have enabled banks to keep 30/60 day discount operations at a good level.

Government Finance - The monthly salary payments to State civil servants have been delayed to give priority to the State Militia. Protests against this procedure were raised by Government employees. A delegation of employees discussed the problem with Governor Brizola but no solution had been reached at this writing.

7. LABOR:

As a result of recent negotiations, commercial employees were granted a 30 percent increase over present monthly salaries, with a ceiling of \$4,500.00. The recent strike of Porto Alegre street-car operators has been settled, with strikers agreeing to receive an increase of 15 percent in August, with an additional adjustment of 15 percent next November. After threatening to go on strike, the State electricity employees were granted additional fringe benefits and an adjustment in wages.

8. MISCELLANEOUS:

State Electrification Program - (See Consulate's despatch No.1)

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Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. _____
Disp. No. 12
From PORTO ALEGRE

item 8, July 5, 1961.) The State Legislative Assembly approved the Governor's Bill 8161 to form a mixed enterprise to be called State Electric Power Company, which will take the place of the former State Electric Power Commission (CEEE). The State Government will hold a controlling interest.

It is announced that late in September the first stage of the thermo-electric plant, Candiota, with an output of 20,000 KW, will be inaugurated in the Bage district. The power generated will serve the southern area of the State and will expand the output of processing plants in that area.

It is also reported in the local press that the State Government recently authorized a credit of \$2.5 billion to be allocated to the State electrification program. It is stated that these funds will be derived partly from the State electrification and communication tax, from Federal Government funds, and credit operations with the Bank of Brazil.

Weather Stations - The West German Government has donated the equipment for the installation of 10 weather stations in the state of Rio Grande do Sul. The State Secretary of Agriculture is planning a total of 24 stations, of which 6 are now in operation, 8 are being installed, and 10 to be installed when the equipment is received from West Germany.

28th National Livestock Exposition - This annual exposition was officially inaugurated in Porto Alegre on August 26. A record entry of 2,178 animals was registered. Because of political unrest, the exhibition was closed to the public on the following day.

Percy Warner
Percy Warner
American Consul

cc. Embassy RIO

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FOREIGN SERVICE DESPATCH

FROM : Amembassy, RIO DE JANEIRO 190

TO : THE DEPARTMENT OF STATE, WASHINGTON, September 12, 1961

REF : CERP G-3

File, as action
EST/B: Johnson-Linn
9-25-61

SEP 14 1961

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period July 29-August 11, 1961)

INDEX

- Coffee Exports
- Petrobras Opposed to Private Exploitation of Oil Shale
- Shell Brazil Limited Becomes Brazilian Corporation
- Increase in Rates:
Electricity and Telephone
Postal and Telegraph
- Brazil Sends Trade Delegation to Cuba

1. Coffee Exports

Coffee exports during the month of July, 1961 were 1,479,536 bags, compared to 1,919,258 bags exported during the same period last year.

(UNCLASSIFIED)

2. Petrobras Opposed to Private Exploitation of Oil Shale

According to press reports, Petrobras has voiced opposition in the National Petroleum Council to a proposed plant to produce gas from oil shale. The plant, under study for some time with the assistance of Soviet technicians, would be located at Windamhangaba, São Paulo State, and would provide gas for both São Paulo and São Paulo. It would be constructed by a Soviet Government organization, Leningrad for the Brazilian Companhia Industrial de Rochas Betuminosas (CIRB). Petrobras

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FORM 5-61 FS-439 GPO 912598

REPORTER

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SEP 14 1961

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(Classification)

Page 1 of
Encl. No.
Disp. No. 190
From RIO DE JANEIRO

opposition was reportedly based on the law giving Petrobrás a monopoly on petroleum exploitation. ~~From both sides and so on.~~

Comment:

Petrobrás also has a pilot plant nearby at Tremembé producing petroleum from shale on an experimental basis.

(UNCLASSIFIED)

3. Shell Brazil Limited Becomes Brazilian Corporation

Following the example of Esso and Atlantic, Shell Brazil Limited has asked for and obtained recognition as a Brazilian corporation. By Decree of August 4, 1961 the company was granted this nationalization. The headquarters of the company have been transferred from London to Rio de Janeiro. Its present capital is Cr\$3.35 billion. Shell has operated in the petroleum business in Brazil since 1913.

(UNCLASSIFIED)

4. Increase in Rates:

Electricity and Telephone

The Ministry of Mines and Energy has ordered an increase of electricity rates of 14% in São Paulo and 21% in Guanabara State to be effective until the end of December, 1961. In January, 1962 these increases will be reduced to 11% and 14% respectively of the rates in effect before the increase. The reason given for the changes is a salary increase obtained by electrical workers in June, 1961.

The Governor of the State of Guanabara has decreed an increase of 25% in telephone rates, also explained as the result of a salary increase for telephone workers. The increase will be effective retroactively as of the first of June, 1961. The basic monthly charge for residential telephones will be Cr\$450, having previously been Cr\$360.

(UNCLASSIFIED)

Postal and Telegraph

Effective August 1, 1961, the Brazilian postal and telegraph rates underwent increases which, for the principal postal and telegraph services range from 60 to 400%, with increases for other services as high as 1,000%. The rates were changed by General Post Master Ordinance 1,189 of July 11, 1961, and were based on the new cruzeiro equivalent set for the gold franc, the basis for international mail rates.

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Page 2 of
Encl. No.
Disp. No. 190
From RIO DE JANEIRO

5. Brazil Sends Trade Delegation to Cuba

The Brazilian Government has announced the composition of the Brazilian Trade delegation, scheduled to depart for Cuba on August 13, 1961. The delegation is headed by Mario Borges da Fonseca of the Foreign Ministry, and includes: José Augusto de Carvalho Cesario Alvim, Ministry of Industry and Commerce; Paulo Konder Bornghausen, National Pine Institute; Antonio Radesca, Foreign Exchange Department of the Bank of Brazil; Antonio Fragoneri, CACEX Foreign Trade Department of the Bank of Brazil; Loris da Rocha Rodrigues, Lóide Brasileiro Steamship Line; Ormino dos Santos Faraiba, National Confederation of Commerce, and Benedito Fomesca Moreira, Economist. (see BWER Embdesp 8 of July 5, 1961).
(UNCLASSIFIED)

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

Item 1 - LYallouz
Items 2, 3 - SHWeaver
Item 4 - SHWeaver/WBlomeyer
Item 5 - RAGoldstein

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FOREIGN SERVICE DESPATCH				832.00/9-1361											
FROM :	Amconsul, Belo Horizonte, Brazil	7	September 13, 1961												
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	9-22-61														

SUBJECT: ECONOMIC SUMMARY - Minas Gerais (July and August 1961)

INDEX

- BUSINESS ACTIVITIES
- MINAS GERAIS FINANCES(cont.)
- INDUSTRIAL DEVELOPMENT
 - Klabin To Install Plants Near Belo Horizonte
 - Sinca Headquarters Moved to São Bernardo do Campo, SP
 - ENDE Grants New Guaranties to Usiminas
- DANTAS VISITS BELO HORIZONTE
- LABOR
- EDUCATION
- NEW STATE ENTITY CREATED

1. Business Activities

As in most areas of the country, money situation in Belo Horizonte continued tight during the reporting period. Commercial and industrial groups have been protesting vehemently through the local papers against the serious credit restriction adopted by the banks in the last three months.

Janio Quadros resignation as President, which occurred cc. Counselor for Consular Affairs/Amembassy/Rio de Janeiro Amembassy/Rio de Janeiro/Econ Section

RRMartin/pk

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1122

UNCLASSIFIED
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Page 2 of
Encl. No. 7
Disp. No. 7
From Belo Horizonte, Brazil

at the close of the reporting period, and the serious political events which followed caused a strong impact on the activities of the local banking and business establishments, characterized by a marked reduction of sales and hesitancy on the part of the banks to perform large operations, particularly in foreign exchange. As in the rest of the country, the local banks were closed for two days and reopened on the 29th of August, but were again closed on the 31st of August. Banks reported, however, that no "runs" or excessive withdrawals took place. It is a common fear among businessmen that the credit restrictions will become more drastic now and that they will remain so until the political situation has been clarified.

2. Minas Gerais Finances (cont.)

As reported in Condes # 1, July 31, 1961, the State Government proposed a twenty billion cruzeiro debenture issue to the legislature, so as to overcome the precarious financial situation of the state. Governor Magalhães Pinto urged that the legislature discuss the proposal immediately, chiefly because it was his desire to bring salaries of state employees up to date. These salaries were in arrears of as much as eleven months in some areas of the state. As the legislature was reluctant to approve the proposal, Magalhães Pinto froze part of the salaries of all state workers (including state deputies). Those receiving up to Cr\$.... 20,000 per month would henceforth receive only Cr\$12,000; those receiving more than Cr\$20,000 would receive only Cr\$15,000. Interestingly enough, this action was taken one day after the state legislature had voted a healthy pay increase to all its members (from Cr\$70,000 to Cr\$134,000 per month).

Hearing of the freeze, Ex-President Janio Quadros immediately called Magalhães Pinto to Brasília. After his talk with Quadros the Governor announced that the Federal Government had granted the state a loan of 3.5 billion cruzeiros and that the salary freeze would be lifted. The state legislature responded by passing, in the first reading, the debenture issue. Despite cries of "coersion" by some state deputies, it is expected that after much debate the debenture bill will be passed.

3. Industrial Development

a) Klabin To Install Plants Near Belo Horizonte

KLABIN Irmãos & Companhia, of Rio de Janeiro, has obtained the concession of a 1,200,000 square meter track at Cidade Industrial de Santa Luzia, located 11 miles from Belo Horizonte, where it will erect plants for producing glazed tile and sanitary and refractory materials. KLABIN's total investment will be in the order of 2 billion cruzeiros. The plant, which is scheduled to be completed in 3 years, will employ at least 300 workers, in addition to specialized labor.

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Page 3 of
Encl. No.
Disp. No. 7
From Belo Horizonte, Brazil

b) Simca Headquarters Moved to São Bernardo do Campo, SP

The hopes and apprehensions of the economic groups and individuals interested in the coming of SIMCA do Brasil S.A. to the Belo Horizonte area vanished in July, when the company closed its local offices and officially announced the move of its headquarters to São Bernardo do Campo, State of São Paulo, where it has been producing its "Simca-Chamford" automobile on a "temporary" basis. As reported previously (Condes # 18, of December 30, 1960), SIMCA was organized in May 1958 by the French group Societe Anonyme Simca and the following Brazilian organizations: Companhia Siderurgica Nacional, Banco Frances e Brasileiro S.A., both of Rio de Janeiro, and Companhia Nacional Distribuidora de Veiculos e Peças, of Belo Horizonte. According to original plans approved by the Automotive Industry Control Board (OEIA), SIMCA was to construct a production plant at the Cidade Industrial de Santa Luzia, 11 miles from Belo Horizonte. The São Bernardo do Campo plant was to be used only temporarily. Nevertheless, construction at Cidade Industrial de Santa Luzia never got beyond earth leveling and sewage system installation phase. The delays in the transfer of the company resulted in an intensive local campaign via the press and certain business groups aimed at bringing to Minas, at any cost, what would be the state's first automobile plant. The fight was given up only after the definitive announcement of SIMCA. SIMCA alleges that, despite the special concession offered by the State Government in the form of certain tax exemptions and almost rent free land, the decision to remain in São Paulo was based on economic considerations. SIMCA claimed that it had 980 suppliers, 975 of which, providing 95% of the materials used, were located in the State of São Paulo. It is reported further that the company recently increased its capital to 1,600 billion cruzeiros and aims to produce 6,000 motor vehicles this year and 10,500 in 1962.

c) BNDE Grants New Guarantees to USIMINAS

During a ceremony on August 12 in the office of the President of BNDE, two contracts, with a value of 22 million dollars, were signed by the president and directors of USIMINAS and the Director Superintendent of BNDE. These contracts are for the purchase by USIMINAS, under the guarantee of BNDE, of equipment from Germany and France. The credits so far granted to USIMINAS under the guarantees of BNDE for importing equipment now amounts to 120 million dollars.

USIMINAS is expected to start production of 600,000 tons of steel at its "Intendente Câmara" plants during the first half of 1962.

4. Dantas Visits Belo Horizonte

João Ribeiro Dantas, Chief of the Brazilian Trade Mis-

UNCLASSIFIED

1124

UNCLASSIFIED

(Classification)

Page 4 of
Encl. No.
Disp. No. 7
From Belo Horizonte, Brazil

sion to eastern european countries, came to Belo Horizonte in July, at the invitation of Governor Magalhães Pinto. Speaking at the Federation of Industries, Sr. Dentas outlined optimistically the results of his mission. He stated that a total of twenty bargain agreements had been reached with Albania, Hungary, Rumania, Bulgaria, Poland, Czechoslovakia and East Germany, amounting to more than 900 million dollars. For Minas Gerais alone, he added, he had received concrete proposals for investment in the meat packing and cold storage industry totaling 100 million dollars. He stated further that Czechoslovakia, Albania and East Germany had offered investments in the form of equipment for the mining industry, to be repaid in ore exports to those countries.

5. LABOR

A new series of strikes and movements for salary raise broke out in the state during the reporting period. The most serious strike was the one organized by the workers of Mineração Morro Velho, at Nova Lima, the largest producing gold mine in Brazil. A labor force of approximately 8000 men of the Mineração Morro Velho stopped working on August 16 demanding an 80% pay raise and extension of the so-called "Canadian Plan" (production bonus) to the ground workers. For the first time employees of the firm who maintains the public utilities of the city, also joined in the strike leaving the city without water or light. The mine owners announced that any pay raise was contingent upon an increase in gold prices controlled by SUMOC. When an immediate agreement appeared impossible the workers requested the intervention of the labor justice (Tribunal Regional do Trabalho). In view of the confused and apprehensive atmosphere aroused with the sudden resignation of Janio Quadros as President, and, presumably, because several union leaders were detained by the police in a preventive action, the workers decided to accept the first counter-proposal presented by the mine owners to the labor justice, according to which only the extension of the production bonus to the ground workers will be granted. A non-reprisal agreement was also made by both parties. The strike ended on August 30, all workers returning to their jobs.

6. EDUCATION

A contract has been signed between the State and the contractor firm Construtora Adersy Ltda. for the construction of 400 primary schools in the state. The improvement of primary educational facilities was one of the key themes of Magalhães Pinto during his electoral campaign. The 400 new schools should provide facilities for 200,000 more children. Costs

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(Classification)

Page 5 of
Encl. No.
Desp. No.
From

are presently estimated at Cr\$1,200,000,000. At this writing it seems highly improbable that the schools will be completed on schedule - January 1962.

7. New State Entity Created

A new state entity has been created, the Coordenação de Assuntos do Desenvolvimento Econômico de Minas Gerais, the purpose being to supervise and stimulate the economic development in this State. The new entity, which will be headed by Prof. Washington Peluso Albino de Souza has delineated a long range program aiming at increasing the export of Minas Gerais products and bringing new national and foreign investments into the state.

Richard Reynolds Martin
Richard Reynolds Martin
American Vice Consul

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7

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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

199

FROM : Amembassy, RIO DE JANEIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP C-3

September 14, 1961

SEP 16 1961

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SUBJECT: BIWEEKLY ECONOMIC REVIEW (Period August 12-25, 1961)

INDEX

1. Coffee Exports
2. Income Tax Collected by Federal Government
3. Severe Steps to be Taken Against Tax Evaders
4. Government Offices Resume Former Working Schedule
5. COFAP Freezes Prices of Medicines and Pharmaceutical Products
6. Duty Exemption for Commodities Considered of Interest for Agricultural Production
7. SUMOC Authorizes Implementation of Dantas Agreements
8. Goulart Mission Reaches Trade and Payments Agreement with Communist China.
9. North Korean Mission Visits Brazil
10. Hungarians Offer to Study Water Problem
11. Trade Developments with Africa

1. Coffee Exports

Coffee exports during the month of August 1961 totaled 1,965,013 bags, compared to 1,508,448 bags exported during the same period last year.

Total coffee exports for the current marketing year (July 1, 1961 through August 31, 1961) were 3,444,549 bags compared to 3,427,706 bags exported during the same period last year.

2. Income Tax Collected by Federal Government

According to statistics published by the Economic and

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1127

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Page 2 of
Encl. No.
Dep. No. 199
From RIO DE JANEIRO

Financial Statistical Service of the Ministry of Finance, income taxes collected by that division during the first six months of 1961, amounted to Cr\$28,464.2 million as compared to Cr\$20,271.9 million during the same period of 1960, representing an increase of 40% and roughly Cr\$4 billion more than had been estimated for this period.

This increase consists mainly of an increase in revenues from juridical persons (from Cr\$7.7 billion to Cr\$12.0 billion) and withholding taxes (from Cr\$10.9 billion to Cr\$14.9 billion).

(UNCLASSIFIED)

Comment:

The collection for the first six months, other than those withheld at the source, consists largely of advance payments for which the income tax law provides certain incentives. Income tax payments generally fall due in the second half of the year so that heavier collections are yet to come.

(UNCLASSIFIED)

3. Severe Steps to be Taken Against Tax Evaders

President Quadros sent a message to the Bank of Brazil, prohibiting transactions such as discounts, loans or bills in guaranty or rediscounts, as well as financing or other forms of credit to individuals who are unable to prove that their income tax payments are up to date.

(UNCLASSIFIED)

Comment:

Similar steps to encourage people to pay income taxes promptly were imposed by previous governments with little apparent benefit. Thus Quadros' directive does not appear to add anything new.

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4. Government Offices Resume Former Working Schedule

As one of his last acts before his resignation, President Quadros decreed the return to former working schedules for civil servants (an uninterrupted period from 11 AM to 17:30 PM). This schedule had been changed under great protest last January to a two-period working schedule, beginning at 8:30 AM, with a 2 1/2 hour break for lunch. (see BWER Embdasp 749 of February 28, 1961).

All fiscal, industrial, social, medical and teaching establishments are allowed to create special working hours, providing a 35 1/2 hour week is maintained. The new decree was made effective on August 14.

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Page 3 of 4
Encl. No. _____
Disp. No. 199
From RIO DE JANEIRO

Comment:

So many exemptions had been provided for during the period in which the full-day schedule was in effect that a large number of civil servants was not affected anyway. Partly as a consequence of these exemptions, the full-day schedule was evidently not helpful in bringing about, as some had hoped, a reduction in the bureaucracy by forcing the resignation of those civil servants who held government positions only as "second jobs".

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5. COFAP Freezes Prices of Medicines and Pharmaceutical Products

The Federal Supply and Price Commission (COFAP) has issued an ordinance establishing prices for medicines and pharmaceutical products, based on the prices in effect on October 31, 1958. Consumer sales prices for these products will be those included in the 1958 price list, plus taxes and expenses applied to the merchandise, and also a maximum profit margin of 30%.

(UNCLASSIFIED)

6. Duty Exemption for Commodities Considered of Interest for Agricultural Production

Decree No. 51,118 of August 2 (published in the Diario Oficial of the same date) exempts from payment of import duties those commodities whose importation, in the judgment of the government, is considered as being of interest for agricultural production. A list of such commodities which may be imported with customs exemptions is to be made available by the Ministry of Agriculture to the Customs Policy Council on or before March 31 of each year; the list for the current year is to be prepared and submitted within 30 days after the publication of the decree. The Ministry of Agriculture may alter the list, during the year, provided such alteration is preceded by detailed justification (see Embdesp 186 of September 11, 1961).

(UNCLASSIFIED)

7. SUMOC Authorizes Implementation of Dantas Agreements

On August 12, SUMOC released a resolution, approved by its council on July 26, which authorizes transactions among banks, for the purpose of implementing the bilateral trade and payments protocols and agreements signed by the Dantas Mission to East Europe, as well as others signed under similar conditions, until such agreements and protocols are approved by the Congress.

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1129

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Page 11 - 11 of
Encl. No.
Disp. No. 199
From RIO DE JANEIRO

8. Goulart Mission Reaches Trade and Payments Agreement with Communist China

A trade and payments agreement, signed in Peking on August 21 by representatives of the Bank of Brazil and of the People's Bank of China, provides for a reciprocal credit of \$56 million; the banks also agreed to exchange Economic Missions each year. Among the items to be exported from Brazil are cotton, rice, wood, coffee, vegetable oils, and various consumer and industrial goods; Brazil will buy nonferrous metals (zinc, tin, lead, antimony), coal, machine tools, silk and handicraft items.

(UNCLASSIFIED)

Comment:

Although the mission, headed by Vice President João Goulart, was officially undertaken "strictly in the interest of expanding commercial relations between Brazil and Communist China", extensive press coverage left little doubt that the chief significance of the visit was political.

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9. North Korean Mission Visits Brazil

A North Korean delegation, headed by Deputy Prime Minister and Minister of Trade Ri Zu Yan, visited Brazil for the purpose of promoting cultural, trade and friendly relations between the two countries. This was the first time that a North Korean mission (which also included Cuba and Ecuador in its itinerary) had visited Latin America.

(UNCLASSIFIED)

10. Hungarians Offer to Study Water Problem in Northeast

A "Bilhetinho" from President Quadros urged that maximum support be given to a Hungarian offer of technical assistance with regard to research, drilling and construction of artesian wells, and to the exploration of magnesite.

Hungarian assistance in solving the water problem of northeast Brazil had earlier been proffered by two Hungarian representatives of heavy industry who came to Brazil in mid-July for the purpose of entering into trade transactions in accordance with the agreement reached with that country by the Dantas Mission during its trip to East Europe.

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Page 5 of 5
Encl. No. 199
Disp. No.
From RIO DE JANEIRO

11. Trade Developments with Africa

Floating Exhibit - Upon the order of President Quadros, the training ship "Custodio de Melo" became a floating exhibition of Brazilian products to be displayed when the ship touches at various African ports on a training cruise for Navy cadets. The exposition, organized in the interest of augmenting trade relations with the African countries, was prepared by the Foreign Ministry in collaboration with the National Confederation of Industries and the Brazilian Coffee Institute. Included in the exhibition are plastics, electric housewares, textiles, beverages, etc.

Nigerian Good Will Mission - Headed by the Minister of Agriculture Akin Deko, a 13-member Nigerian delegation visited Brazil for a week during which they met with President Quadros, the Ministers of Agriculture and of Commerce and Industry, officers of the economic division of the Foreign Office, the president of the Brazilian Coffee Institute, the director of the Foreign Trade Department of the Bank of Brazil, and others. Discussing matters of mutual interest, the Nigerians were primarily concerned with cacao and the stabilization of price for that product -- of which Nigeria and Brazil are the principal producers. Upon departing, the mission expressed the hope that a Brazilian delegation might also visit Nigeria.

(UNCLASSIFIED)

For the Chargé d'Affaires a.i.

Edward J. Bash
Edward J. Bash
Commercial Attaché

Contributors:

Item 1 - LXallouz
Items 2, 3, 4 - JKrizay/JWiegerinck
Items 5, 6, 7, 8, 9, 10, 11 - BAGoldstein

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FROM : **Amcogen São Paulo**

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

REF : **CERP, D - 10 and 12**

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(Security Classification)

89
DESP. NO.

September 14, 1961

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SUBJECT: Business Recuperating in São Paulo

File for action: 7-17/13: P.H. Caus: bur 9-25-61

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SUBJECT: Business Recuperating in São Paulo

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PER-89

PER-90

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PER-92

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PER-96

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PER-98

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The reopening of banks on September 11 justified the hope expressed in São Paulo the preceding week that the peak of the business decline had been reached (see item 1 of desp. 84, dated September 8, 1961). Actually more money was deposited in the banks when they reopened than was withdrawn on that day, which revealed a return of confidence in the political and economic situation of the country. Businessmen in São Paulo reported that new business was picking up encouragingly and that in the meantime an appreciable number of business establishments were able to coast along on a backlog of orders.

While business was improving, the financial situation was still of some concern. During the period in which the banks were closed some business debts were paid by certified check, but the smaller concerns in particular failed to meet their immediate obligations for lack of cash. To permit a short breathing spell in which to readjust finances, the judiciary ordered the offices for protesting bills of exchange in the city of São Paulo to remain closed through September 16, so that no bills can be protested during that period. Trade associations have been pressing for some steps to accord relief to those unable to meet commitments immediately, but none of their suggestions for a stay in payments were officially accepted. Their latest move was to suggest more lenient rediscounting facilities for banks so that these in turn could be more liberal in granting credit to their customers until collections normalize again.

It appears to be taken for granted that the heavy issues of paper currency during the political crisis will prevent material reduction in the immediate future of the rate of inflation prevalent in São Paulo during the

1/ The cost of living in São Paulo went up during the current year through July.

REC'D

9-18

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SEP 25 1961

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Page 2 of
Encl. No. 89
Desp. No.
From Amcongen São Paulo

A delayed effect of the pre-crisis adjustment in the value of the cruzeiro on the foreign exchange market was a recent increase in the cost of bread. Meat prices also have gone up recently because of seasonal factors, and sugar prices have gone up for reasons not related to the crisis. These further increases in the cost of living, plus those generated by the political crisis and currency issues, are expected to result in demands for wage increases in collective negotiations to renew wage agreements expiring within the next two months. São Paulo businessmen are taking this in stride and are not particularly concerned. They point out that voluntary wage increases have been granted during the current year by many enterprises, which should minimize the effect of collective wage negotiations. The São Paulo business community is undisturbed by the situation and feels that the cost of any further wage adjustments, beyond those already granted on a voluntary basis, can readily be passed on to the public.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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1133

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TO : THE DEPARTMENT OF STATE, WASHINGTON		DATE		September 15, 1961	
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SUBJECT:		WEEKLY ECONOMIC REVIEW (Period August 26		DEPARTMENT OF STATE BUREAU OF AMERICAN AFFAIRS, 1961)	

INDEX

1. Coffee Exports
2. Nervousness in Financial Market During Political Crisis
3. Customs Duties Collected by the Federal Government
4. Communications and Transportation Interrupted During Crisis
5. Trade and Payments Agreement Reached With Cuba
6. Nationalist China Trade Mission Visits Brazil
7. Increase in Payment of Royalties by Petrobras
8. Aircraft Industry For Brazil

1. Coffee Exports

Coffee exports during the month of September 1961 through the 12th were 411,353 bags compared to 406,423 bags exported during the same period last year.

Total coffee exports during the current coffee marketing year (July 1st to September 12, 1961) were 3,855,902 bags compared to 3,834,129 bags exported during the same period of 1960/61 coffee marketing year.

(UNCLASSIFIED)

2. Nervousness in Financial Market During Political Crisis

During the period between August 25 (when President L Quadros resigned) and September 8 (when President

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1134

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Page 2 of
Encl. No.
Disp. No. 210
From RIO DE JANEIRO

Goulart took office), the banking system was allowed to function only two days, during which it was found necessary to issue 30 billion cruzeiros of paper money as depositors converted their deposits into cash. Over that same period, the foreign exchange value of the cruzeiro moved from approximately Cr\$256 per US\$1 to approximately Cr\$285 per US\$1, with intermittent fluctuations reaching a peak of approximately Cr\$310 per US\$1.

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Comment: It may reasonably be expected that most or all of the money issued during this period will be returned to the banks as confidence in the political situation is restored.

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3. Customs Duties Collected by the Federal Government

Customs duties collected from January to July of this year amounted to Cr\$15,348,000.00, which represents an increase of 62% over the revenue recorded for the corresponding period in 1960, according to the Economic and Financial Statistical Service of the Ministry of Finance. The customs-house of the port of Santos contributed Cr\$10.3 billions of this amount, whereas the Rio's customshouse contributed Cr\$3.6 billions, which together represents 91.1% of the total revenue collected, leaving only 8.9% for the other customs houses.

(UNCLASSIFIED)

Comment: The large increase in receipts from customs tariffs was due entirely to the upward adjustment of the "fiscal dollar" on which assessments are based. Under the Kubitschek administration the "fiscal dollar" was kept at a constant rate for a period of 15 months in spite of the fact that the cruzeiro depreciated over the period. Since March the policy has been to readjust the fiscal dollar periodically based on the average free market rate over the preceeding period.

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4. Communications and Transportation Interrupted During Crisis

Following the resignation of President Quadros on August 25th communications throughout the country were interrupted in one manner or another. Press censorship in the State of Guanabara was imposed by Governor Lacerda; telecommunications to foreign countries were censored with the exception of diplomatic traffic.

Air flights to Rio Grande do Sul were stopped when it appeared that armed conflict was a possibility in the southern part of the country. The port of Rio de Janeiro was paralyzed by a strike of the stevedores, dockworkers and tugboat employees. Ferries to Niteroi were stopped although the Navy maintained

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1135

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Page 3 of
Encl. No.
Disp. No. 210
From RIO DE JANEIRO

service for pedestrians only - truck traffic not moving.
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5. Trade and Payments Agreement Reached With Cuba

The Brazilian press reported the signing, on August 25, of a Trade and Payments Agreement between the national Banks of Brazil and Cuba; the Agreement is said to provide for a rotating credit of two million dollars, guaranteeing trade expected to reach a level of \$10 to \$15 million annually.

Additionally, three diplomatic notes were signed; the first provides for the use by Cuba of Brazilian vessels for extending its commerce to other countries to which its own lines do not reach, and vice versa; the second note concerns the establishment of a mixed Brazilian-Cuban Commission to implement and extend the signed agreement; and the third note has to do with air transport and telecommunications between Cuba and Brazil.

The Cuban Foreign Trade Ministry is reported to have published a list of products offered for trade, including sugar for feed, aviation and regular gasoline, rum, pineapple, sponges and preserved fish. Brazil is said to have offered industrial products, replacement parts for jeeps and trucks, electrical goods, sugar mill parts, railroad equipment and distillery equipment. A list separate from the Agreement calls for the sale of food products, such as lard, oranges, coffee and cacao.

(UNCLASSIFIED)

Comment: It is understood that action on this agreement, as well as on the trade agreements reached by the Dantas Mission to East Europe, has been suspended for the moment as a result of the political situation.

(UNCLASSIFIED)

6. Nationalist China Trade Mission Visits Brazil

A Nationalist China Trade Mission, headed by Sherman Wang, Vice-President of the Central Trust of China, visited Brazil in the interest of expanding trade relations. The Mission offered chemicals and products of light industry in exchange for coffee, cotton and various consumer goods. The head of the delegation was quoted as commenting that he did not fear competition "from the other China" or from the trade agreement signed by Brazil with Communist China, since Nationalist China preferred trade under a system of free enterprise.

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1136

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Page 4 of
Encl. No. 210
Dep. No.
From RIO DE JANEIRO

7. Increase in Payment of Royalties by Petrobras

During a general assembly of PETROBRAS on August 11, an increase in payment of royalties to producing states was decided upon. Instead of the 5 percent formerly paid by PETROBRAS to the producing state, the amount paid will now be 8 percent. PETROBRAS from August 1954 to December 1960, paid 904 million cruzeiros in royalties to all producing states.

(UNCLASSIFIED)

8. Aircraft Industry for Brazil

The Government has recently taken steps to foster the establishment of an aircraft industry in Brazil. Decree No. 59,837 of June 23 created the Grupo Executivo da Industria de Material Aeronautico (GEIMA) subordinate to the Presidency of the Republic and linked with the Air Ministry. The Group's objective is to study and propose measures for the formation of a national policy for the manufacture of aeronautical equipment. It will submit suggestions to competent departments of the Federal Government for stimulating the installation and expansion of production, overhauling and repair units. The principal problems faced by GEIMA are those of a market guarantee for national industry and creation of conditions for acquiring and disseminating necessary technical know-how.

(UNCLASSIFIED)

Comment: Press accounts have also stated that there is interest among American aircraft manufacturers in beginning operations in Brazil.

(UNCLASSIFIED)

For the Chargé d'Affaires a. i.

Edward J. Bash

Edward J. Bash,
Commercial Attaché

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TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 15, 1961

REF : CERP C-4

SEP 21 1961

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			AGR	COM	FRB	INT	LAB	TAR	TR	XMB		DLF					
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	9-26-61		AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NLSA							
			6	10	4	5	10	4									

SUBJECT: MONTHLY ECONOMIC SUMMARY - AUGUST 1961

Introduction:

The economic situation in August was overshadowed by the political crisis following upon the resignation of President Janio Quadros on August 25. This crisis has seriously disrupted the normal economic life of the country, causing a heavy drop in business activity, but timely action by the monetary authorities has prevented to a large extent speculative excesses in the exchange and money markets. Emergency measures, including heavy currency emissions, the declaration of banking holidays during a two-week period and the imposition of severe restrictions on trading activities in the free exchange market have had an important short term effect. The business community is hopeful that the successful application of prudent fiscal policies and the maintenance of a degree of financial discipline in the coming weeks will help to restore confidence both at home and abroad.

Prior to the political crisis at the end of the month, indications were that business activity was down somewhat in June, July, and August from the May high as a result of Government credit restriction and anti-inflationary measures. Preliminary estimates showed, however, that commercial and industrial activity was at record levels during the first six months of 1961. The cost of living increased sharply during the month as previously authorized price increases for petroleum products, utilities, basic food items, newspapers and postal rates went into effect.

The Brazilian Government participated in the Inter-American Economic and Social Council Conference held at Punta del Este in early August. Trade agreements with Communist China and Cuba were announced.

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1138

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Page 2 of
Encl. No. -
Disp. No. 211 9/15/61
From Rio, Brazil

Finance

The major financial events during August were those arising from the political crisis brought about by the resignation of Janio Quadros as President of Brazil. Sr. Clemente Mariani agreed to continue as Finance Minister during the regime of provisional President Mazzilli and there was no change in other key positions in the financial area.

In view of the political emergency, within a few hours after the resignation of President Quadros, Finance Minister Mariani announced that banks would be closed on Saturday, August 26 and Monday, August 28. The banks resumed operations on August 29 and 30 however, but Minister Mariani then announced that they would again close for a few days, beginning August 31. The bank holiday has since been extended to September 9.

In view of the necessity of avoiding excessive foreign exchange speculation, SUMOC on August 28, by Instruction 212 decided to reduce temporarily the "bought" position limit of each bank from \$100,000 to \$25,000 and to suspend temporarily all forward sales of exchange. Banks were also required to increase from 60% to 80% the deposit requirements provided by item II of Instruction 207. (The percentage of new deposits required to be deposited in the account of SUMOC in order to return to pre-Instruction 207 reserve positions). In addition, the Rediscount Bureau was authorized to exempt from payment of interest those banks which, using the rediscount facilities in the present emergency, return the amounts withdrawn up to September 15, 1961, from which date onward cumulative interest will be charged. By Instruction 213, issued on August 30, SUMOC determined that all financial transfers exceeding \$250 or its equivalent in other currencies and up to a limit of \$5,000 per week for each bank be made exclusively by the Bank of Brazil. The \$20,000 limit set by Instruction 204 per firm and per week for the importation of goods classified in the former general category through the free exchange market was reinstated.

In spite of these instructions, the foreign exchange value of the cruzeiro depreciated from Cr\$261.41 per dollar on August 1st to Cr\$296.70 per dollar on August 30, though there was considerable fluctuation during the interim, the rate reaching as much as Cr\$310 per dollar at one point.

UNCLASSIFIED

1139

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(Classification)

Page 3 of
Encl. No. -
Disp. No 211 9/15/61
From Rio, Brazil

During August, paper money issued increased by Cr\$38 billion or 16.4% over the level of outstanding currency in circulation as of the end of the previous month. For the comparable period of 1960 the corresponding figures were Cr\$2.1 billion and 1.2%. Emissions during August were made largely to meet increased demands for cash on the part of the public and commercial banks which generally increased their cash holdings in anticipation of banks runs.

According to a statement made by the former Finance Minister Clemente Mariani, total paper money issued since August 25 (the date the crisis began) through August 31 was Cr\$22.5 billion. The Finance Minister emphasized that the heavy currency emissions during the crisis period did not result in any abnormal increase in money supply since demand deposits were correspondingly drawn down and that the excess cash reserves of commercial banks and cash holdings of the public would flow back to the monetary authorities, and be withdrawn from circulation once confidence is restored.

The customs tariff conversion rate (fiscal dollar) was set at Cr\$262.45 for the month of August, down from the July rate of Cr\$271.81. The fiscal dollar rate is based on the average free market rate for the past month.

The cost-of-living index of the Getulio Vargas Foundation for the state of Guanabara (Rio de Janeiro) indicated an increase of 4.5% for August 1961. This figure compares with 1.6% in the preceeding month. For the comparable months of 1960, the corresponding figures were respectively 0.6% and 1.6%. The average check buying rate in the free market for August was Cr\$263.70 which compares with Cr\$256.00 in the previous month. For the comparable months of 1960, the corresponding figures were respectively Cr\$186.95 and Cr\$185.20.

According to the daily averages compiled by the Bolsa de Valores, the cruzeiro on the Rio de Janeiro free exchange market started the month at Cr\$261.41 to the dollar, then increased steadily throughout the month to close at Cr\$296.70 on August 30. The average rate was Cr\$269.60.

Domestic Trade & Commercial Activity:

According to preliminary estimates by business sources commercial activity in the first half of 1961 was up 11% over the same period of 1960.

UNCLASSIFIED

1140

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. 211 9/15/61
Desp. No.
From Rio, Brazil

This was explained as due to increased agricultural activity, including large harvests of coffee, rice, corn and other agricultural products as well as to a large increase (14%) in industrial production. One of the largest department store enterprises in Brazil, with branches throughout the country, reported a 50% increase in sales in the first half of 1961 over the first six months of 1960. However, credit restriction and anti-inflationary measures taken by the Government had caused some decline in business activity in June, July, and August from the May high as indicated by reduced sales tax collections. By August 25 wholesale and retail sales were estimated to have been off an average of 10% with the sales drop higher in luxury goods. About August 15 there had been some signs of a recovery in trade, but this was entirely wiped out by the political events following upon President Quadros' resignation on August 25. Since then retailers have cancelled orders on a large scale, perhaps as much as 20% for the rest of the year, preferring to await the outcome of political events with a minimum of firm forward commitments. The retail food trade, however, has been extremely active, with many people stocking up in fear of possible shortages resulting from political developments, but the scare seemed to be over by the end of the first week of September.

Industry:

Preliminary estimates by an economic research organization indicate that industrial production in the first half of 1961 was 14% greater than in the same period of 1960. This growth rate is the highest attained since World War II. Leading sectors were the automobile industry, with production up 35% over the first half of 1960; electrical material, up 34%; petroleum refining, up over 30%; metallurgy, up approximately 25%. Production of cement, minerals (iron ore and manganese) and electric energy was significantly greater than in 1960 also, with the rubber goods industry being the only one surveyed which showed a lower production, down 14% from 1960, due apparently to financial problems, since overcome, following upon the introduction of SUMOC Instruction 204 in March, 1961.

During the first six months of 1961 the total production of motor vehicles in Brazil reached 72,202 units, of which 1,811 were heavy trucks, 12,653 medium trucks and buses, 5,585 light trucks, 15,502 utility vehicles, 8,925 jeeps and 27,726 passenger cars. Total production for this year is estimated at 160,000 units. Volkswagen do Brasil is now the largest vehicle producer in the country. In June, 1961 it produced 4,300 vehicles, making a total for the first half of 1961 of 23,286.

UNCLASSIFIED

1141

UNCLASSIFIED
(Classification)

Page 5 of
Encl. No. --
Disp. No. 211 9/15/61
From Rio, Brazil

In a report submitted to the President, GEIA (Grupo Executivo da Industria Automobilistica) recommended against granting a Ford Motor Company request to bring into the country some \$3.5 million worth of dies, presses, and machine tools without exchange cover for the purpose of manufacturing the 1959 Ford Fairlane in Brazil. Ford at present manufactures only trucks and tractors in Brazil. At the same time GEIA recommended that companies with new passenger car manufacturing projects, including Ford, show evidence that the equipment needed cannot be obtained in Brazil, that they do not have unused press capacity and cannot sub-contract the work in Brazil. It also stipulated that such companies nationalize themselves by becoming a corporation under Brazilian law and that they sell shares to the Brazilian public up to the value of the equipment to be brought into the country. The proceeds from the sale of shares would be used to buy dollars on the free exchange market to pay for the equipment to be imported, with that part of the equipment valued at over \$1 million to be financed under payments not exceeding \$2 million a year. These provisions were incorporated by GEIA in a proposed new directive to govern new entries into the automotive field, which it submitted to the President for approval. GEIA justified its stand by saying that the number of models of cars on the market is already sufficient to meet the country's needs; that if the Fairlane proposal as originally submitted were approved it would establish a precedent for others to enter the field on the same conditions and that Ford's desire to import used equipment without exchange cover, which otherwise could not be economically imported, could hamper the developing Brazilian machine tool and die industry.

Motores Perkins S.A. of São Paulo, a subsidiary of F. Perkins of Great Britain, reportedly plans to increase production of truck and tractor motors from 350 to 1,000 units per month by the end of 1961. The company is a supplier for Ford do Brasil and reportedly will supply motors for the tractor production per month of 400 units in São Paulo now planned by the U.K. firm Massey Ferguson.

In the petroleum field, Petrobrás has announced that a test well sunk at Taguara Verde, Santa Catarina, has shown a strong and constant jet of natural gas at a depth of 1,922 meters. Samples of the gas are at present being analyzed. The Taguara Verde well is the fourth well drilled by Petrobrás in Santa Catarina State and is the second to have shown traces of oil.

Shell (Brazil) Limited, following the example of Esso and Atlantic, has organized itself as a Brazilian firm under the name Shell Brasil S.A. and has transferred its headquarters from London to Rio. ~~Shell Brasil S.A.~~

UNCLASSIFIED

1142

UNCLASSIFIED
(Classification)

Page 6 of
Encl. No. -
Disp. No. 211 9/15/61
From Rio, Brazil

The final plans for the establishment of a polybutadiene rubber plant (Companhia de Borracha Sintética de Pernambuco (COPERBO) in Recife, using alcohol from local sugar-cane, have been submitted to the National Economic Development Bank by the Governor of Pernambuco. The plan calls for a guarantee of \$13 million and a loan of Cr\$1.5 billion from the Bank to finance construction of the plant. Annual production is estimated at 27,500 tons. The Firestone Tire and Rubber Company would reportedly operate the plant, construction of which would require two years.

An electrolytic caustic-chlorine plant is planned for construction at Cubatão, São Paulo, at an estimated cost of \$15 million by the Diamond Alkali International Company in association with Brazilian and Italian interests. The plant, due to begin operations in 1963, will produce chlorine, caustic soda, hydrochloric acid and dicalcium phosphate for use as fertilizers. Production capacity will initially be 90 tons of chlorine and 100 tons of caustic soda a day with provision for doubling these amounts later.

According to press reports, Sr. Lucio Meira, head of GEIMAPE (Grupo Executivo da Indústria Mecânica Pesada) has stated that Brazil, continuing its process of industrial development, is now in the stage of establishing and consolidating the heavy machinery sector. Various types of machines and equipment which until recently could only be obtained by importation are already being made or can be manufactured in this country. A recent survey by the United Nations Economic Commission for Latin America and the Caribbean (ABDIB (Associação Brasileira para o Desenvolvimento da Indústria de Base) of five sectors of the Brazilian economy (electric power generation, petroleum refining, paper and pulp, iron and steel, and cement) indicated that of an estimated total of \$873 million worth of equipment needed within the next five years for expansion of these sectors, 87% or \$725 million worth, could be manufactured in Brazil. GEIMAPE intended to encourage expansion of the heavy machinery industry by facilitating financing and subscription of shares of new firms by official banking establishments, exemption of customs duties and excise taxes for imports of necessary equipment, and more favorable treatment for imports of component parts.

Negotiations between Indústria e Comércio de Minério (ICOMI), controlled by the Azevedo Antunes group and Bethlehem Steel, and Companhia SKF do Brasil Rolamentos S.A. towards their future association were reported well advanced. These are aimed at building a special steel mill at Mogi das Cruzes, next to the Mineração Geral do Brasil iron and steel mill. Production would at first be absorbed by SKF for the manufacture of bearings.

UNCLASSIFIED

1143

UNCLASSIFIED

(Classification)

Page 7 of
Encl. No. " 211 9/15/61
Disp. No.
From Rio, Brazil

SUDENE (Superintendency for the Development of the Northeast) reportedly intends to apply half of the \$10 million loan of the Inter-American Development Bank to the Banco do Nordeste do Brasil for re-equipping the Northeast's textile industry. The textile program will reportedly cost approximately Cr\$4.6 billion (CIF) for national equipment and over Cr\$3.4 billion CIF (\$12.7 million) for foreign equipment.

The Minister of Mines and Energy has stated that the report of the working party established to study the possibilities of building a hydroelectric power plant at Sete Quedas on the River Paraná was favorable, although the project would have to be studied in relation to the overall plan for developing the country's hydroelectric resources. Sete Quedas is on the Brazil-Paraguay border, and the harnessing of the waterfalls would supplement the projected Urubupungá scheme, also on the Paraná River, for which preparatory work has already begun. The Sete Quedas project could be the largest in the continent. Its capacity is conservatively estimated at 7 million kw. and it could supply electricity to Paraguay, Uruguay and Argentina as well as to southern Brazil.

Transportation and Communications

In a step toward the eventual consolidation of Brazilian airlines that operate overseas, Varig purchased the assets of "REAL" for a reported price of Cr\$2.5 billion and thus fell heir to the latter's international operations including routes to Tokyo via the United States, and to Miami. "REAL", a consortium, is composed of the following companies: Aerovias Brasil, S.A.; Nacional de Transportes Aéreos, S.A.; Transportes Aéreos Salvador; Aeronorte; Viabrás; Linhas Aéreas Paulistas; Sadia; Linhas Aéreas Brasileiras. Operating problems subsequent to the take-over have not yet been fully worked out.

The details of the purchase of Pan American Airways' 30% ownership of Panair do Brasil, agreed upon in principle in July, continued to be worked on during the month.

During the recent political crisis brought on by the resignation of President Janio Quadros on August 25th when there existed the possibility of civil war, all commercial air flights to Rio Grande do Sul were suspended.

During this same time communications to foreign countries were censored and in the case of diplomatic traffic, censorship was lifted only after a protest was made by the Dean of the Diplomatic Corps.

UNCLASSIFIED

1144

UNCLASSIFIED
(Classification)

Page 8 of
Enc. No. 211 9/15/61
Dep. No.
From Rio de Janeiro

Foreign Trade:

In furtherance of its efforts to expand trade relations with all areas of the world, Brazil sent a trade mission to the middle east where, in Beirut, Damascus, Cairo, Ankara and Athens, members of the group explored with their host governments possibilities of expanded markets for Brazilian coffee, cacao, textiles, and electrical products. Among the mission's accomplishments was the establishment of Free Zones in Beirut and Tripoli and the decision to install an agency of the Bank of Brazil in Beirut.

Interest in Africa was manifest by conversion of the Brazilian naval training ship "Custodio de Melo" into a floating exhibition of Brazilian products which were to be displayed at various African ports during a training cruise for Navy cadets. A Nigerian Goodwill Mission was received in Brazil, in the latter part of the month, and Brazilian officials discussed with the delegates trade opportunities and problems of cacao production.

From Communist China came word of the conclusion of a Trade and Payments Agreement with that country reached by the Goulart Mission. The Agreement, signed by representatives of the Bank of Brazil and of the People's Bank of China, provides for a reciprocal credit of \$56 million and for an exchange of Brazilian cotton, rice, wood, coffee, and vegetable oils for Chinese nonferrous metals, coal, machine tools silk and handicraft articles.

In Havana a Trade and Payments Agreement between the national banks of Brazil and Cuba was signed, said to provide for a rotating credit of two million dollars, guaranteeing trade at a level expected to reach \$10 to \$15 million annually. In addition, according to the press, three diplomatic notes were signed, one providing for the use of Brazilian vessels by Cuba for the purpose of extending Cuba's trade with other countries to which its own lines do not reach, and vice versa; a second note provides for the establishment of a mixed Brazilian-Cuban Commission; and a third note concerns air transport and telecommunications between Cuba and Brazil.

Beginning in January 1962, Brazil will open Trade Offices in Tokyo, Hong Kong, and Warsaw, in accordance with a recommendation of a report on SEPRO (Brazilian Propaganda and Trade Expansion Service). In addition, President Quadros ordered that a study be made of the possibilities of opening Trade Offices in Moscow, Peking, Belgrade, Prague, Havana, and Beirut.

UNCLASSIFIED

1145

UNCLASSIFIED
(Classification)

Page 9 of
Encl. No. -
Disp. No. 211 9/15/61
From Rio, Brazil

Agriculture:

Agriculture was little affected by the political disturbances of late August although there was some concern expressed over its effect on the food supplies of large cities, particularly Rio, as a result of the stopping of shipments of agricultural commodities from Rio Grande do Sul.

Otherwise, the month was characterized by routine activities, among which were:

Decrees granting duty-free entry for certain items of agricultural equipment as well as for Title III, PL 480, supplies;

The formation of a Jute Executive Group to act in the fields of jute production, marketing, industrialization, credit, etc., and the issuing of a Decree establishing minimum prices for jute;

The introduction of legislation authorizing indemnity payments for the destruction of coffee trees;

Additional effort to expand the nation's soluble coffee industry;

A decree calling for a "favorable rate of interest" on rediscounts of warehouse receipts and warrants for certain agricultural products;

The arrival of the first of the 200,000 mt of Russian wheat.

Labor:

Quadros Revokes Longer Federal Work Day

President Quadros signed a decree August 8 revising the work schedule of federal civil servants who return to a schedule of 6 1/2 consecutive hours daily, 11 a.m. to 5:30 p.m., and 9-12 on Saturday, except in Brasilia where workers will still retain a 2 1/2 hour lunch break.

On September 5, acting President Mazzilli, by new decree eliminated Saturday work, maintaining the rest of the weekly schedule unaltered.

Inter-American Labor Congress

The 5th Congress of the Regional Inter-American Organization of Workers (ORIT) was held in Rio de Janeiro August 21 through 25, after

UNCLASSIFIED

1146

UNCLASSIFIED

(Classification)

Page 10 of

End. No. -

Disp. No. 211-9/15/61

From Rio, Brazil

a preliminary economic conference was held in São Paulo from August 17 through 19. The ORIT Congress was primarily interested in the selection of a new Secretary-General and President, which occupied the main attention of the delegates. Despite considerable bickering until the final day, Mr. Alfonso Sanchez Madariaga was chosen President and Mr. Arturo Jauregui was elected Secretary General on a unified slate. The Congress was also the scene of a bitter attack upon President Quadros' foreign policy by the Governor of the State of Guanabara, Mr. Carlos Lacerda, at the opening session. The Congress closed simultaneously with the resignation of President Quadros. Substantive resolutions in the political, economic and social fields were considered in the various committees, but the final, approved texts are not yet available.

Santos Port Strike Settled

A port strike in Santos began on August 4 when stevedores stopped work aboard the TITAN, an old tanker which was being used to transport wheat from the United States to Brazil. The workers claimed an extra 30 percent for handling "dangerous cargo" (i.e., handling cargo on a tanker) in addition to the 35 percent already being received for handling "unhealthy cargo" (wheat). The strike was finally settled peacefully as a result of mediations conducted by the Labor Minister, Castro Neves.

Strikes Related to Political Crisis

During the recent political crisis, strikes in Rio were largely limited to fields in which the Communists were dominant. Strikes halted operations at the port and on the Leopoldina Railway. Ferry service between Rio and Niteroi was halted on the normal lines, but the Navy ran a temporary service for pedestrians only (not for buses or trucks). A threatened strike in the bus service of Rio did not materialize.

For the Chargé d'Affaires, a.i.:

Edward J. Bash

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Enclosures: *Att 1 of 2*
Cost of Living
Foreign Trade

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Page 1 of
Encl. No. 211 9/15/61
Desp. No.
From Rio, Brazil

ECONOMIC INDICATORS:

Cost of Living in Rio de Janeiro
1948 = 100)

<u>1960</u>	<u>Food</u>	<u>Cloth- ing</u>	<u>Rent</u>	<u>Furni- ture</u>	<u>Hygi- ene</u>	<u>Pers. Serv.</u>	<u>Pub. Serv.</u>	<u>Index</u>	<u>% Change</u>
Jan.	809	476	601	488	623	632	767	691	.8
Febr.	807	480	609	512	623	652	767	696	.7
Mar.	808	498	614	522	623	652	824	705	1.3
Apr.	836	508	621	534	660	700	824	725	2.8
May	818	528	631	552	682	699	826	725	-
Jun.	811	530	639	577	711	699	826	728	.4
Jul.	830	542	646	583	717	699	826	740	1.6
Aug.	833	543	657	588	723	699	843	745	.7
<u>1961</u>									
Jan.	976	654	705	642	846	905	997	866	2.1
Febr.	987	655	712	647	856	936	997	875	1.
Mar.	999	682	721	663	871	974	997	891	11.8
Apr.	1047	759	732	682	871	1014	1030	930	4.4
May	1058	775	741	690	886	1014	1061	943	1.4
Jun.	1064	785	752	699	920	1014	1076	953	1.1
Jul.	1091	793	763	706	926	1014	1076	968	1.6
Aug.	1140	811	773	732	958	1150	1153	1012	4.5

Source: Getulio Vargas Foundation

UNCLASSIFIED

1148

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Page 1 of 2
Encl. No. 211 9/15/61
Desp. No. Rio, Brazil
From

Brazil's Foreign Trade (US\$ 1,000,000)

1961

<u>Imports</u>	<u>Apr.</u>	<u>May</u>	<u>Jan-May</u>	<u>Apr.</u>	<u>May</u>	<u>Jan-May</u>
Total	107.7	128.6	581.4	100%	104.5	514.6
U S A	44.9	46.7	196.	41.7	36.3	33.7
Western Europe	32.3	44.6	194.	30.	34.7	33.4
Middle East	5.3	4.9	29.8	4.9	3.8	5.1
C.B. *)	2.5*	5.8	22.1	2.3*	4.5	3.8

Exports

Total	110.6	104.4	514.6	100%	100%	100%
U S A	43.9	35.2	211.2	39.7	33.7	41.
Western Europe	42.8	47.	190.3	38.7	45.	37.
Middle East	.6	.7	3.1	.5	.7	.6
C.B. *)	4.5	4.8	23.	4.1	4.6	4.5

Source: Economic and Financial Statistical Service, Min. of Finance.

*) C.B. refers to Communist Bloc, including Czechoslovakia, Poland, Hungary, East Germany, Comm. China, Rumania, USSR, Albania and Bulgaria.

UNCLASSIFIED

1149

AIR ROUTE		UNCLASSIFIED		For Department Use Only 832.00/9-1961												
FOREIGN SERVICE DESPATCH																
FROM :	Amconsulate, CURITIBA		18	SEP 19 1961												
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		NO.	September 19, 1961												
REF :	GERP Section Co-2			DATE												
55 For Dept. Use Only	ACT TION	IN FO	DE PT	RM/R	REP	AF	RA	EUR	FE	NEA	CU	AMR	E	P	IO	ICA
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	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10

SUBJECT: ECONOMIC SUMMARY FOR AUGUST 1961

I SUMMARY

A new record for coffee shipments from Paranaguá was set during the month and the prospects for continued large shipments in the immediate future remain bright.

Aside from coffee, the economic picture was dull during most of the month but especially so after President Quadros' resignation. With the banks closed there was little spending. A "run" of sizeable proportions developed when the banks opened (for one day) on Monday, August 28.

Prices and wages continued to rise and two serious labor disputes were settled, port workers in Paranaguá and packing house workers in Ponta Grossa receiving new wage scales.

Money was very tight, banks reporting that they were unable to handle even normal short term discount requirements.

II AGRICULTURE

Coffee:

A record for coffee shipments from Paranaguá was set during August. More than 620,000 bags left the port, and of this number, some 550,000 were exported. A strike scheduled for the beginning of September was averted at the last minute when "ansacadores" and coffee shippers reached agreement on a new wage scale.

cc: AmEmbassy, Rio de Janeiro (2)

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FORM 5-61 FS-439 GPO 812594		For Department Use Only - To be Filled In on Yellow Original ONLY	
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1150

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Page 2 of 5
Encl. No. 18
Desp. No. 18
From AmConsulate, Curitiba

Paraná's 1961-62 coffee crop amounted to about 20,000,000 bags and the state's income from various coffee taxes was nearly \$7 billion cruzeiros. The 1962-63 crop may be as high as 18 million bags if the rains come in September and October. Otherwise a 12-14 million bag crop can be expected. During the past three months it has been extremely dry in the coffee zone. On August 25 Maringa and Londrina had their first rains in 75 days.

SOURCES: All newspapers and personal observations.

III LABOR

1. Rural Workers:

It was reported that rural workers and their employers in the coffee zone had arrived at an agreement on a recommended work contract for the 1961-62 agricultural year. (It appears that some coffee farm owners and farm laborers met to "recommend" that new contracts be made on the basis of their proposals). The meeting recommended a new minimum salary of 18,000 (the average had been about 6,000) cruzeiros for every "mil pes" of coffee cultivated. However, a 33 1/3% "discount" would be given to owners who provide good living and working conditions, thereby reducing the salary to 12,000 cruzeiros. Even for farms with "weak" conditions a 15% discount is allowed.

The proposed contract also sets minimum payments for every bag of coffee harvested. The payment per bag would "correspond to 10% of the average value given on the market by the equivalent of one bag of coffee "em coco", dry, weighing 40 kilos, with such fluctuations in price as may occur." Another innovation is the creation of a "Conciliation Court" composed of three employer representatives, three employee representatives and one representative of the law (a judge, a lawyer, district attorney, etc.). The court would hear complaints from both sides and the parties to the contract agree to abide by its decisions.

COMMENT: The proposed contract appears to embody many of the recommendations made by the Church-sponsored "Frente Agraria Paranaense". (FAP) The much higher minimum salary, for example, has been one of the FAP's chief objectives.

SOURCES: Personal observation and "Diario do Paraná", 8.22.61

2. STRIKES

a. Port Workers:

Port workers in Paranaagua went on strike for 24 hours on August 9. The strike ended as the workers decided to hand the problem over to the Ministry of Labor for solution. The port workers had been demanding a 60% increase and were offered 38%. They accepted the 38% increase as the result of direct negotiations with the Centro do Trabalho, the Ministry of Labor having been tied up with the country's tumultuous political situation. The workers seem more than pleased, with plenty of work and higher salaries.

SOURCES: "Ultima Hora" of August 10, 1961
"Tribuna do Paraná" of August 24, 1961

UNCLASSIFIED

1151

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Page 3 of 5
Encl. No. _____
Disp. No. 18
From AmConsulate, Curitiba

b. Wilson Company Strike:

A 19-day strike at the big Wilson Company Packing House in Ponta Grossa ended on August 30, when the Regional Labor Tribunal awarded the workers a 30% increase retroactive to November 1960. The workers had been demanding 35%. Both sides expressed "satisfaction" with the increase.

SOURCES: "Diário do Paraná" - Aug. 23, 24, 26, 30, 1961
"Última Hora" - Aug. 16, 21, 1961.

3. Price Increases:

Milk was increased to 25 cruzeiros per liter, a rise of 2 cruzeiros; bread went up to 57 cruzeiros a kilo as a result of the increase in the price of wheat to 1865 cruzeiros per 50 kilo bag; meat was up to 200 cruzeiros per kilo and sugar was also on the rise. New bus rates went into effect on the 5th, the average increase being about 25%.

The state statistical bureau, however, reported a 1% overall decrease in food prices in Curitiba during July. The decrease can be accounted for by precipitate drops in the price of eggs, rice and sweet potatoes. Eggs, which were costing as much as 100 cruzeiros a dozen 3 months ago, declined to 65 a dozen.

IV TRANSPORTATION AND COMMUNICATIONS:

1. Sete Quedas

During his visit to Curitiba in early August former President Janio Quadros expressed his interest in the development of the Sete Quedas hydroelectric project in western Paraná and said he would see that studies for the project were pushed forward as quickly as possible. His comments were praised by leaders of the Paraná business community and received wide coverage in the local press. Sete Quedas ("Seven Falls") if properly developed, could solve all of the area's electric problems. One estimate, reported in "Gazeta do Povo", places the potential output at 7 million kilowatts, comparing this with the Hoover Dam (1,249,800). Brazil's current installed capacity is 5 million kilowatts. Thus far the development of "Sete Quedas" has not moved out of the talking stages.

SOURCES: "Gazeta do Povo" - Aug. 10, 1961.
"Diário do Paraná" - Aug. 10, 1961.
"Tribuna do Paraná" - Aug. 12, 1961.

2. Telephone Company: (continued)

The "amcampeio" of the local telephone company appears to be going forward. The I.T.E. subsidiary has not moved from its original position of financing additional lines through the issuance of debentures and a healthy increase in rates. The municipality continues to refuse the increase and insists that the proper method of financing is through stock issues. A bill

UNCLASSIFIED

1152

UNCLASSIFIED

Page 4 of 5
Encl. No. 18
Desp. No. 18
From AmConsulate, Curitiba

calling for the take-over of the company was recently passed by the city assembly and the mayor has taken the matter up with the Governor, both of them agreeing, according to reports, that the company must go. The mayor's position was never in doubt. According to "Ultima Hora" he is determined to make the company's downfall his "chef-d'oeuvre".

The Assembly's bill leaves the "HOW" of the take-over an open question but the creation of a "mixed" corporation with private and government financing appears the most likely possibility.

In the midst of the howls for "encampação" a voice in the wilderness was heard pleading, "Deliver Us O Lord" from public ownership. E. Vaira, writing in "Estado do Paraná" says that every time Brazilian governments (federal, state and city) have taken over private corporations, (and especially foreign corporations) the results have inevitably been disastrous. He asks how the city of Curitiba which is incapable of "filling the holes in its streets" expects to run a telephone company. Private ownership, he adds, gives ample ammunition for demagogic politicians to exploit on the "out with the imperialists" basis. This outlet will be closed when the company is nationalized, but, at the same time, the public is left without recourse in the face of public ownership because "to whom can we complain?"

SOURCES: All newspapers.

V FINANCE:

Mobile Credit Agency; State Rural Assistance

During President Quadros' visit to Curitiba on August 6 the Banco do Brasil inaugurated its first Mobile Credit Agency. The unit will operate in about 280 municipalities in the interior, loaning farmers up to 500,000 cruzeiros and thereby giving a boost to rural development.

It is expected that the Mobile Unit might loan as much as 77 million cruzeiros during its first year of operation.

With much the same object in mind the Governor of Paraná recently signed into law a legislative proposal calling for the creation of a mixed state-private rural cooperative ("COMPANHIA AGRO-PECUARIA DE FOMENTO ECONOMICO DO PARANA"). The Company would diversify and augment agricultural production and the raising of cattle, fowl, etc., finance the purchase of fertilizers, machines, insecticides, aid in combatting erosion and in conservation projects. The state will contribute 400 million cruzeiros to the Company during 1962. Article One of the bill makes it clear that the Company "will complement the action of private enterprise".

SOURCES: "Diário do Paraná" - Aug. 8, 1961
"Estado do Paraná" - Aug. 8, 1961
"Gazeta do Povo" - Aug. 8, 1961

UNCLASSIFIED

1153

UNCLASSIFIED

Page 5 of 5
Encl. No. _____
Disp. No. 18
From AmConsulate, Curitiba

VI INDUSTRY:

Oil:

Petrobras has again been quietly squelching rumours about vast oil finds in Paraná and Santa Catarina. In Apucarana, "A P-1", the first oil well in Paraná was perforated. No information about the significance of the well was forthcoming. Exploration is also being done in Arapongas.

In Taquara, Santa Catarina, Petrobras would only say that further tests will have to be made before the significance of deposits found there can be ascertained. However, the Lieutenant Governor of Santa Catarina, Doutel de Andrade, says that the Assistant Superintendent of Petrobras' Department of Production tells him the find is "the most promising in the whole Paraná Sedimentary Basin".

SOURCES: "Estado do Paraná" - Aug. 19, 29, 1961.
"Estado", Florianópolis - Aug. 18, 1961

VII FOREIGN TRADE:

Communist Bloc Trade:

Now that there has been sufficient time for sober examination, the tempting promises of fat trade agreements between Brazil and the Communist bloc resulting from the Dantas mission, appear to hold less appeal than previously, at least to more sophisticated observers.

Two well-documented articles in "Gazeta do Povo" cite statistics on trade with each of the bloc countries, compare these statistics with the predictions made by Dantas and let the reader draw his own conclusions. Only one reasonable conclusion can be drawn - somebody is exaggerating. A similar article appeared in "Folha do Comercio".

Another article took the point of view that most Brazilians appear to favor - we need to trade and we don't care with whom. It called the prospects for development of fruitful trade relations with the Communist bloc "favorable".

In line with this argument, the lumber industry in Brazil has been in the doldrums with exports to Argentina paralyzed and to Europe and the United States very slow. Paulo Bornhausen, President of the National Pine Institute, recently made a trip to Cuba and although the rumours had it that Cuba was ready to buy as much as 40 million cubic feet of cut pine (see Curitiba's despatch n°11) Bornhausen does not appear to have been impressed. His dislike for the Castro regime and his knowledge of that government's precarious financial condition are reasons enough for his reticence on the subject of Brazilian-Cuban trade. SOURCES: "Estado, Florianópolis, 8/26/61 - "Diário do Paraná" - Aug. 2, 1961
"Gazeta do Povo" - Aug. 20, 23, 1961 - "Folha do Comercio" - Aug. 14, 1961.

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Edward H. Howell
American Consul

1154

AIR POUCH

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HANDLING INDICATOR

FOREIGN SERVICE DESPATCH

FROM : Amconsul SALVADOR, BAHIA, BRAZIL.

20

TO : THE DEPARTMENT OF STATE, WASHINGTON.

September 20, 1961

REF : GERP, Section C-4

19 For Dept. Use Only	A C T I O N	I N F O	D E P.	RM/R	REP	AF	ARA	EUR	NEA	CU	INR	E	P	IO	ICA
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REC'D 9-29				10	3	7	8	2	3	4	2				
				AIR	ARMY	CIA	NAVY	OSD	OCB	USIA					

SUBJECT: Economic Summary for August, 1961.

INDEX

- Summary
- Industry and Investment
- Agricultural Development and policy
- Petroleum
- Transportation and Communication
- Finance
- East-West Trade

1. Summary:

Cash eased in early August among local banks but was reportedly tight for business firms. Export exchange movement was sporadic and varied in almost direct proportion to fluctuation of the exchange rate. A study of the over-all state cocoa situation was held locally at the Bahia Cocoa Institute. It has been reported that the entire state tobacco crop has been purchased from the growers; prospects for the castor-seed crop are worsening. Bank collections during the period under review improved somewhat both locally and in the interior. Local banks closed from August 26 to September 11 with the exception of brief business on August 30-31 due to the abnormal political situation. On September 4th heavy strikes were called by the Salvador and Ilheus port workers, stevedores, federal railway, local steamship companies and Petrobras employees. Exports and importers were almost paralyzed and local sales fell about 80%.

2. Industry and Investment:

- (a) Companhia Vidreira da Bahia will construct a factory for manu-

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FORM FS-439 6-61 512596

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ACTION	ACTION	
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NAME OF OFFICER	DATE OF	DIRECTIONS
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1155

UNCLASSIFIED

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-2-

Page _____ of

Encl. No. _____

Disp. No. _____

From _____

factory of glass bottles and glass chimneys in Salvador. 150 million cruzeiros will be invested in the enterprise.

(b) The Companhia de Adubos e Materiais Agrícolas da Bahia will set up a fertilizer plant at Itabuna, in the cocoa zone, with an initial investment of about Cr\$20 million. A loan has been authorized by the President of the Republic. Production capacity will be 20,000 tons per year. (See Economic Summary for October, 1960).

(c) The Governor of Bahia has approved an agreement to install water piping at Itapoa and Ipitanga (Brazilian Airbase), and for a nearby water reservoir. The agreement has been made between the Secretariat of Transportation and Public Works and the Ministry of Aeronautics. The sum of 80 million cruzeiros will be spent, 50 million cruzeiros to be invested by the Bahia State government and 30 million cruzeiros by the Ministry of Aeronautics.

(d) The Secretariat of Transportation and Public Works is also going to install piped water service in 10 municipalities throughout the State. The cost of this undertaking will be defrayed with 25% of the royalties which Petrobras pays to the State Government. The sum of about 109 million cruzeiros will be expended. It is further reported that the State government is going to complete water works in 12 other municipalities at a cost of 173 million cruzeiros.

(e) The State Government, together with the University of Bahia and the Museum of Arte Moderna da Bahia signed an agreement recently to repair the Teatro Castro Alves. The theater was completed some three years ago but on the eve of inauguration the entire inside was gutted by fire of unknown origin. Since that time the outer lobby has been used as a temporary home for the Museum of Modern Art. The University has obligated 50 million cruzeiros and the State government 20 million cruzeiros. The 1962 State budget will include an additional 20 million cruzeiros for this purpose.

3. Agricultural Development and Policy:

(a) Cocoa. Principal interest here during the past month was a cocoa conference sponsored by the local newspaper A TARDE. The conference was attended by officials of the State government as well as members of the Bahia Cocoa Institute and representatives of the growing, processing and exporting interests. Conclusion of the conference resulted in a request for State and federal financial assistance to rehabilitate the cocoa economy (the figure of Cr\$21 billion has been mentioned).

As feared, brown pod rot is responsible for substantial damage in some areas of the cocoa zone. Nevertheless, estimate for the total 1961-62 cocoa crop is between 2,200,000 and 2,300,000 bags at 60 kilograms each. Sales abroad have been steady with total sales for this crop,

UNCLASSIFIED

1156

UNCLASSIFIED
(Classification)
-3-

Page _____ of _____
Encl. No. _____
Disp. No. _____
From _____

including products, just announced at 1,150,000 bags. Exporters are presently selling for December delivery at about 18 3/4 cents per pound, FOB Ilheus, or about 21 cents per pound in New York. Exporters are buying at Cr\$930,00 per arroba at 15 kilograms in the mocca zone, while the processors are paying up to Cr\$960,00.

(b) Castorseed. The picture here is not encouraging. Rains have stopped in the producing zone leading to expectations of a reduced (less than 70,000 tons estimated earlier) and delayed (November-December) crop. With the late arrival of seed, it is believed that all local oil plants will be shut down by October. The newcomers among the processors have jacked up their prices for seed to Cr\$25,00 per kilogram at Salvador, in an attempt to purchase what small quantities are available to meet heavy sale commitments abroad. The two traditional processors remain out of the interior market.

(c) Tobacco Leaf. None of this year's crop is left in the tobacco zone with the following representing closing prices per arroba of 15 kilograms: Mata Fina Cr\$1,700.00; Mata Sul Cr\$1,700.00; Mata Norte Cr\$1,700.00; Feira Cr\$1,500.00. Some low grade tobacco is still being purchased in the Sertão at Cr\$1,000.00 per arroba. The new Arapiraca (state of Alagoas) crop is now coming in, with some local exporters covering their short positions with low grade tobacco at Cr\$800.00-900.00 per arroba. This year's state crop is coming along well in all districts but Feira, where a lack of rain is expected to greatly reduce production. As Feira is usually the largest producing district, this should lead to a smaller over-all crop and higher interior price next year. Local exporters expect these higher costs to be off-set by higher prices from Europe, where "blue mold" is expected to reduce European crops substantially next year, as it has this year. It is estimated that out of this year's crop only about 25,000 bales (75 kilograms each) of high grade tobacco, remain to be placed abroad.

(d) Sisal Fiber. World prices are off, and few sales are being closed by the local exporters, except when a temporary rise in the dollar rate permits them to do so. Damage from over-cutting of the past crop by eager growers is expected to affect the present crop adversely, qualitywise if not quantitatively.

(e) Poultry Slaughterhouses. The agricultural experimental station "Núcleo Colonial Presidente Juscelino Kubitschek", in Mata de São João, Bahia will install a slaughterhouse with a daily capacity of 5,000 chickens. Between other private chicken ranches and this additional slaughterhouse, there should be an adequate supply of chicken fryers and broilers in the area.

4. Petroleum:

The big event of the month was the eruption on August 23 of an oilwell

UNCLASSIFIED

1157

UNCLASSIFIED
(Classification)

Page _____ of _____
Encl. No. _____
Disp. No. _____
From _____

located at Mapale, about 20 kilometers outside of Salvador. The well, ME-2, is probably one of the best discovered as yet by Petrobras, but estimates are that it will be between 5-6 months before the fire can be extinguished. Two American technicians of the Red Adair Company, Houston, Texas, were called in to put out the fire but stated that it would be impossible to start operations until a directional well was completed nearby. It is expected that they will return to put out the fire when this second well has been completed. In the meantime, Petrobras is adding up the cost of the fire. The drilling rig alone was worth more than \$1,000,000 and has been totally destroyed. They estimate that it will cost them another \$1,000,000 to drill the required directional well. Preliminary estimates are that the well would bring in 15,000 barrels per day, far more than anything they have discovered thus far. The well continues to burn with flames reaching 250 feet in the air. Reports are that another "blow-out" was narrowly averted last week in the same area.

5. Transportation:

The management of the Otis Elevator Company, has completed a study to replace two more elevators of the "Elevador Lacerda" which connects the low and upper city of Salvador. Six million cruzeiros will be invested in the new elevators. The Otis company expects to complete the work within four months. The elevator service is a public utility enterprise owned by the Municipal Government and is operated by the Serviço Municipal de Transportes Coletivos (SMTC). (See Economic Summary for June, 1961).

6. Finance:

According to the State Internal Revenue Department Cr\$1,442,162,918 were collected during the first eight months of 1961 which constitutes an increase of Cr\$491,789,923 over the same period in 1960.

The Mayor of Salvador has submitted to the Town Council the Municipal budget for 1962. Expenditures are fixed at 2,700,000,000 cruzeiros and the receipts at 2,136,938,000 cruzeiros, a deficit of over 500,000 cruzeiros.

The Governor of Bahia has submitted to the State Legislative Assembly of Bahia the State budget for 1962. The expenditures are fixed at 14,600,000,000 cruzeiros and the receipts at 11,300,000,000, a deficit of 3,300,000,000 cruzeiros.

7. East West Trade:

Exports to Soviet Bloc countries during the month of August 1961 were as follows: Poland, 2,377 metric tons of cocoa beans and one ton of

UNCLASSIFIED

1158

UNCLASSIFIED

(Classification)

-5-

Page _____ of _____

Encl. No. _____

Disp. No. _____

From _____

goatskins; Yugoslavia, 503 tons of magnesite.

FOR THE CONSUL:

Paul B. McCarty

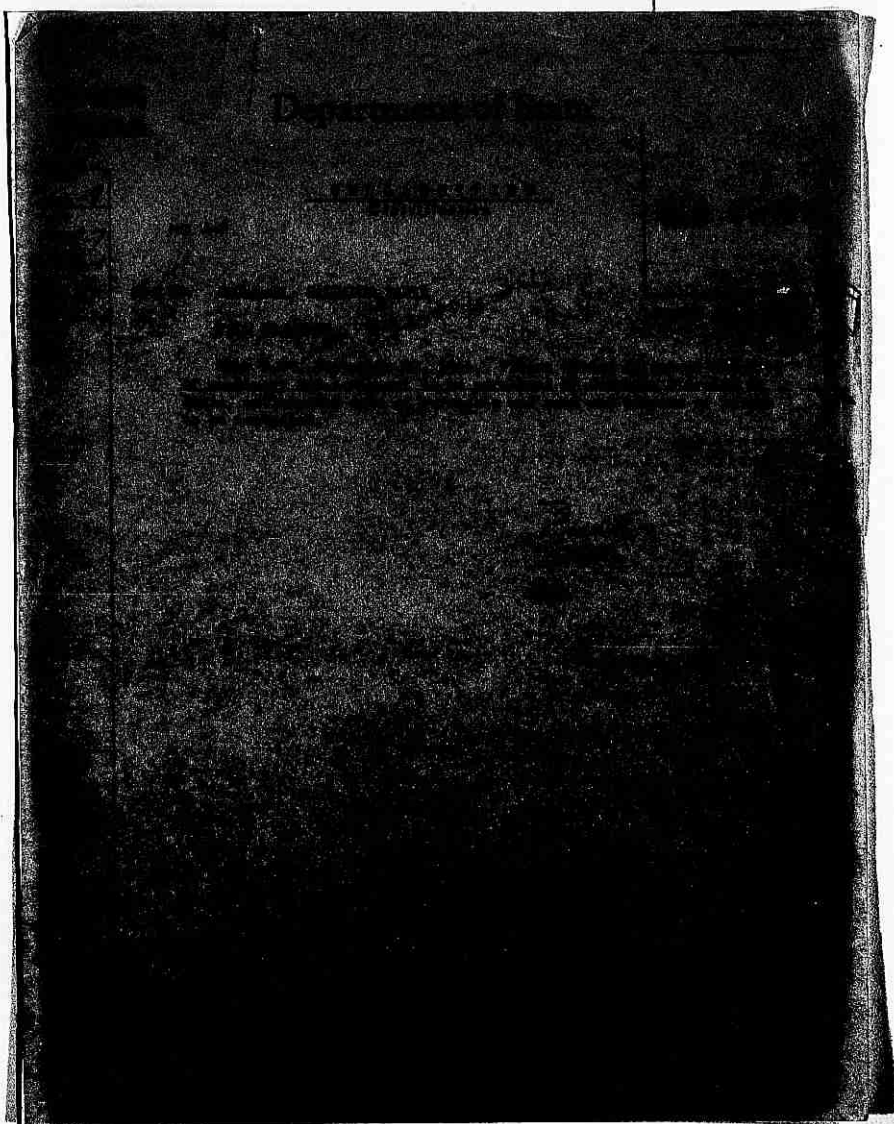
Paul B. McCarty
American Vice Consul

Copy to Embassy, Rio

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1159



1160

UNITED STATES GOVERNMENT

Memorandum

OFFICIAL USE ONLY

DATE: September 21, 1961

TO : ARA - Mr. Woodward *WJ*

FROM : EST - Mr. Wellman *WJ*

SUBJECT: Northeast Brazil Survey Team

As a result of two days of discussion with Ambassador Merwin Bohan, who has agreed to head the Northeast Brazil Survey Team, the following tentative schedule and team has been agreed on, subject to approval of Embassy Rio and, as to timing, of GOB:

1. The team will assemble in Washington on October 9, and after consultation with Departmental and ICA officials, will depart for Brazil on October 15.

2. The team composition and candidates under consideration are as follows:

a. General Economist. George Wythe, formerly with the Department of Commerce and author of a book on Brazil's economy.

b. Agricultural Development. Leland Allbaugh, Chief of Agriculture Relations, TVA.

c. Sociologist. T. Lynn Smith, University of Florida. Dr. Smith has spent much time in Brazil and has a thorough knowledge of the many problems involved in the Northeast.

d. Irrigation and Water Resources Advisor. A. N. Thompson, formerly with U.S. Bureau of Reclamation.

e. Development and Settlement Adviser for Tropical Rain Forest Areas. United Fruit Company has indicated they are prepared to make available one of their top men in this field.

f. Special Assistant to Ambassador Bohan. Paul Fisher, ICA Economist.

3. Other technicians will be made available to the team, as and if required, either from USOM Brazil or through recruitment in the U.S.

cc: Mr. Coerr
Mr. Barall

Ambassador Gordon has seen and concurs with ETA.

ARA:EST/B:HR/CRane/mb

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9/26	USIA-10 OSD-2 ARMY-35 NAVY-20 NSA#	

INDEX *BGA-10 ENT-7 Reference Reporter LAB-8

1.	São Paulo Business Activity Recuperates	D-10	A. D. Ventura
2.	Governor Sends Bill on 1962 State Budget to Legislature	D-10 D-12	A. D. Ventura
3.	Communication-Soviets Offer Assistance for Construc- tion of São Paulo Subway	D-11 D-16	A. D. Ventura/ H. J. Jelinek
4.	Twenty Billion Cruzeiro Loan for Urubupunga Power Project	D-12 D-16	A. D. Ventura
5.	Trade with Soviet Union	B-1211§ D-11	A. D. Ventura

Following an appeal of the São Paulo trade and banking associations, the State courts ordered that the Official Offices (Cartórios) for Registering Bills be closed from September 11 to 16, and that no bill exchange be protested during that period. This measure was taken mainly to assist the small and middle-sized firms which, due to the long bank holidays and the resulting lack of cash, needed a short period of grace to meet their immediate commitments.

Comment: The São Paulo business community is not, however, in favor of the bill for a thirty-day moratorium (August 25 - September 25) on civil and commercial debts passed by the Federal Senate on September 13 and now under review by the

§ Signifies submission of partial data in response to a CERP requirement.

REF: <u>RECAhn/cz</u> REPORTER		UNCLASSIFIED	DEPARTMENT OF STATE BUREAU OF INTER-AMERICAN AFFAIRS OCT 2 - 1961
ACTION ASSIGNED TO: NAME OF OFFICER & OFFICE SYMBOL	TAKEN DATE ACTION	DIRECTIONS COMMENTS	

The action office must return this permanent record copy to RM/R files with an endorsement of action taken.

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Page 2 of
End. No. 98
Desp. No. 98
From Amcoengen São Paulo

Federal Chamber of Deputies. Local trade associations have sent telegrams to the federal authorities pointing out that business is picking up rapidly and a moratorium would only delay a return of confidence in the country's economic recuperation. This view has been reflected in various press editorials and it is now the local consensus that the Chamber of Deputies will not approve the moratorium bill.

2. Governor Sends Bill on 1962 State Budget to Legislature

The Governor of the State of São Paulo sent to the State Legislature on September 11 a bill covering the 1962 State budget. The bill calls for a balanced budget with revenue and expenditures each placed at Cr\$160,646,250.000. This is an increase of Cr\$53,711,473,000 or 50.23 percent over the revenue estimated in the 1961 budget.

Comment: The substantial increase between the 1961 and 1962 budgets reflects the drop in the value of the cruzeiro, due to continued inflation, further aggravated this year by the rise in the cost of many products after SUMOC instruction 208 put an end to the system of privileged imports.

3. Communication-Soviets Offer Assistance for Construction of São Paulo Subway

Mr. Victor Azov, head of the USSR commercial office in Brazil, visited the Mayor of São Paulo on September 19, at which time he offered Soviet assistance in the construction of the projected São Paulo subway. At the end of the two-hour meeting, Mr. Azov announced to the press that the Mayor was interested in receiving more information on the Soviet proposal, including literature and technical reports on similar projects in the USSR. Mr. Azov said that, if the São Paulo municipality wishes, the Soviet Union could supply both the equipment and technicians required for the construction of the subway system.

Comment: For some time the Municipality has been interested in building a subway, but the main hindrance has been inability to obtain financial resources for that purpose. The present mayor is in the process of planning construction of the system's first section, utilizing part of an existing line (see item 6, despatch 47 of August 11). It is understood that this section will not require foreign engineering assistance. A bill in the São Paulo State Legislature is under discussion to grant a credit of Cr\$4 billion to the Municipality to assist in the construction of the subway.

4. Twenty Billion Cruzeiro Loan for Urubupunga Power Project

The Governor of the State of São Paulo was informed on September 14 that the Executive Council of the National Economic Development

1/ Approximate free market rate of exchange: Cr\$299.00 equal U.S.\$1.00.

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1163

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Page 3 of

End. No.

Desp. No. 98

From Amcogen SSo Paulo

Bank (BNDE) has approved a 20 billion cruzeiro loan to Centrais Elétricas de Urubupunga (CELUSA) for the construction of the giant Urubupunga hydroelectric power plant on the Paraná river.

Comment: The Bank has agreed to underwrite foreign financing in connection with the private bids for equipment solicited from firms abroad (see item 2, despatch 47 of August 11, 1961). The BNDE loan therefore, together with the recent subscription of four state governments to an increase of CELUSA's capital (see despatch 31 of July 27, 1961), will help spur construction of the power project.

5. Trade with Soviet Union

A total of 41,500 metric tons of Soviet wheat was unloaded at Santos between September 1 and 21, while 47,000 cases of Brazilian oranges, destined to Leningrad, were shipped out of Santos on September 13.

Comment: The commercial agreement between Brazil and the Soviet Union foresees the supply of 200,000 metric tons of Soviet wheat to Brazil during calendar 1961.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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1164

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FOREIGN SERVICE DESPATCH					
FROM :	AmEmbassy Rio de Janeiro		7-10-61 W. Wilson 231		SEP. NO.
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		September 25, 1961		DATE
REF :	JOINT EMB/USOM MESSAGE		SEP 26 1961		
EUR-5					
19 For Dept. Use Only	ACTION REC'D 9-30	DEPT. 1 OTHER 0	RWR-V REP-1 ICA-11 B/P DC-5 E-7 JMR-7 CU-5 L-2 CIA-10 COM-10 TR-3 FAB-3 Rgt-10 OS D-5 Army-6 Navy-4 X MB-4 DLT-7 Delta-10 ENT-7		
SUBJECT: (2) Transmittal of Memoranda of Conversation					

Attached herewith is Memorandum of Conversation of a meeting held September 22, 1961, in Minister Saccio's office at the American Embassy, with Governor Cid Sampaio, State of Pernambuco; Leonard J. Saccio, Minister-Director; and James L. Haynes, USOM technician stationed in Recife.

Also attached is a Memorandum of Conversation of a further meeting on the same date at the Foreign Office with Governor Cid Sampaio; Ambassador Edmundo Barbosa da Silva, Itamarati; Leonard J. Saccio; James L. Haynes; Robert W. Wisdom, USOM/Rio; and Raul DiVincenzi, Itamarati.

For the Chargé d'Affaires, a.i.

Leonard J. Saccio
LEONARD J. SACCIO
Minister-Director

- Enclosures: *JS*
1. Memo of Conversation, AmEmb
 2. Memo of Conversation, Foreign Office

JLHaynes:ha
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1165

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Page 1 of 1
Encl. No. 1
Disp. No. 231
From AmEmbassy Rio

MEMORANDUM OF CONVERSATION

PLACE: AmEmbassy, Rio de Janeiro

SUBJECT: Governor Sampaio Request for Aid to State of Pernambuco

PARTICIPANTS: Governor Cid Sampaio, State of Pernambuco;
Leonard J. Saccio, Minister-Director, AmEmbassy
James L. Haynes, USOM/Recife

Copies To: ARA (1cc) Pouch
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Leonard J. Saccio
Central Files

Mr. Saccio pointed out to Governor Sampaio that we were interested in helping the Governor, and that we were seeking ways to do this through the cruzeiro funds from the Wheat Agreement on projects which seemed to have technical merit in the fields of city water supply, agricultural research, colonization, roads, and education. Governor Sampaio pointed out that he had submitted several other projects which were not included in this list, among which specifically he mentioned electrification as being a very solid project. He thereupon produced a more elaborate and more detailed plan of electrification than the one which we had been given previously.

In discussing this electrification plan, he pointed out that this was actually the 12-year plan of Pernambuco, and with the financing requested, this 12-year plan would be done in five years rather than the 12 years which would be required using exclusively funds already available to the state.

It also developed during the conversation that Cid Sampaio was under the impression that the West German Government had promised to finance this electrification plan, but that the negotiations had been going on for over a year and the money was still not at hand, and therefore he was seeking alternative sources. Governor Sampaio assigned a high priority to his proposal for building about 59 agricultural "fomento" centers for about \$4185 million.

Mr. Saccio stated that those technically sound projects on which work might be undertaken would have to have approval of the Foreign Office, and that a meeting had been set up within the next few minutes to talk with the Foreign Office on this subject.

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1166

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Page 1 of 2
Encl. No. 2
Disp. No. 231
From AmEmbassy Rio

MEMORANDUM OF CONVERSATION

DATE: September 22, 1961

PLACE: Foreign Office, Rio de Janeiro

SUBJECT: Governor Sampaio Request for Aid to State of Pernambuco

PARTICIPANTS: Governor Cid Sampaio, State of Pernambuco
Ambassador Barbosa da Silva, Itamarati
Leonard J. Saccio, Minister-Director
James L. Haynes, USOM/Recife
Robert W. Wisdom, USOM/Rio
Sr. Raul DiVicenzi, Foreign Office

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Ambassador Edmundo Barbosa da Silva opened the meeting by telling Governor Sampaio that Mr. Saccio had been conducting meetings with him in the Foreign Office and had shown himself to be an even better friend of the Governor's than he (Barbosa da Silva) was. He said that during previous meetings they had agreed to give special priority to Pernambuco and that a joint committee of a USOM representative, a SUDENE representative, and a SESP representative were immediately ready to examine the Pernambuco proposals for interior city water supplies, and thereafter to promote fast initiation of those plans which in the opinion of the committee were ready to go. Pernambuco was being given preferential treatment in this respect. The Governor pointed out that in his own list of proposals for city water supplies (as distinct from those approved by Quadros at Joao Pessoa), there were a number which were under construction and lacked only the financing to complete. A still larger number were completely designed and lacked only money to put the plans into effect.

The list of requests made to President Quadros for financing from the Second Wheat Agreement at the Joao Pessoa meeting of Governors which had been approved by the President was produced by Ambassador Barbosa da Silva. It was pointed out that only a few of the Governor's plans which he had submitted to IDB and to the USOM were included in this Quadros list. He was asked what he thought about the priority basis of the items approved for financing through the Wheat Agreement at the Joao Pessoa meeting. Governor Sampaio said that if he had been dealing with this money on a national scale, or even on a state scale, he would have assigned priorities on the following basis:

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1167

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Page 2 of
Encl. No. 2
Disp. No. 231
From AmEmbassy Rio

1. Colonization
2. Industrial factories
3. Popular housing located in the most crowded areas.

However, he pointed out that these Quadros allocations had already been announced and that all concerned were expecting the plans as listed in the allotments made at the Joao Pessoa meeting to be put into effect. He believed, therefore, it would be unwise to substitute new activities for those already advertised at the Joao Pessoa meeting. Moreover, he pointed out that most of the plans, and especially those submitted by the State of Pernambuco, were actually of high social usefulness. He said that he had received instructions from Janio to so prepare his plans that they would include projects in the interior of the state, and that they not be concentrated in Recife. This accounts for the nature of his presentations to the Joao Pessoa meeting. Although he might prefer to give a different priority of activities, since the commitments have already been made and publicized, it would be unwise to do this at the present time.

Governor Sampaio was asked to place priorities on the respective state projects which had been approved at the Joao Pessoa meeting. He named colonization in first priority. Thereupon he displayed a \$300 million colonization plan which is distinct from that previously published by the CRC and which was still in rough draft. (He promised to send 3 copies to Ambassador Barbosa da Silva and one to the USOM.)

The new colonization plan contains the following items: 140 families could be located at Cabo on the new 6,500-hectare property acquired by the state, 2,000 hectares of which will be used for establishment of an industrial park. One hundred families on Rio Bonito, also already owned by the state; 100 families at Lago de Gatos; 220 families at Cabrobó; and 100 families at Belem do São Francisco. These latter two properties are under the control of a religious order under an ancient grant. It was understood, however, that the state could obtain "posse" (which is a form of long-term lease hold) for a very small annual rent.

The second priority in the Joao Pessoa list is the improvement "Pronto Socorro," really a general hospital in Recife. This project is already well under way and partly constructed. The state has \$120 million on hand from an institute and \$20 million additional from the state's own funds. An additional \$160 million is to complete the building which will cost \$300 million in total. Aside from that, an additional \$300 will be spent for equipment by the State from money to be voted next year by the state legislation. Import equipment will come by way of Germany through a company already manufacturing in Brazil.

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Page 3 of 6
Encl. No. 2
Disp. No. 231
From: AmEmbassy Rio

The next item of priority (No. 2A, so numbered to avoid re-numbering the entire list--it was discussed after the list was completed) is that of water supply for the slums of Recife. It is listed for Cr\$25 million. Governor Sampaio asked for Cr\$70 million. President Quadros in effect allocated the full sum but gave Cr\$45 million of it to the Mayor of Recife, an action characterized by Governor Sampaio as purely political since the project was not changed and the state would have to do the job anyway. What it amounted to was to give the Mayor of Recife opportunity to appear at the installations even though the job is done by the state.

Priority No. 3 is a maternity hospital in Recife for which Cr\$60 million is requested. This is a project for which the state already has land and for which Cr\$60 million is needed to complete the project. It was not clear whether the construction is actually underway.

Priority No. 4 is given to the agricultural "fomento" residences for eighteen municipios budgeted at Cr\$50 million. Governor Sampaio said that this was part of his plan to maintain his fomento agronomists out in the country rather than in the city. (In a much larger separate request the Governor had proposed the construction of approximately 59 such centers, which appear to be quite luxurious, at an estimated cost of Cr\$185 million.)

In No. 5 priority, the Governor places the electrical transmission lines to rural Surubim at Cr\$8 million; lines in São Bento de Una, Cr\$5 million; transmission lines and rural electrification in Vicência at Cr\$5 million; transmission line in Bonito, Cr\$7.5 million; and electric service for São Joaquim de Monte at Cr\$7.5 million. These items are also included in his five-year electrification plan.

Priority No. 6 was assigned to the maternity hospital in Bon Conselho at a cost of Cr\$8 million. The request is for completion of an operation already well underway.

In priority No. 7, he places the Ginásio at Catende budgeted at Cr\$8 million. He says that this is simply to complete an installation.

In 8th priority he places the finishing of a children's hospital and industrial teachers' training center in Caruarú, budgeted at Cr\$50 million. This budget is merely for completion, the majority of the work on both of these having been already completed.

Priority No. 9 is the Ginásio de Olinda budgeted at Cr\$8 million, which will cost a total of Cr\$15 million and money for land is already on hand. Apparently construction has not been started.

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Page 4 of 6
Encl. No. 2
Disp. No. 231
From: AmEmbassy Rio

Priority No. 10 is the distribution of water in Jabocatão budgeted at \$8 million, which consists merely of an extension of water networks already installed in Jabocatão.

Priority No. 11 is \$15 million for water supply in Garanhuns which, it is believed, is merely an extension of the existing water system.

Near the end of the meeting, Ambassador Barbosa da Silva said that he wanted USOM to make a technical evaluation of state projects directly with the States, before the projects were considered by the Foreign Office committee so that the committee (CEAPA) would have the advantage of this evaluation before passing a decision regarding action on the project.

It was agreed that some steps could be taken immediately in reviewing the colonization plan presented by Governor Sampaio for the first time (to our knowledge) at this meeting.

USOM technician Edgar Langley, Agricultural Extension Advisor, recently transferred to Recife, will be asked to work with Governor Sampaio's representatives in reviewing this plan. Mr. Langley would report to USOM/Rio.

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FOREIGN SERVICE DESPATCH					
FROM :	Amoongen SSo Paulo		109	October 2, 1961	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.				
REF :	CERP, D-10, 12, 13.				
ACTION		DEPT.			
19 Use Only	AKA-4	CERP-2 REP-1 ENR-7 JCA-11 B/PAC-5 B-3			
10-10	10-10	10-10 7A-3 FKB-3 TAK-2 Del-8 9A-10 INT-7 05D-5			
SUBJECT: American Businessmen at SSo Paulo Comment on Economic Conditions.					
American businessmen at SSo Paulo generally take a cautiously optimistic view of the current economic situation. At the meeting of the board of directors of the American Chamber of Commerce on September 28, the consensus was that business is slowly getting back to normal after the dislocations caused by the resignation of President Quadros. Collections were reported to have held up surprisingly well. The First National Bank of Boston, for example, has less than one million cruzeiros of overdue loans receivable. The opinion was expressed that the emissions of currency during the recent crisis totaled 65 to 70 billion cruzeiros, rather than the 52 million figure publicly announced, and that only about half of this currency has been returned. One result of the crisis may be that American firms here will be under increased pressure to accept bills (duplicatas) which are presented to them for goods and services furnished. Many firms have customarily refused to execute formal acceptance of such bills, although this is required by law in SSo Paulo and the bills cannot be rediscounted with the Bank of Brazil without it. During the crisis local banks found themselves holding some 500-600 billion cruzeiros' worth of duplicatas, of which only 15 billions were formally accepted and rediscountable. The American Chamber of Commerce here urged its members some months ago to adopt the policy of accepting bills when presented, so as to permit the bills to be rediscounted and thereby partially relieve the credit shortage. Most of the companies were not aware that they were legally obliged to accept such bills. Comment: Other sources confirm that credit collections have held up well. An American electrical goods manufacturer stated: 1/ Current free market dollar buying rate is around 295 cruzeiros per US dollar.					
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1172

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Page 2 of
Encl. No.
Disp. No. 109
From Amcoengen São Paulo

recently that not only were collections better than usual, but that cash sales have been unusually high.

One explanation offered for the unusually good credit record is that in the current situation credit is vital to business firms, so that they make every effort to keep their credit standing good. Also, the large amounts of cash which were released during the recent crisis, and which have only partially been withdrawn, presumably make for liquidity and facilitate repayment of loans.

William P. Cochran, Jr.
William P. Cochran, Jr.
Minister Consul General

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HANDLING INDICATOR		FOREIGN SERVICE DESPATCH		260	
FROM: Embassy, RIO DE JANEIRO		NO. 260		DATE: October 2, 1961	
TO: THE DEPARTMENT OF STATE, WASHINGTON.		REF: CERP C-3		OCT - 4 1961	
SUBJECT: WEEKLY ECONOMIC REVIEW (Period Sept. 9-22, 1961)					

20 For Dept. Use Only	ARA-5	IN P O	REP 1	AF 3	ARA 8	EUR 3	FE 3	NEA 4	CU 4	INR 10	E 7	P 7	IO 7	ICA 11
REC'D 10-10-61			AGR 10	COM 12	FRS 3	INT 8	LAB 3	TAR 3	TR 4	XMR 7	DLE 7			
			AIR 35	ARMY 16	CIA 20	NAVY 2	OSD 10	OCB 10	USIA 4	NSA 4	NSC 2			

INDEX

- Coffee Exports
- SUMOC Instructions 212 and 213
- New Appointments in the Financial Field
- Financing of Exports
- Cost of Living in Guanabara State
- Banknotes of 1, 2 and 5 Cruzeiros to be Replaced by Coins
- Equipamentos Villares to Manufacture Large Marine Engines
- Railroad Equipment for Brazil
- Road Building Plan to be Continued
- Brazil Signs Agreement with France Consolidating Debts

1. Coffee Exports

Coffee exports during the month of September 1961 through the 21, were 1,029,025 bags compared to 922,056 bags exported during the month of September, 1960 through the 19th.

Total coffee exports during the current marketing year were 4,473,574 bags compared to 4,349,762 bags exported during the same period last year. (UNCLASSIFIED)

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Page 2 of
Encl. No.
Disp. No. 260
From

2. SUNOC Instructions 212 and 213

SUNOC Instruction 212 (August 28) and 213 (August 30) were issued during the political crisis and were designed primarily to avoid excessive foreign exchange speculation. Commercial banks were required pursuant to Item 1 of Instruction 212 to reduce their "bought" position to \$25,000 and Item 1 of Instruction 213 required that all financial transfers abroad in excess of \$250.00 per week be effected exclusively through the Bank of Brazil.

(UNCLASSIFIED)

Comment: In spite of these instructions, however, the foreign exchange value of the Cruzeiro depreciated from approximately Cr\$276 per dollar on August 24 to approximately Cr\$296 per dollar on August 30. It should be added that the SUNOC Instructions were interpreted as only applying to banks so that several exchange houses in Rio at least continued to deal in dollars.

(OFFICIAL USE ONLY)

3. New Appointments in the Financial Field

Announcement has been made of the appointments of Neri Neves Galvão as President of the Bank of Brazil (replacing João Baptista Leopoldo Figueiredo), and Leocádio Antunes as President of the National Economic Development Bank (replacing José Vicente de "Aria Lima").

Neves Galvão started out as a clerk in the Banco da Província do Rio Grande do Sul, where he remained during his entire career, becoming the bank's comptroller in 1933; in 1955 he was elected member of the Board of Directors. Leocádio Antunes started out as a lawyer, then went into the hotel business; he entered politics as a state deputy and was selected by Leonel Brizola, the State Governor, for the post of Finance Secretary. Politically affiliated with the Labor Party (PTB), Leocádio Antunes is considered an intellectual laborist.

(UNCLASSIFIED)

4. Financing of Exports

It has been reported that the SUNOC Council has approved the general rules governing the financing of exports of capital goods and durable consumer goods, as well as the basis for financing the domestic production and sale of Brazilian produced equipment. According to the reports, CAMEX will handle export financing, while the National Development Bank will handle the financing of production and sale of domestically produced equipment. A SUNOC Instruction reportedly is to immediately setting forth details.

(UNCLASSIFIED)

Comment: It may be recalled in this connection that studies were earlier undertaken for the creation of an Export Bank (see Memo 630, of January 27, 1961). These studies were discontinued because the major source of operating funds for the Bank was to have been the Agio Account, which was eliminated as a consequence of SUNOC Instructions 204 and 208.

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1175

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Page 5 of
End. No. _____
Dep. No. 260
From RIO DE JANEIRO

5. Cost of Living in Guanabara State

The cost of living index for the state of Guanabara increased 4.7% during the month of August, according to the Getulio Vargas Foundation. This is the largest increase since last April, when the increase was 4.4%. Including the month of August, the cost of living in Guanabara State increased 19.3% during 1961.

Comment: According to the index, foodstuff prices alone increased by 4.5% in relation to the previous month, a factor which has provided further impetus for wage readjustment. For January through August 1961, foodstuffs increased by 18.9% as compared with 19.3% for the cost of living index. The corresponding figures for the comparable period of 1960 were 2.8% and 8.7% respectively.

(UNCLASSIFIED)

6. Banknotes Of 1, 2 and 5 Cruzeiros To Be Replaced By Coins

The director of the Caixa de Amortizacão, Sr. Reginaldo Fernandes announced that banknotes of one, two and five cruzeiros are to be withdrawn from circulation and will be replaced by coins made from inexpensive metal. Brazilian currency will from now on consist of ten different values in paper currency and five values in coins. Coins of 10 and 20 centavos (i.e. Cr\$0.10 and 0.20) will be withdrawn from circulation as they no longer represent purchasing value. A decree has been proposed for the issuance of Cr\$5,000 bills but has, so far, not been approved.

(UNCLASSIFIED)

7. Equipamentos Villares to Manufacture Large Marine Engines

It was announced that under an agreement between Borewinster And Wain of Denmark and Equipamentos Villares S. A., the Brazilian company will manufacture B And W diesel marine engines in São Bernardo do Campo, São Paulo State beginning in 1962. The engines will range in size from the B And W Alpha of 100 HP for small craft to large engines of over 25,000 HP for tankers, cargo and passenger vessels. The motors will reportedly be distributed by Borewinster And Wain do Brasil S. A. of Rio de Janeiro.

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1176

Page 4 of
Encl. No. _____
Desp. No. 260
From RIO DE JANEIRO

8. Railroad Equipment for Brazil

(UNCLASSIFIED)

According to the Minister of Transport and Public Works, Sr. Virgilio Favre, the Five-Year Road-Building Plan drawn up by the Gaudin administration is a good one and will be carried out. Included in it is provision for the paving of the highway connecting the States of Guamotepe and Bahia covering a distance of approximately 700 miles. Completion is scheduled for the end of 1962.

(UNCLASSIFIED)

Brazilian Foreign Minister San Thiago Dantas and French Ambassador Jacques Boyasse have signed an agreement to consolidate Brazil's debts to France. The debts, which consist of commitments falling due from June 1, 1961 to December 31, 1965, are estimated to amount to US\$7,500,000. (UNCLASSIFIED)

Edward J. Bush
General Atty

Control Systems I

Item 1 - L'Allons
Item 2, 3, 4, 5 - Helmsayer
Item 6, - Wiegand
Item 7, - Schweizer
Item 8 - Schindler
Item 9 - Beldstein

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FROM : Amcongen, São Paulo

112

DESP. NO.

October 3, 1961

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP, C - General Interest

E-3 IO-4

19 Ed. Dept. Use Only	ACTION REC'D 10-10	DEPT. 1 OTHER 0	PER-1 ARA-4 ENRS FE-4 INT-7 FUA-115/FAC-5 TRA-3 FKE-3 TAR-2 LK-8 QG-10 INT-7 OSD-5
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SUBJECT: São Paulo Quarterly Review - Third Quarter 1961 Army-8 Navy-4

XMB-4 Hain-10 Loc-4 SLE-7
LAB-6 FRA-5 An-6 NSA-4

SUMMARY

Business slowed down in July, recuperated slightly in August, was set back by the political crisis, but recovered rapidly in the latter part of September in anticipation of rising prices and high new minimum wage contracts. Money became progressively tighter, but there are indications that credit restrictions may be eased. A 1962 State budget proposal balances revenue and expenditures at Cr\$161 billion. Long term loans from the Inter-American Development Bank were negotiated for the benefit of the agrarian reform and agricultural mechanization program. One billion cruzeiros were appropriated for the Agricultural Expansion Fund. CELUSA (Urubupungá power development) and COSIPA (steel mill) will receive loans of Cr\$20 billion and Cr\$40 billion respectively from the National Economic Development Bank. Industry protested government measures to import from Soviet Bloc countries machinery and equipment of a type already manufactured locally. A drive to export motor vehicles showed positive results. An appreciable movement of cargo between Santos and Soviet Bloc countries took place during the quarter. Record shipments of oranges, bananas, and coffee were announced. A Soviet good-will mission and a Nationalist China trade mission visited São Paulo during the quarter. Yugoslavia is planning an industrial exhibition. Air traffic at Congonhas airport is down. The Japanese and the Soviet Union offered technical assistance in the construction of the São Paulo subway system. The Goiás Railway plans to modernize its operations. Agricultural production remained high, but prices are spiraling upward. The outlook for future crops, however, is dubious because of continued drought. The First Interstate Congress of Democratic Trade Unionists set back the Communist drive for labor unity. Workers remained calm during the political crisis. There were some strikes during the quarter. Some undeveloped areas due to an excess of unskilled workers from Northeast Brazil and Brasília.

1/ The free market rate of exchange varied during the quarter between approximately 254 and 299 cruzeiros per US dollar (bank buying rate for dollar instruments).

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Page 2 of

Encl. No. 112

Disp. No. Amcogen São Paulo

BUSINESS ACTIVITY

The anticipated decline of business conditions which had not yet materialized by the end of the preceding quarter commenced to be felt in July. While the sales and consignment tax collections recuperated somewhat (from Cr\$8.2 billion in June to Cr\$8.6 billion in July), they were still below the May figure (of Cr\$8.9 billion), despite the fact that prices went up and the cost of living in July rose by 3.7 percent as compared with the preceding month. By the middle of August, trade was generally picking up. An exception was the automotive industry, which cut back its monthly output to 11,000/12,000 vehicles during the quarter, reportedly because of inability to finance the sale of a larger quantity of vehicles. The general trend was reflected by the rise in sales and consignment tax collections which totalled Cr\$9.1 billion in August.

The political crisis that developed from August 25 until the middle of September set back business activity. Business conditions, nevertheless, rapidly recovered in the latter part of September. This improvement was the result, in part, of the widely held belief that the minimum wage contracts to be negotiated later this year will be higher than previously anticipated and will contribute greatly to a general rise in the price of raw materials, manufactured goods, and commodities. Collections and cash sales were also higher than during the preceding quarter, due to the heavy issues of paper currency by the government during the crisis, so that manufacturers and wholesalers were in a position to stock heavily in anticipation of rising production costs.

FINANCE

Money continued tight in São Paulo during July and August. The political crisis and the bank holiday during the latter part of August added to the lack of cash. A judicial order that offices for protesting bills be closed through September 16, so that no bills of exchange could be protested in the city of São Paulo, accorded a short period of grace for concerns to meet their immediate obligations. Lenient rediscounting and more liberal credit by local banks, and the heavy issues of paper currency during the latter part of the political crisis contributed greatly toward easing temporarily the tight money situation. SUMOC instructions 215 and 216 of September 25, aiming at promoting the financing of exports of Brazilian durable goods and of production for domestic consumption, were generally welcomed by local business circles, which anticipated easier credit.

A bill covering the São Paulo 1962 State budget was sent to the State Legislature on September 11. The bill calls for a balanced budget with revenue and expenditures each placed at Cr\$160,645,250,000. This is an increase of Cr\$53,711,473,000 or 50.23 percent over the revenue estimated in the 1961 budget.

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1179

UNCLASSIFIED

(Classification)

Page 3 of
Encl. No. 112
Disp. No. 112
From Amoenen São Paulo

A 20 billion cruzeiro loan to Centrais Elétricas de Urubupungá (CELUSA) for the construction of the giant Urubupungá hydroelectric power plant on the Paraná river was approved on September 14 by the Executive Council of the National Economic Development Bank (BNDE). Earlier in the quarter, CELUSA had raised its capital from Cr\$318,348,000 to Cr\$2,131,000,000. Construction of the project is expected to move rapidly, especially because BNDE has agreed to underwrite foreign financing in connection with the private bids for equipment solicited by CELUSA from firms abroad.

The State of São Paulo negotiated in July long term (30-year) loans from the Inter-American Development Bank. The loans will be applied to the agrarian reform and agricultural mechanization programs, the government-controlled supply center and warehouse companies, and other programs.

The São Paulo State Government appropriated Cr\$1 billion on August 25 for the Agricultural Expansion Fund. This is the first money allocated for that purpose since the Fund was established on May 29.

Companhia Siderúrgica Paulista COSIPA will receive a Cr\$40 billion loan from the National Economic Development Bank. The funds will be used for the construction and equipment of the company's steel mill at Ffassaguera, São Paulo. Production at an initial annual rate of 500,000 metric tons of ingot steel is expected to start in March 1962.

FOREIGN TRADE

The São Paulo business community reacted favorably to SUMOC instruction 208 of July 2, which eliminated the exchange subsidy (the so-called "cost of exchange") on imports of insecticides, fertilizers, petroleum, paper, and wheat. These products are now imported at the free market rate of exchange. The immediate result, however, has been a series of increases in the prices of these products and some of their derivatives (gasoline, bread, flour, macaroni, paper products) which has contributed to inflation.

Twice during the quarter local industry protested measures to import from Soviet Bloc countries machinery and equipment of a type already manufactured locally. In July, the Brazilian Association for the Development of Basic Industries (ABDIB), of São Paulo indicated concern over reports that the Foreign Office was considering the possibility of exchanging Brazilian coffee for industrial equipment under a forthcoming trade agreement with the Soviet Union. ABDIB would prefer that Brazil import instead Soviet raw materials such as steel plate, petroleum, aluminum, copper, and lead. In August, the São Paulo Association of the Electric Equipment Industry protested an instruction of the Federal Minister of Mines and Power

UNCLASSIFIED

1180

UNCLASSIFIED

(Classification)

Page 4 of

Encl. No.

Disp. No. 112

From Amongen São Paulo

to the Companhia Vale do Rio Doce to import 302 generator groups of 75 to 1,000 HP from Iron Curtain countries in exchange for iron ore, on the grounds that the domestic industry is capable of supplying generators of up to 2,000 HP.

A government-supported drive to export motor vehicles showed positive results, with two São Paulo manufacturers announcing plans to sell their products abroad. Mercedes Benz do Brasil S. A. signed a contract with the Federal Ministry of Transportation and Public Works of Argentina to supply 40 Brazilian-made diesel-engined buses. The contract gives the Argentine government an option to buy an additional 560 buses at the same price. Vemag S. A. Veículos e Máquinas Agrícolas completed arrangements with Industria Del Motor S. A. of Madrid, Spain, to export 1,500 incomplete CKD (completely knocked down) DKW-Vemag passenger cars. The value of these two transactions is close to US\$2 million.

Two members of the Yugoslav Chamber of Foreign Trade arrived in São Paulo in August to organize an exhibition of Yugoslav industrial products, to be held September 30 to October 30, 1961. The display will include tractors, harvesters and other agricultural machinery, road-building and construction equipment, and machine tools.

Two foreign trade missions visited São Paulo during the quarter. In July, a Soviet good-will mission indicated Soviet interest in purchasing coffee, oranges, hides, wool, and vegetable oils from Brazil in exchange for electrical equipment, aircraft, and farm equipment. A trade mission from Nationalist China (August 29-31) studied the possibility of trading Chinese chemicals for Brazilian coffee and cotton, and developing tuna fishing from Brazilian ports.

An appreciable movement of cargo between Santos and Soviet Bloc countries took place during the quarter. Brazilian exports were mainly coffee, cotton, and oranges, while Soviet wheat represented the bulk of imports into the State of São Paulo.

According to statistics published by the São Paulo Secretariat of Agriculture, a record total of 357,855 cases of oranges, valued at Cr\$134 million, was shipped out of Santos to various European countries (principally France and England) and West Africa during the period May - August. During these months, substantial quantities of bananas (1.2 million stems valued at Cr\$74 million) were also exported, mainly to Uruguay and Argentina.

During the period July 1 to August 31, coffee exports from Santos were heavy, totalling 1,619,500 132-pound bags (723,388 bags destined to the United States). Santos shipments represented approximately 40 percent of Brazil's total coffee exports during that period.

UNCLASSIFIED

1181

UNCLASSIFIED

(Classification)

Page 5 of

End. No.

Dep. No. 112

From Amcongen São Paulo

NEW INVESTMENTS

The following new investments were made or announced in the third quarter of 1961:

Sussen do Brasil - Máquinas e Acessórios Textis, of São Paulo, which produces auto parts and machinery for the textile industry, will receive US\$192,500 worth of equipment from its parent company, Württembergische Spindelfabrik G.m.b.H., of Süssen, Germany.

National Lead Co., of New York, and Companhia Brasileira de Produtos Químicos COPEBRAS (a company controlled by the Columbian Carbon Corporation, of New York, and the sole producer of carbon black in Brazil) will invest US\$8 million to manufacture titanium dioxide at Cubatão, São Paulo.

Krupp Metalúrgica Campo Limpo S.A., of Campo Limpo, São Paulo, raised its capital from Cr\$3,708,250,000 to Cr\$3,868,000,000 through the incorporation of machinery and equipment imported from Germany. The local company is an important manufacturer of forged auto parts, and a subsidiary of the Krupp company, of Essen, Germany.

Equipamentos Clark-Mac S. A., of Valinhos, São Paulo, a large manufacturer of auto parts, increased its capital by Cr\$320 million to Cr\$700 million. Part of the increase is represented by the incorporation of machinery supplied by Clark Equipment International C. A. of Venezuela (a holding corporation for Clark Equipment Co. of Buchanan, Michigan), while Valinco - Administração e Comércio, controlled by the French Rothschild group, subscribed the balance of the increase.

Continental Can Co., Inc., of New York, through its holding corporation, Continental Can of Panama Inc., set up Continental do Brasil-Indústria e Comércio de Embalagens Ltda., in São Paulo. The local company, with an initial investment of Cr\$44 million, will manufacture machinery for the canning industry in addition to producing a complete line of paper-covered metal cans, including aluminum containers.

Simca do Brasil S. A. of São Bernardo do Campo, São Paulo, raised its capital from Cr\$900 million to Cr\$1.6 billion. The increase was entirely subscribed by the company's major shareholder, Société Industrielle de Mécanique & Carrosserie Automobile SIMCA, of Paris, France.

Companhia Industrial Palmeiras-Máquinas e Móveis, of Campinas, São Paulo, a subsidiary of Singer Manufacturing Co. of New York, increased its capital by Cr\$384 million to Cr\$300 million, by incorporating machinery and equipment imported from its parent company.

Société BIC, of Glichy, France, will invest Cr\$80 million to put up a plant in São Paulo to manufacture cigarette lighters

UNCLASSIFIED

1182

UNCLASSIFIED
(Classification)

Page 6 of
End. No. 112
Disp. No. 112
From Amcogen São Paulo

equipped with butane gas cartridges.

CSF Eletrônica do Brasil-Comércio e Indústria Ltda., was set up in São Paulo with a pilot capital of Cr\$1 million to be raised to Cr\$100 million within a year. The firm, whose stock is held by Compagnie Générale de Telegraphie Sans Fil, of Paris, France, will manufacture electronic equipment.

TRANSPORTATION AND COMMUNICATION

Air traffic at Congonhas airport was appreciably lower during the first seven months of 1961 than during the corresponding period in 1960. Number of flights was down nearly 17 percent, from a total of 56,854 in 1960 to 47,178 in 1961. Freight and passenger traffic decreased an average of 11.5 percent. The decrease is attributed to the shift of international flights to Campinas (Viracopos) International Airport. During the political crisis movement at Congonhas was less than 80 percent of the monthly average for the first seven months of the year, due to the cancellation of all flights to south Brazil, including the states of Paraná, Santa Catarina, and Rio Grande do Sul, and curtailment of flights to Rio de Janeiro and other parts of Brazil because of the limited number of passengers. With the end of the crisis, however, normal traffic was gradually resumed.

Port movement at Santos, which had also decreased during the crisis, quickly normalized on resumption of business activities on September 11.

During the third quarter, both the Japanese and the Soviet Union offered technical assistance to the Mayor of São Paulo in the construction of the São Paulo subway system. This project has been under consideration for several years with no positive action taken due to lack of funds. The Mayor, however, has now announced that he intends to start construction of the subway's first section this year. A bill to grant a credit of Cr\$4 billion to the Municipality to assist in the construction of the system is presently under discussion in the São Paulo State Legislature.

Paving operations and repair work on the Federal highway linking São Paulo with Curitiba, State of Paraná, are nearing completion. The highway is already opened to light vehicles and will probably be opened to heavy vehicles, including trucks and buses, during the month of October. Repair work was stopped for a period of three weeks, during the political crisis, and traffic restricted to military vehicles.

A project to modernize the Goiás Railway was submitted to the former President of the Republic in July. The program foresees expenditures in 1961 of Cr\$86,409,000 covering construction of trunk lines, repair of existing lines, reconditioning of the road

UNCLASSIFIED

1183

UNCLASSIFIED
(Classification)

Page 7 of
Encl. No.
Disp. No. 112
From Amcongen São Paulo

bed, and the construction of locomotive repair shops. The railway has already ordered 8 diesel-engined locomotives from the United States and plans to purchase locally 8 passenger cars and re-equip 100 freight cars with airbrakes as part of its modernization program. The new Federal administration is expected to approve the program.

AGRICULTURE

Agricultural production remains at a high level when compared with recent past years. Prices, however, are spiraling upward. At present the outlook for production of many crops in São Paulo is not good because of the drought which is being felt in nearly all areas of the State.

The 1960-61 peanut harvest of 465,000 metric tons was probably the largest on record. The nuts, however, were not of very good quality because of unfavorable weather conditions (excessive rains) which prevailed before and at harvesting time. The 1961-62 crop in São Paulo will probably be below the level of the previous year because of the current drought which has restricted sowings. The plantings of "wet crop" peanuts are currently two weeks late. If the drought continues there can be a serious setback in production. The end result may well be a shift of some of the peanut acreage to cotton and/or corn.

The 1961 cotton crop is estimated for this consular district at 200,000 metric tons. The Bolsa at São Paulo has classified over 196,000 metric tons (but some of this is from Paraná). The classification has shown that the cotton harvested this year was generally of poor quality with only about 12 percent classified as type 5 and above. Because of the drought which has retarded peanut plantings it is expected that the area sown to cotton in São Paulo for 1961-62 marketing year will be more than it was in 1960-61, i.e., more cotton but less peanut acreage. However, if the drought persists for another month, both peanut and cotton land may be planted to corn. The current price for 10 kgs. of type 5 cotton in São Paulo is Cr\$1,440.

Coffee production in São Paulo, which was previously estimated at 13,500,000 bags of 132 pounds each, is now finalized at 11.9 million bags for the crop year ending April 30, 1962. The Federal Government plans to put into force a law which will subsidize the removal of 1 billion uneconomical coffee trees. The number of trees to be removed in each state will depend on the total number of uneconomical trees in that state. São Paulo being one of the largest coffee producing states, the reducing may be extensive, but a better quality coffee should result.

Corn production estimates remain essentially unchanged. However, if the current drought continues, corn would be the crop most likely to be planted instead of cotton and peanuts. This development

UNCLASSIFIED

1184

UNCLASSIFIED
(Classification)

Page 8 of
Encl. No. 112
Disp. No.
From Amcongen SMO Paulo

would put SMO Paulo agriculture in a vulnerable situation, because some of the area of the two largest cash crops (cotton and peanuts) would be planted to corn, which is more susceptible to damage from weather as well as disease. Should the corn be damaged by disease or inclement weather, the agricultural income of SMO Paulo could decline substantially in 1962.

Prices of meat in this consular district continue to rise and are considerably above last year's level even though meat is more plentiful than it was last year. Production through slaughter is increasing. The drought has not affected cattle entering the market now but if the drought continues and feed supplies are substantially reduced, then an acute shortage of good beef cattle can be anticipated during the first semester of 1962.

LABOR

The most important event on the SMO Paulo labor scene during the third quarter was the First Interstate Congress of Democratic Trade Unionists, which took place in SMO Paulo July 22 - 23. An estimated 700 trade union leaders from all over Brazil attended. Governor Carvalho Pinto was a principal speaker at the final session at which former Federal Labor Minister Castro Neves put in an appearance. As a result of the Congress, a split in trade unions has developed, and the Communist drive for unity has been severely set back.

During the recent political crisis, the non-Communist trade union leaders urged the workers to remain calm and not to participate in political strikes. SMO Paulo did remain calm, and this factor went a long way toward preventing serious trouble.

In an important union election, left wing elements maintained control of the SMO Paulo local union of metalworkers, which is considered to be Brazil's largest local union, and perhaps the largest local in Latin America. It is estimated that this union bargains for approximately 150,000 mechanical, machine, and electrical appliance workers in the city of SMO Paulo alone.

Left wing union leaders elected a committee which is preparing to send a large delegation to the Fifth Congress of the World Federation of Trade Unions scheduled to be held in Moscow December 4 to 16.

There were a few strikes during the quarter. In the second week of July, metalworkers employed by Firelli struck and won a wage increase of 36 percent. Textile workers in the interior city of Guaratingetá pulled off a strike of a week's duration and returned to work after they were granted wage increases of 15 percent. Bakery workers struck for 1 1/2 days in SMO Paulo before the Regional Labor Court awarded them a wage increase of 40 percent.

UNCLASSIFIED

1185

UNCLASSIFIED
(Classification)

Page 9 of
Encl. No. 112
Disp. No. Amcogen São Paulo
From

Port workers and longshoremen at Santos struck seven hours in support of their demand for differential pay for unloading unhealthful cargo. Three thousand city, and intercity bus drivers, demanding a 65 percent wage increase, went on strike in Santo André, near São Paulo.

Some unemployment has developed in the State of São Paulo, particularly in the interior city of Ribeirão Preto. Due to its proximity to the states of Minas Gerais and Goiás, this city is receiving an excess of unskilled workers from Northeast Brazil and Brasília.

By a Federal law, passed in July, all enterprises employing 100 persons or more are required to provide educational facilities for children of their employees and for their illiterate employees or else contribute to the State a fixed sum for each person requiring education. In São Paulo, most enterprises have opted for the latter alternative.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

Contributors:

Business Activity	ADventura
Finance	ADventura
Foreign Trade	ADventura
New Investments	ADventura
Transportation and Communications	ADventura
Agriculture	WQThorburn
Labor	JFShea/ADventura
Statistical Annex	ADventura

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Enclosure:
Statistical Annex

UNCLASSIFIED

1186

Page 1 of 1
 List No. 12
 Date: November 1960
 From: American SMO, Paulo

UNCLASSIFIED

Page 1 of 1

STATISTICAL APPENDIX

	Second Quarter	July	August	Cumulative Total (Jan. through Aug.)
Revenue of State of SMO Paulo from Sales & Consignment Tax (billions of cruzeiros) ^{1/}				
1961	25,000	8,663	9,141	63,421
1960	16,393	6,102	6,490	43,124
Total State Revenue from Taxes (billions of cruzeiros) ^{2/}				
1961	23,241	9,646	10,072	71,121
1960	19,146	6,677	7,232	49,693
Electric Power Consumption of Industry in State of SMO Paulo (millions of KWH) ^{3/}				
1961	1,078	371	353	2,858
1960	938	333	354	2,495
Motor Vehicle Production in State of SMO Paulo (in units)				
1961	36,695	11,858	11,502	94,140
1960	29,373	12,306	13,522	81,030
Petitions in Bankruptcy in City of SMO Paulo (in numbers) ^{4/}				
1961	194	50	50	447
1960	177	59	76	321
Petitions for Creditors' Agreements in City of SMO Paulo (in numbers) ^{5/}				
1961	20	3	6	53
1960	18	4	7	46
Notes Protested in City of SMO Paulo (in numbers) ^{6/}				
1961	14,920	5,265	3,375	37,718
1960	13,757	5,172	4,722	37,518
Notes Protested in City of SMO Paulo (millions of cruzeiros) ^{7/}				
1961	395	144	110	989
1960	347	110	107	822

UNCLASSIFIED

OPS 10127

1187

Page No. 112
 Date 11/12
 From AMEMBASSY SAO PAULO

	Second Quarter	July	August	Cumulative Total (Jan. through Aug.)
Cost of Living Index: Statistical Dept. of the City of São Paulo (weighted average; base 1951 = 100)	June			Percent increase since January 1
1961	830	910	920	23.2
1960	644	654	666	20.7

Notes

- 1/ Revenue figures are based on a sales and consignment tax rate of 4.2 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.
- 2/ 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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1188

Air Pouch
HANDLING INDICATOR

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832-00/10-461

FOREIGN SERVICE DESPATCH

FROM : Amconsulate PORTO ALEGRE

16

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 4, 1961

REF : CERP, C-4

OCT - 6 1961

5/12/61 D70

5-5 For Dept. Use Only	ACT INFO REC'D 10/12	INFO 10/12	REP 1	AF 4	ARA 4	EUR 4	FE 4	NEA 4	CU 4	INR 4	E 4	D 4	IO 4	ICA 4
			AGR 10	COM 3	FRB 7	INT 8	LAB 2	TAR 3	TR 4	XMB 4				
			AIR 6	ARMY 10	CIA 4	NAVY 5	OSD 10	OCS 10	USIA 4	NSA 4	DOC 4	REC 10	FPC 1	

SUBJECT: MONTHLY ECONOMIC SUMMARY - Rio Grande do Sul - September 1961

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

SUMMARY:

Frequent rains late in September caused floods in the central and southern parts of the State, inflicting damage to crops and delaying planting operations. With the termination of the recent political crisis, the State's industrial and commercial activities are returning to normalcy. It is held, however, that local industry will not feel the full effect of the crisis until sometime later. The foreign exchange value of the cruzeiro remained weak during the period under review. Demand for bank credits has exceeded the availability of funds, and the local money market has been very tight. Due to rise in the free market dollar, prospects for export of agricultural items have improved. With recent arrivals of foreign wheat, State's supplies should become normal. No major strikes reported, but adjustment in present minimum wages is expected due to continued rising living costs. Stagnation in local construction industry is reported.

1. AGRICULTURAL DEVELOPMENTS:

- a. Rice - IRGA (Rio Grande do Sul Rice Institute) has

AJK Kirchhof/HBloom/zms

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

832.00/10-461 TS

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OCT 24 1961

1189

Page _____ of
Desp. No. _____
From _____

UNCLASSIFIED

(Classification)

Page 2 of
End. No. _____
Desp. No. 16
From PORTO ALEGRE

already taken up some 1,600,000 bags from this year's harvest and is presently negotiating additional Federal financing of up to \$2.2 billion, of which \$1 billion will be received in instalments. It is reported that prospects for the sale of local rice in domestic markets have improved as a result of poor planting conditions, attributed to lack of rain, prevailing in the other rice-growing states of São Paulo, Ceará, Goiás, and Minas Gerais.

b. Soybeans - Latest trade estimates place the total current soybean crop at 300,000 metric tons, of which some 170,000 tons are expected to be available for export. This crop estimate probably is optimistic, as compared with the previous year's crop now estimated at 145,000 tons.

c. Wheat - With the arrival of additional shipments of PL-480 wheat, and some Argentine wheat, supplies in this State are beginning to return to normalcy.

d. Corn - It has been reported in the press that Rio Grande do Sul's average corn yield is very low, 1,360 kilos per hectare, although it produces one of the largest corn crops in Brazil, some 1,810,000 metric tons estimated for 1961. A program has been established by the State Secretary of Agriculture to intensify research, grow hybrid seeds, fix a minimum price to producers, provide technical assistance, fertilizer, etc.

e. Crop Financing - The local semi-official Banco do Estado do Rio Grande do Sul is financing small farmers in the State who grow staple commodities such as corn, manioc, potatoes, etc. Individual loans granted generally do not exceed \$50,000.00 but it is believed that even this small assistance will encourage some farmers to improve crops.

2. DOMESTIC TRADE AND COMMERCIAL ACTIVITY:

The recent political crisis was accompanied by certain inconveniences, including the rationing of gasoline, and threatening food shortages due to disruption of distribution facilities. With banks closed, money in circulation was drastically limited, and sales of all but basic necessities came to a standstill. Commercial activity has since begun to return to normalcy, although credit sales are reported very slow. There are opinions that the manufacturing industry, which continued to operate during the crisis, will not feel the full effect thereof until later.

Comparative figures of total sales for August 1961 (latest figure available) and July 1961, and August 1960, are as follows:

UNCLASSIFIED

1190

Page _____ of
Desp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. _____
Desp. No. 16
From PORTO ALEGRE

(In thousands of cruzeiros)

<u>August 1961</u>	<u>July 1961</u>	<u>August 1960</u>
27,241,794	30,542,521	26,272,400

(Source: Budget Bureau, State Treasury)

Protest of trade bills for August 1961 (latest figure available) amounted to \$17,538,319, as compared with \$12,364,758 for July 1961, and \$9,355,774 for August 1960.

3. FOREIGN TRADE:

a. Rice - With the current increase in the free market dollar, prospects for rice exports have improved, and it is reported that IRGA has in hand several offers from importers in Africa, Indonesia and the Bloc countries. IRGA's officials are actively engaged in finding an outlet for the current exportable surplus.

b. Soybeans - Of the current soybean crop it is reported that 27,000 metric tons have now been exported, mostly to the Netherlands (16,000 tons), and the remainder to Italy, Denmark, Japan and Spain.

c. Tannin - The Association of Tannin Producers (there are five tannin plants in the State) claim that their present total output levels will cover the country's entire needs, leaving an exportable surplus of which some is now being shipped to Poland, Germany, etc. Producers expect that the authorities will also place tannin on the list of selected products for Free Zone Trade. It is reported that in the period 1957-1960 the State's tannin production has increased to a total of 56,511 metric tons, worth \$1,127,389,000. Producers also expect that the Federal authorities will limit the importation of "Quebracho" from Paraguay.

4. INDUSTRY AND INVESTMENT DEVELOPMENTS:

a. New Industry - A local press report stated that a Brazilian group and a representative of the International Products & Mfg. Co. of Chicago, discussed with local authorities the possibility of installing a factory to manufacture carbon brushes in the area of Sao Jeronimo, near Porto Alegre. An investment of \$600 million is envisaged, to be subscribed in equal parts by the Brazilian and American group, but the enterprise will be under Brazilian management. The Consulate will report further details when they become available.

b. Industrial Production - Recent information released by the local Federation of Industries, claims that the current power shortage and lack of financing facilities are principally responsible for the low industrial production in the state of RGS.

UNCLASSIFIED

1191

Page _____ of
Disp. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 4 of
Encl. No. _____
Disp. No. 16
From PORTO ALEGRE

5. TRANSPORTATION AND COMMUNICATIONS:

a. Telephone Problem - A team of Lockheed engineers, presently conferring with local authorities in Porto Alegre, have offered technical assistance to the local mixed-capital Telecommunications Company which will be formed to improve the telephone service in Rio Grande do Sul. The Lockheed technicians stated that a sum of US\$8-10 million will be required to complete such a project. A State government official is reported to have stated that an East German company is also interested in offering its services to such a project. The Consulate will report the developing situation.

6. FINANCE:

a. Exchange - During September the foreign exchange value of the cruzeiro remained at a weak level, fluctuating between \$287.00 and \$304.00 per dollar. The average rate was \$297.38 as against \$269.62 in August 1961. Owing to official restrictions, accompanying and following the political crisis, exchange turnover was limited, report local banking sources.

b. Money Conditions - After being closed for almost two weeks during the recent crisis, local banks reopened on Friday, September 8, and, with the aid of \$2 billion in currency received through the Bank of Brazil, were able to sustain the ensuing heavy movement without embarrassment. It is reported that recent pick-up in deposit volume made it possible for banks to resume short-term discount operations on a limited scale. However, demand for credit has greatly outstripped the availability of funds, and the general tone of the local money market has been that of extreme tightness.

c. State and Municipal Governments Finance - It is reported that a Federal loan to this State of \$5 billion is currently being negotiated in Brasilia, and another one of \$1 billion, to be employed in Porto Alegre on much needed water supply and sewer projects. Local officials believe that these negotiations will prove successful.

d. Bank Increases Capital - It is reported that the Banco da Provincia do Rio Grande do Sul, one of the oldest local commercial banks, will increase its capital from \$300 million to \$380 million, mostly through additional subscription of stocks and revaluation of property.

e. Political Appointments - The state of Rio Grande do Sul has achieved representation among the new Federal government's political appointments, most important of these being the Presidency of the Bank of Brazil and of the Economic Development Bank, which were given to Sr. Ney Galvão and Sr. Leocádio de Almeida Antunes. Sr. Galvão and Sr. Leocádio

UNCLASSIFIED

1192

Page _____ of
Dep. No. _____
From _____

UNCLASSIFIED
(Classification)

Page 5 of
End. No. 16
Dep. No. _____
From PORTO ALEGRE

Mr. Galvão is a well-known and experienced local bank director, and Sr. Antunes is the former State Secretary of Economy. Other Federal posts to which citizens of this State were appointed are the Presidency of the Reinsurance Institute of Brazil, Air Ministry, and the Directorate of "Radio Nacional" (semi-official broadcasting station) and "Agencia Nacional" (official press agency).

7. LABOR:

No major strikes were reported during the month. The continued rise in prices of commodities has started rumors of an adjustment shortly in present minimum wages. It is reported that in view of the present stagnation of the local construction industry, some 3,000 workers have been discharged.

8. MISCELLANEOUS:

Atomic Power - During a recent visit to Porto Alegre the President of the Brazilian Nuclear Power Commission discussed with local authorities the possibility of installing an atomic plant for industrial use in Rio Grande do Sul. It was stated that as a preliminary step the Nuclear Power Commission and the State Power Commission (CEE) would appoint a Working Group to study the feasibility of installing such a plant here. The Consulate will report further developments.

For the Principal Officer

Hyman Bloom
Hyman Bloom
American Consul

cc.: Amembassy RIO

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1193

AIR POUCH

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PRIORITY

(Security Classification)

FOREIGN SERVICE DESPATCH

FROM : Amoenen SAO PAULO

117

832.00/10-661

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 6, 1961

REF : CERP, C-3.

20 For Dept. Use Only	ACTION REC'D 10-10-61	DEPT. IN OTHER CIA-10 COM-12 AGR-10 LAB-8 TR-3 FRB-2
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SUBJECT: Biweekly Economic Review, September 22 - October 2, 1961

INDEX

CERP
Reference

- | | | |
|--|----------------------|---------------|
| 1. State Legislature to Study Project to Expropriate Power Companies | D-10
D-14
D-16 | A. D. Ventura |
| 2. SMO Paulo Municipalities Reject Shoddy East German Tractors | B-1212§
D-11 | A. D. Ventura |
| 3. Plan of Action - 5.2 Billion Cruzeiros for Public Works | D-12
D-16
D-18 | A. D. Ventura |
| 4. PLESP Wants to Hold Increase of Minimum Wages to 30 Percent | D-10
D-17 | A. D. Ventura |
| 5. SMO Paulo Municipal Budget for 1962 | D-12 | A. D. Ventura |
| 6. Prices Rise in SMO Paulo | D-10 | A. D. Ventura |
| 7. Italian Trade Mission in SMO Paulo | D-10
D-13 | A. D. Ventura |

§ Signifies submission of partial data in response to a CERP requirement.

1. State Legislature to Study Project to Expropriate Power Companies

A bill covering the expropriation by the São Paulo State Government of 51 percent of the shares of the companies producing and distributing electric power in the State of São Paulo was submitted to the State Legislature on October 3 by deputy ~~Wences~~ Felício ~~Castellano~~ of the Christian Democratic Party (PSD). The bill provides that the State Government, by assuming control of the power companies, would be in a position to unify the various existing transmission systems, reduce operating costs and electricity rates, block the transfer abroad of profits by foreign-owned power companies, and establish a criterion for the rational utilization of water resources for navigation and fish culture.

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1194

UNCLASSIFIED
(Classification)

Page 2 of
Encl. No. 117
Disp. No.
From Amcongcn São Paulo

Comment: It appears, so far at least, that the bill has been well received by influential members of the Legislature. A number of lacunas and errors, however, have already been pointed out, in particular concerning the funds that the State Government would require to acquire control of the power companies. The bill would authorize a credit of one billion cruzeiros whereas the registered capital of the Canadian-controlled São Paulo Light S. A. alone is approximately twelve billion cruzeiros.

2. São Paulo Municipalities Reject Shoddy East German Tractors

Several municipal governments in the interior of the State of São Paulo are dissatisfied with the shoddy quality and uneconomic operation of East German tractors they have recently acquired. Three prefectures--Cajuru, Cassia dos Coqueiros, and Santa Rosa do Viterbo--are processing for criminal responsibility the parties that were responsible for the purchase of this equipment. The Brazilian Coffee Institute, the Brazilian Municipal Association, and the Paulista Municipal Associations promoted this transaction last year, which consisted of importing 600 tractors from Deutscher Inner-und-Aussenhandel-Maschinen Export in East Germany in exchange for Brazilian coffee, and financing their sale to municipalities in the interior of several Brazilian states. The equipment was imported through the intermediary of Palmar Exportadora e Importadora S. A. of Rio de Janeiro.

Comment: Out of the 600 tractors ordered, 144 were earmarked for delivery to São Paulo municipalities. So far, 97 prefectures have received one tractor each, and another 47 are expecting to get delivery within six months. The tractors are priced at 1,350,000 cruzeiros. Payment is to be made over a period of 5 years.

According to a representative of the Brazilian Municipal Association, the tractors are of good quality, and samples were thoroughly tested before their purchase was authorized. He attributes the prefectures' discontent to servicing problems which should be easily eliminated.

3. Plan of Action - 5.2 Billion Cruzeiros for Public Works

The Governor of the State of São Paulo signed on October 2 a total of 165 road-building and public works contracts for a value of 4,401,891,836 cruzeiros. A few days earlier, the Governor had signed other contracts valued at 800 million cruzeiros for the construction of sewer and water systems. These funds will be expended within the framework of the Government Plan of Action.

1/ Approximate free rate of exchange: Cr\$295 equal US\$1.00.

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1195

UNCLASSIFIED
(Classification)

Page 3 of
Encl. No. 117
Disp. No. 117
From Amcongen São Paulo

Comment: Never before have such substantial funds been contracted at one time for public work programs in the State of São Paulo.

4. FIESP Wants to Hold Increase of Minimum Wages to 30 Percent

In a press interview on October 2 the President of the Federation of Industries of the State of São Paulo (FIESP) expressed the opinion that minimum wages should not be increased by more than 30 percent over present levels. This would put wages in line with the rate of increase in the cost of living between October 1960, when minimum wages were last raised, and now. The FIESP President argued that any increase in excess of 30 percent would only contribute to the inflationary spiral. The problem of the new minimum wages had been discussed by FIESP officers with the President of the Republic and the Labor and Commerce Ministers on their visit to São Paulo (September 30-October 1).

Comment: The remarks of the President of FIESP were prompted by a statement made by the Labor Minister before his departure from São Paulo that minimum wages would be raised by 40 to 60 percent. Official announcement of the new wage levels is expected before the middle of October.

5. São Paulo Municipal Budget for 1962

The Mayor of the city of São Paulo sent a bill to the Municipal Council on September 27 covering the 1962 municipal budget. The bill places expenditures at 21 billion cruzeiros, and revenue at 17 billion cruzeiros, thus reflecting a deficit of 4 billion cruzeiros. Revenue forecast for 1962 is 4,366,140,015 cruzeiros higher than the revenue estimated in the 1961 budget. It includes estimated proceeds from increases in the rates of the industry, sanitary, and vehicles taxes in the amount of 2.1 billion cruzeiros. These increases in tax rates, however, must be approved by the Council before they can be enforced.

Comment: The Mayor has requested authorization to undertake credit operations to cover the projected 1962 deficit. It should be noted that the Municipal Council had refused to authorize credit operations to cover the deficit in the 1961 budget, and it is possible that it may not allow this type of operation in 1962. Moreover, it is believed that the Council will vote various amendments to the bill covering the 1962 budget which would probably increase expenditures by perhaps as much as one billion cruzeiros.

6. Prices Rise in São Paulo

Prices of foodstuffs, services, and finished goods are rising sharply. Rice, beans, milk, corn, potatoes, flour, bread, and

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1196

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(Classification)

Page 4 of
Encl. No.
Disp. No. 117
From Amcongen São Paulo

meat are up 10 to 25 percent as compared with a month ago. Bottled drinks cost 30 to 35 percent more than at the end of September. Pharmaceutical products are sold at retail levels at 10 to 20 percent higher prices than in August. Electricity rates were increased 12 percent on October 1. Prices of construction materials, including cement, steel, iron, and bricks have gone up an average of 10 percent. Real estate values have risen an estimated 3 percent in the past month.

Protesting the rise in prices, a committee of housewives is collecting thousands of signatures throughout the city of São Paulo. These will be sent to the President of the Republic, together with a petition for effective measures to control prices of essential goods.

Comment: Many of these price increases are the result of speculation, based on the assumption that production costs will substantially increase later in October when the new minimum wage levels are announced.

7. Italian Trade Mission in São Paulo

An Italian trade mission visited São Paulo on September 28 and 29. The mission was composed of 25 businessmen and industrialists representing principally the Italian textile, chemical and pharmaceutical, construction, and machine industries. The party met with officers of the Federation of Industries of the State of São Paulo and the Commercial Association to exchange views on the expansion of Brazilian-Italian trade.

Comment: Prospects for the financing of industrial equipment and the extension of credits to Brazilian industries were discussed. The mission estimated that the Italian Government would probably be able to extend long term (10 to 15 years) credits to total 100 thousand to 150 thousand dollars. The possibility of promoting the establishment in Brazil of farm colonies equipped with Italian agricultural machinery and manned by Italian immigrants was also looked into.

For the Minister Consul General:

Scott C. Lyon
Scott C. Lyon
American Consul

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